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**ASIA-PACIFIC ECONOMIC COOPERATION
SECRETARIAT**

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APEC ECONOMIC LEADERS' DECLARATION

**Kuala Lumpur, Malaysia
18 November 1998**

STRENGTHENING THE FOUNDATIONS FOR GROWTH

We, the Economic Leaders of APEC, meeting in Kuala Lumpur on 18 November 1998, renew our resolve towards creating a prosperous Asia-Pacific community where economic disparities among our peoples will be bridged by strengthening the foundations of our economies for growth, providing the environment necessary for the efficient flow of trade, investment and technology and by enhancing the capacities of our economies to participate and benefit fully from liberalisation.

2. Our meeting in Kuala Lumpur takes place at a critical time. We need to deal urgently with the financial crisis which has spread beyond the APEC region. It has resulted in far-reaching social costs, with the affected economies experiencing rising unemployment and falling real incomes, setting back decades of progress achieved in eliminating poverty and increasing education opportunities, as well as access to basic health and infrastructure facilities. **We are resolved to work together to support an early and sustained recovery** in the region, to contain the risks of contagion and prevent the possibility of a global recession.
3. **We reaffirm our confidence in the strong economic fundamentals and prospects for recovery for the economies of the Asia-Pacific.** We believe our emphasis on prudent, growth-oriented macroeconomic policies, strengthened financial institutions and markets, trade and investment liberalisation, and capacity building are cornerstones for renewed and sustainable growth. In particular, **our emphasis on "Capacity Building"** across the broad range of APEC activities this year is particularly relevant in addressing the challenges confronting the region during this time. APEC's emphasis on human resources development, including skills development, technological upgrading, infrastructure improvements and wider outreach to SMEs will strengthen our resilience and capability in overcoming these challenges and restoring stability and confidence to the region.

APEC – KEY CHALLENGES

Challenges of the Financial Crisis

4. Since we met in Vancouver in November last year, the outlook for the global economy has weakened considerably. The regional financial crisis has had economic and social aftershocks more severe than anticipated earlier and similar problems have appeared in other parts of the world.

Nevertheless, there have been several encouraging developments in our economies and in the international financial system in recent months. The progress made by Indonesia, Korea, the Philippines and Thailand in the implementation of strong reform programmes, backed by an unprecedented degree of financial cooperation and support from the international community, has resulted in a substantial degree of financial stability, thereby laying the foundation for recovery in the APEC economies most directly affected by the crisis. In these economies:

- Exchange rates have remained relatively stable, and have strengthened in many of

these economies over the past several months. This has permitted substantial reductions in nominal interest rates to levels which, in some cases, are below those prevailing before the crisis.

- Fiscal policies have been adjusted with support from the international financial institutions (IFIs) to allow increased spending to support demand and employment.
 - The initial acceleration in inflation that accompanied devaluation has been contained to moderate levels in most emerging Asian economies, and the rate of inflation is now decelerating across the region.
 - Short-term external debt burdens have been reduced and reserves have begun to be replenished in many economies.
 - Current account balances have moved into surplus, although most of the adjustments have come from reduced imports.
 - Output declines have been more extensive than many had anticipated, but are now moderating.
 - Several other economies including Indonesia, Korea, and Thailand, have made impressive efforts to strengthen and restructure their respective corporate and financial sectors.
5. In China, interest rates have been eased and an expansionary fiscal package is being implemented to further stimulate economic growth. Maintenance of the renminbi exchange rate has provided an important anchor to help secure regional financial stability.
6. In recent weeks, these developments have been reinforced by:
- the reduction of short-term interest rates in a number of industrialised economies;
 - Japan's commitment of substantial public resources to strengthen its financial system. The authorities have made clear their intention that the essential swift and effective action in the banking sector, including the recapitalisation of banks, with appropriate conditions, will be taken as a matter of urgency. This action, together with a sustained boost to domestic demand is key to the restoration of market confidence and growth not just in Japan but in the whole Asian region;
 - the progress made towards providing additional resources to the IMF; and
 - the G-7's agreement to support the establishment of a new IMF facility to deal with contagion by providing a precautionary line of credit for economies with sound policies supported by the IMF.
7. But important challenges remain. To meet these challenges, **we are committed to pursuing a cooperative growth strategy** with the following dimensions:
- growth-oriented prudent macroeconomic policies, appropriate to the specific requirements of each of our economies;
 - expanded financial assistance from the international community to generate employment and to build and strengthen social safety nets to protect the poor and vulnerable;
 - a comprehensive programme of support for efforts to strengthen financial systems, restore trade finance, and accelerate corporate sector restructuring;

- new approaches to catalyse the return of stable and sustainable private capital flows into the region;
- a renewed commitment to the Bogor goals of achieving free and open trade and investment within APEC; and
- looking toward the longer-term, urgent work among ourselves and with other economies and institutions to develop and implement measures to strengthen the international financial system.

In this context, we welcome Japan's proposed financial package of US\$30 billion to support economic recovery efforts in Asia. We also welcome the multilateral initiative to revitalise private sector growth announced this week by Japan and the US in conjunction with the Asian Development Bank (ADB) and the World Bank. We believe these initiatives will significantly aid our joint efforts to promote recovery and growth in the region and we look forward to their early implementation.

Growth-oriented Macro Policies

8. Each APEC economy has a role to play in accelerating recovery in the region by directing policies with the objective of maintaining or achieving robust growth, contributing to a supportive external environment, and keeping markets open.
 - The major industrialised economies need to **create or sustain conditions for strong domestic demand-led growth.**
 - For the APEC economies most directly affected by the crisis, it is important to continue and accelerate structural reforms within **a framework of prudent, growth-oriented macroeconomic policies.**
 - Other economies in the region where growth may be moderate or slowing also need to continue efforts to implement appropriately stimulative macroeconomic policies which maintain financial stability and sound levels of domestic savings, while also working to **address financial sector reforms in ways that build investor confidence.**

International Support for Employment and Social Safety Nets

9. We note that the financial crisis has resulted in far-reaching social costs. In addition to rising unemployment and falling real incomes, the financial crisis could lead to a substantial increase in poverty in the most seriously affected economies. We therefore endorse the greater flexibility of IMF programmes, and welcome efforts by the World Bank to triple, and the ADB to double, their social sector lending.

Financial and Corporate Sector Restructuring

10. Revitalising the private sector by helping to recapitalise financial institutions, addressing companies' heavy debt burdens, and restoring their access to trade and working capital financing are critical to achieving renewed economic growth in the economies most severely affected by the crisis.

In this regard, we will encourage financial and corporate sector restructuring through mechanisms to:

- **mobilise additional assistance** to support implementation of accelerated financial and corporate sector restructuring, including through use of multilateral development bank guarantees and other innovative mechanisms;
- **increase the availability of working capital and trade finance**, including through cooperative efforts between export credit and insurance agencies and between such bilateral institutions and the multilateral development banks;
- support efforts to **mobilise significant private sector equity capital and investment** to help distressed companies and financial institutions in the APEC region successfully restructure both their finances and their operations; and
- review and, in line with the respective circumstances, remove regulatory and legal impediments to the ability of private financial institutions to participate constructively in the restructuring of the debts of private sector borrowers, while encouraging **export credit and insurance agencies to play a more catalytic role** in encouraging such restructuring.

Catalysing Private Capital Flows

11. In order for the region to fully recover from the crisis, we must be able to attract growth-enhancing, stable capital flows into the region. The increased risk aversion by investors as well as by major private financial institutions has led to a sharp reduction in the flow of capital into East Asian and other emerging market economies without respect to the diversity of prospects among the economies and their long-term growth potential. In response to this challenge, we support **efforts by the multilateral development banks to use innovative financial instruments to help catalyse and leverage private sector capital flows**.

In light of the concerns expressed about the role of the recent performance of the international credit rating agencies, we call for a review of their practices to promote greater effectiveness and to contribute to sustainable capital flows.

In particular, we also need to strengthen the preparedness of our own domestic financial systems to withstand the potentially destabilising impact of short-term flows and to ensure the allocation of long-term capital to productive uses.

Strengthening the International Financial Architecture

12. While our immediate priority must be to mitigate the adverse social impacts of the crisis and to restore financial stability and economic growth, we must **strengthen the international financial architecture** so as to better prevent future financial instability and to resolve crises more effectively when they occur. We agree that now is the time to effect changes aimed at strengthening the international financial system, so as to capture the full benefits of international capital flows and global markets, while minimising the risk of destructive disruptions. We fully agree that strengthened global arrangements are important to enable us to benefit from increased globalisation while avoiding the difficulties many of our members are currently facing.

In particular, we welcome and support the establishment of the new IMF facility for a precautionary line of credit for economies with sound policies supported by the IMF that are threatened by contagion.

The close collaboration and participation of the industrialised economies and the emerging market economies is vital to the success of these efforts to strengthen the international

financial system. APEC has already played a major role in this regard, notably in promoting improvements in the international community's ability to respond to crises, through instruments such as the IMF's Supplemental Reserve Facility. We pledge to continue such collaboration.

Challenges to Trade and Investment Liberalisation and Facilitation

13. The expansion of trade and investment remain essential elements of our economic recovery and we reiterate the need for liberal and open markets and an enabling environment for investment. We consider it particularly important that in the current circumstances, early progress be made on broad-based multilateral negotiations in the WTO, achieving an overall balance of interests of all members.

We reaffirm our commitment to uphold and strengthen the multilateral trading system to ensure fair rules and benefits for all. We urge the prompt accession to the WTO of applicants in accordance with WTO rules, with a view towards achieving the universality of WTO membership.

Challenges to Economic and Technical Cooperation

14. Given APEC's diversity and differing levels of development, globalisation and liberalisation must be complemented by initiatives that build confidence and increase capacity to benefit fully from these processes in order to narrow the disparities in income and wealth. Such initiatives will not only strengthen systemic capacities but will also support APEC's liberalisation and facilitation efforts. The challenge will be to continue to achieve a balance in all three pillars of APEC cooperation to ensure sustained economic growth and development. Economic and technical cooperation has acquired added urgency in the wake of the financial crisis.

KEY ACHIEVEMENTS IN 1998

15. We in APEC have continually given emphasis to result- and outcome-oriented individual and cooperative efforts through the APEC approach. As we move into the third year of implementation after Subic and Vancouver, we note the substantial achievements made in advancing APEC cooperation in our trade and investment liberalisation and facilitation agenda as well as progress in capacity building efforts on economic and technical cooperation.
16. We have reflected on the progress and the results achieved throughout the year as reported to us by our Ministers and we express satisfaction in fulfilling the tasks we set for ourselves when we last met in Vancouver. We welcome the outcomes of the various sectoral Ministerial Meetings held throughout the year and direct APEC fora to follow up on the recommendations.
17. Towards realising the goal of free trade and investment in the region in accordance with the principles of the Osaka Action Agenda, **we pledge to continue improvements and implementation of our Individual Action Plans (IAPs).**
18. We commend the work of our Ministers to facilitate the flow of goods, resources, capital and technology amongst our economies. We will improve the facilitation process to promote efficiency and cost reduction through strengthening members' capacities, including adopting policies to harness the potential of new technologies.
19. **We welcome the progress achieved on the Early Voluntary Sectoral Liberalization**

We welcome the work undertaken in several fora to strengthen the international financial system and in particular take note of the proposals made to improve transparency and accountability; to strengthen national financial systems and market infrastructure; and to improve co-ordination and involvement of the private sector in the prevention and orderly resolution of international financial crises. We believe that there would be considerable value in continuing this work in a process involving both industrialised and emerging markets economies. We agree that a forum such as an expanded G22 would be appropriate for this purpose. **We also call on our Finance Ministers to develop, on an expedited basis, measures to implement these proposals.** We ask for a report at our next meeting on the outcomes of such deliberations within APEC and elsewhere.

We attach special urgency to examine the scope for strengthened prudential regulation of financial institutions in industrialised economies to promote safe and sustainable capital flows, to encourage sound analysis and better risk assessment; to examine the questions of appropriate transparency and disclosure standards for private sector financial institutions involved in international capital flows, such as investment banks, hedge funds and other institutional investors; and to examine the implications of operations of highly leveraged and off-shore institutions. We call for the early establishment of a taskforce including the systemically significant economies to develop practical proposals in these areas. We also call for work to proceed immediately in an appropriately constituted international working group on improved crisis management including orderly debt workout arrangements with the private sector. These proposals can be discussed in the forum for endorsement at the leaders' level and subsequent implementation.

26. The financial instability in Asia underscores the importance of developing strong, resilient and well-regulated domestic financial markets within the framework of a stable international financial system. We therefore call for the adoption by member economies of internationally recognised principles for enhancing supervision of banking systems and securities markets. Among these are the Basle Principles on Effective Banking Supervision and those of the International Organisation of Securities Commissions. In this connection, we welcome work by our Finance Ministers and Central Bank Governors to explore ways to assess the adequacy of, and to help reinforce efforts to strengthen, financial supervisory regimes in member economies, including by identifying ways to record in APEC their progress in adopting international standards/codes/best practices. We look forward to a report at our next meeting on both these directives.

We also **direct our Finance Ministers** to look for **innovative ways to promote the recovery of capital flows into the region**, including through partnerships among member economies, the private sector and collaborative efforts with the World Bank, the ADB and other multilateral institutions. We look forward to concrete results at our next meeting.

27. We record our satisfaction with the progress made by our Finance Ministers in promoting the Cebu collaborative initiatives to develop strong, resilient and stable financial and capital markets in our region and we look forward to regular updates on the implementation of these initiatives at the individual and regional level. We endorse the move by our Finance Ministers to address the need for freer and stable capital flows into the region and in this regard direct our Finance Ministers to incorporate the useful lessons of the past 18 months as they endeavour to develop a pragmatic Voluntary Action Plan as well as formulate appropriate guidelines for monitoring capital flows, including short-term flows.
28. We commend increased efforts to assist crisis-affected regional economies develop sufficient capacity to rebuild their economies and overcome current difficulties. We welcome the Australian **initiative on Economic Governance Capacity Building** and the areas proposed for enhanced capacity building joint activities. We also welcome the

TENTH APEC MINISTERIAL MEETING

**Kuala Lumpur, Malaysia
14-15 November 1998**

JOINT STATEMENT

The Tenth Asia-Pacific Economic Cooperation (APEC) Ministerial Meeting was attended by Ministers from:

Australia	New Zealand
Brunei Darussalam	Papua New Guinea
Canada	Peru
Chile	Republic of the Philippines
The People's Republic of China	Russia
Hong Kong, China	Singapore
Indonesia	Chinese Taipei
Japan	Thailand
The Republic of Korea	United States of America
Malaysia	Vietnam
Mexico	

Members of the APEC Secretariat were also present. The Association of South-East Asian Nations (ASEAN) Secretariat, the Pacific Economic Cooperation Council (PECC) and the South Pacific Forum attended as observers.

The meeting was chaired by the Honourable Dato' Seri Rafidah Aziz, Minister of International Trade and Industry, Malaysia. On behalf of the meeting, she welcomed the new members - Peru, Russia and Vietnam.

Financial Stability

2. Ministers reviewed recent developments in the world economy. They welcomed the 1998 APEC Economic Outlook, with its particular focus and comprehensive review of the current economic developments and prospects of the region. Ministers expressed concern that the financial crisis with its associated contagion effects has had serious socio-economic implications for growth, employment and poverty levels in member economies. Ministers tasked Senior Officials to intensify APEC's efforts to address the social impacts of the crisis as a high priority.
3. Ministers agreed that the major challenge before APEC is to advance policies and collaborative efforts directed at early recovery and sustainable growth in the region. Each economy, both industrialised and developing, has an important stake in this objective and a role in achieving it by implementing appropriate growth-oriented macro-economic policies and structural reforms. Ministers welcomed the efforts of affected economies to overcome the crisis. They also stressed the critical role of open markets in underpinning economic recovery.
4. Ministers supported the work programme of APEC Finance Ministers in strengthening the international and domestic financial systems, developing capital markets, liberalising

(EVSL) package of nine sectors. We instruct Ministers of participating economies to implement the agreement reached on these sectors and further advance work on the remaining six sectors, demonstrating our commitment to the liberalisation process amidst the financial crisis in the region.

20. We affirm that progressing all three pillars of cooperation in APEC will strengthen the foundations for further growth. We commend progress in the priority areas of human resources development and harnessing technologies of the future. We note the improvements in the management of the economic and technical cooperation process including the work underway in infrastructure and sustainable development. **We instruct Ministers to give further focus to strengthen coordination in Economic and Technical Cooperation (ECOTECH) activities and intensify work in the priority areas.** We believe the contribution of the business/private sector in ECOTECH activities will enhance and strengthen our efforts to advance the economic and technical cooperation agenda and welcome APEC Business Advisory Council's (ABAC) commitment in this area through the Partnership for Equitable Growth (PEG).
21. As the APEC community enters into its tenth year of cooperation, we recognise the need to review its activities, structure and mechanisms in order to ensure that APEC delivers focused and outcome-oriented results in the most effective and efficient manner. We observe the proliferation of APEC fora and meetings and endorse work to further streamline the APEC management process. **We instruct Ministers to complete the review of the APEC process by 1999 and for implementation of measures in 2000.**
22. We recognise that the involvement of the business/private sector is an important feature of APEC work and endorse its broader participation in APEC activities. We direct Ministers to enhance business/private involvement, within existing guidelines, in relevant APEC activities. We welcome efforts to improve business mobility through the APEC Business Travel Card scheme and the collective commitment to expand the availability of multiple entry visas or permits to business travellers. We also welcome the recommendations by ABAC and instruct our Ministers to study ABAC's proposals, including the APEC Food System.

STRENGTHENING THE FOUNDATIONS FOR SUSTAINED GROWTH INTO THE 21ST CENTURY

23. We are firmly resolved to strengthen social safety nets, financial systems individually and globally, trade and investment flows, the scientific and technological base, human resources development, economic infrastructure, and business and commercial links so as to provide the base and set the pace for sustained growth into the 21st century.

Strengthening Social Safety Nets

24. Given the ramifications of the crisis and the importance of addressing social vulnerabilities, we agree that as a matter of high priority, APEC should intensify efforts to address the social impacts of the crisis. In particular, we direct our Ministers to work with the World Bank, the ADB, the Inter-American Development Bank and, where appropriate, public and private institutions to formulate **strategies of concrete actions aimed at strengthening social safety nets.** We look forward to receiving a report at our next meeting.

Strengthening Financial Systems Individually and Globally

25. We recognise that the development and strengthening of the financial system is fundamental to the realisation of APEC's goal of free and open trade and investment by the year 2010/2020.

Singapore initiative which will provide technical assistance programmes at the IMF-Singapore Regional Training Institute and in collaboration with other interested partners and institutions. We encourage economies to pursue such capacity building initiatives.

29. We are agreed on the importance of improving economic transparency and predictability at the national and international levels. Therefore, **we welcome a new collaborative initiative** agreed by Finance Ministers at Kananaskis to examine ways of **strengthening corporate governance** in the region. We also welcome a new initiative on the development of domestic bond markets. We applaud the initiative of the Financiers' Group to create private sector training and education programme for financiers across the APEC region, which we believe, will complement the effort of the member economies in this area. We direct our Finance Ministers to focus efforts on advancing progress on all these initiatives and look forward to a report on concrete outcomes at our next meeting.

Strengthening Trade and Investment Flows

30. We welcome further efforts to strengthen trade and investment flows in the region. These include work on competition policy and regulatory reforms as well as rapid implementation of measures to further enhance an environment conducive for trade and investment flows. In this regard we welcome the adoption of the menu of options and measures on investment and Korea's initiative to host an APEC FDI Mart in Seoul in June 1999.

We note that knowledge-based industries and tourism have considerable potential to contribute to growth and development in the next century. We recognise the need for efforts to maximise the contribution of these sectors to the prosperity of APEC economies.

Strengthening the Science and Technological Base

31. **We endorse the 1998 APEC Agenda for Science and Technology Industry Cooperation into the 21st century** which will facilitate our vision of enhancing APEC's ability to harness technologies for the future and catalyse the development of strong sustainable regional science and technology networks and partnership. We take note of the principles, mechanisms and areas for joint actions set out therein and instruct Ministers to undertake due efforts to implement the agenda. We welcome the establishment of the China APEC Science and Technology Industry Cooperation Fund.

Strengthening Human Resources Development

32. We reiterate our common belief that human resources development is a key and integral factor to the realisation of all efforts towards a capacity for sustained growth in the economies of the Asia-Pacific into the 21st century. We have made a commitment to a framework to advance human resources development across the entire spectrum of our work plan. **We therefore endorse the attached 1998 Kuala Lumpur Action Programme on Skills Development in APEC** as a significant inroad into public-business collaborative partnership in skills development. This programme recognises the value of the contribution of the business sector and underscores APEC's continued broadening of its outreach to the business community. We welcome the initiatives of member economies and further instruct Ministers to undertake concerted efforts towards the implementation of this Action Programme. In this regard, we welcome Singapore's technical assistance for the training of healthcare professionals in the region.

We support continued efforts to further the role of women in the APEC process. To this end, we instruct Ministers to develop a **Framework for the Integration of Women in APEC**.

Strengthening the Economic Infrastructure

33. We reaffirm that strengthening the capacity of our economic infrastructure is an essential component towards the realisation of our goals of sustainable and equitable growth and development throughout the APEC community. We commend in particular commitment given throughout 1998 to further strengthen and develop economic infrastructure. We welcome the Natural Gas Initiative approved by the Energy Ministers at Okinawa. We acknowledge the progress that is ongoing in the implementation of the Vancouver Framework for Enhanced Public-Private Partnerships in Infrastructure Development. We welcome progress being made in advancing the initiative of creating the Asia-Pacific Information Society (APIS) and endorse work to further advance the development of the Asia-Pacific Information Infrastructure (APII).

We reiterate our commitment to advance sustainable development across the entire spectrum of our workplan including cleaner production, protection of the marine environment and sustainable cities. **We endorse the joint actions to be launched in the areas of food, energy and the environment** in relation to the economic and population growth of the APEC community. We instruct that Ministers undertake efforts to develop the implementation of these joint actions. We commend the initiative of Ministers in establishing the **APEC Framework for Capacity Building Initiatives on Emergency Preparedness**, which seeks to foster cooperation in longer-term capacity building in preventive and responsive measures for unexpected natural emergency disasters.

Strengthening Business and Commercial Links

34. Small and Medium Enterprises (SMEs) are a major stakeholder in APEC comprising over 95 percent of all enterprises, employing up to 80 percent of the work force and contributing 30 to 60 percent of the GNP of APEC economies. We stress the importance of harnessing and increasing the potential for SMEs to contribute to growth and development in the region. We commend Ministers for producing the **Integrated Plan of Action for SME Development (SPAN)** that sets out the blueprint of strategic directions for both enterprise and entrepreneur development through individual and collective actions. We instruct Ministers to focus on further developing and strengthening the dynamism of SMEs and to give priority to the implementation of joint actions of the SPAN and encourage economies to adopt individual actions to strengthen the development of SMEs. We look forward to receiving more concrete outcomes at our next meeting.
35. We commend Ministers for formulating the **APEC Blueprint for Action on Electronic Commerce** containing broad themes and cooperative activities for the promotion and development of electronic commerce in the region. We recognise that the Y2K problem has the potential to cause significant economic, trade and financial disruption. We agree that all economies need to enhance awareness and implement necessary measures to resolve this problem on an accelerated basis.

We are confident that APEC, bound together by our commitment to our goals and our resolve to strengthen the foundations for growth, will meet the challenges of the 21st century.

KUALA LUMPUR, MALAYSIA
18 November 1998

KUALA LUMPUR ACTION PROGRAMME

On Skills Development

(Attachment to the APEC Economic Leaders' Declaration, 18 November 1998)

Background

1. Human resources development is one of the key factors to ensure sustained economic growth. Recognising this, APEC Economic Leaders in Seattle envisioned building a community where improved education and training would provide the skills for improving the well-being of its people.
2. In 1994, Ministers adopted the Human Resources Development Framework which reaffirmed the principles of the Seoul Declaration, namely:
 - affirm that issues of human resources development and the development of economic growth, employment, and quality of life should be addressed in an integrated and coordinated manner;
 - affirm the value of, and need for, concerted development of human resources by member economies, the region's business/private sector enterprises, and research, education and training institutions; and
 - affirm the important role of the public sector in giving guidance to human resources development in both the public and business/private sector.
3. The meeting of APEC Human Resources Development Ministers in 1997 also emphasised the importance of skills development as one of the instruments for adjusting to the changes in the labour market and economic environment. The strive for sustained growth demands an emphasis on productivity, the emphasis on a skilled workforce would enable the restructuring of industry towards higher technological capability and value-added as well as enhancing the absorptive capacity for technological improvements.
4. In the face of the current economic crisis, APEC has agreed that there is a need to address the social impact of the crisis. Retraining of displaced workers can contribute towards alleviating the social impact on those affected as well as strengthening the spirit of community in APEC.

Objective

5. As APEC progresses towards a decade of regional cooperation, efforts towards achieving the vision of stability, security and prosperity for our peoples will be further strengthened through an APEC action programme on skills development. The objective of the programme is to contribute towards sustainable growth and equitable development while reducing economic disparities and improving the social well-being of the people, through skills upgrading/improvement.
6. The action programme seeks to encourage greater participation of the private/business sector in skills development in APEC. The programme also emphasises projects which can be conducted on an on-going basis taking into account the principles of mutual respect and equality, mutual benefit and assistance, constructive and genuine partnership, and consensus building. APEC economies will participate in the implementation of the programme on voluntary basis.

Strategic Focus

7. The action programme will bring to focus and encourage concerted efforts in activities that

contribute directly towards a more rapid building up of the skills base of the region's workforce in four specific areas:

- (a) Upgrading the industrial skills base: Upgrading the skills base across APEC economies will contribute towards greater efficiency, enhanced technology flow and increased productivity, resulting in more efficient and effective utilisation of resources.
- (b) Spawning new entrepreneurs: Small and medium enterprises form the backbone of our economies. A thriving SME sector is crucial for the successful adjustment to the rapidly changing business environment. As such entrepreneurial skills should be encouraged and their growth promoted.
- (c) Technology skills for the new millennium: The workforce must be equipped with new skills to match the rapid pace of transformation from an industrial economy to an economy that is characterised by greater use of new technologies such as information technology, biotechnology and composite/advanced materials.
- (d) Strengthening institutional infrastructure to facilitate trade and investment liberalisation: The promotion of trade and investment liberalisation must be supported by corresponding efforts to strengthen the institutional capacity required to enable effective response to market demands. This includes the capacity for more effective implementation of facilitation and supervisory measures.

Approach

8. To intensify skills development efforts, APEC should encourage implementation of the projects on an on-going basis. Such efforts should be intensified through voluntary sponsorship/joint sponsorship from APEC economies. The Partners for Progress (PFP) approach could be adopted.
9. Funding of projects on a sustained basis is a critical issue. Economies could seek the participation of the business sector, where possible, to undertake such projects. As principal beneficiaries of TILF activities, the private/business sector should be encouraged to contribute to APEC's longer term capacity building measures such as skills development. Businesses with interests spread across the region are well-placed to contribute towards such efforts.
10. Another approach is to encourage public -business 'smart partnership' in skills development. The provision of technical skills undertaken by the public sector faces increasing constraints in terms of funds, expertise and equipment. The result is a mismatch between training and the real work environment. A more effective approach is to encourage a market-driven approach to skills training emphasising greater business participation. While the public sector is able to provide training for more generic skills, business involvement is necessary to ensure that the output matches market demand.
11. An APEC network of skills development centres will enable cooperation resulting in benefits in areas such as programme development, exchange of training modules/instructors and sourcing of instructors/equipment. This will also complement other APEC initiatives on human resources development such as mutual recognition of skills training qualifications.

Conclusion

12. The Action Programme on Skills Development, by drawing out sustained and concerted efforts on skills development with direct impact on the beneficiaries, will contribute towards maximising the potential for economic growth and improving the well-being of the people of the region.

capital accounts and formulating measures to build social safety nets in affected economies.

5. Ministers concurred that capacity building initiatives were integral in enhancing the resilience of domestic economies and their ability to withstand future economic turbulence. In this context, Ministers endorsed the ***Economic Governance Capacity Building Initiative*** and welcomed the work on corporate governance in the Finance Ministers' process. Ministers looked forward to progress on these initiatives.

Trade and Investment Liberalisation and Facilitation (TILF)

6. Ministers reaffirmed their commitment to achieve APEC's trade and investment liberalisation goals through the process of individual and collective actions. Ministers viewed trade and investment liberalisation as an important element in restoring confidence in the region and in stimulating economic growth.
7. ***Individual Action Plans*** Ministers endorsed the submission of improved 1998 Individual Action Plans (IAPs) and welcomed IAPs of the three new members. Ministers were encouraged by the continued implementation and improvements to the Plans, particularly by economies affected by the financial turmoil. Ministers commended the commitment to specific action and timelines, adherence to the 1997 revised format guidelines and consideration given to the APEC Business Advisory Council's (ABAC) recommendations. Ministers also welcomed the voluntary inclusion in a number of IAPs of financial sector reforms and other measures taken in response to the situation of financial instability. Ministers noted the usefulness of the current process of bilateral consultations and voluntary peer review in providing feedback for further improvements. In this regard, Ministers welcomed Korea's and Malaysia's submission of their IAPs for voluntary peer review and the offer from Australia, Brunei, Japan, the Philippines, and the United States to do so in 1999. Ministers agreed that Senior Officials should undertake a review, in 1999, to assess overall progress in IAPs in accordance with the principles, objectives and guidelines of the Osaka Action Agenda. Ministers reaffirmed the role of the IAPs as the primary mechanism for progressing APEC's trade and investment liberalisation and facilitation towards the Bogor goals.

Trade and Investment Facilitation :

8. Ministers welcomed and endorsed the 1998 Committee on Trade and Investment (CTI) Annual Report to Ministers. They commended the CTI's work in facilitating a more open environment for trade and investment as well as in implementing activities to improve the flow of goods, services, capital, and technology that will be relevant to business. Ministers agreed that emphasis be given to action-oriented and focussed outcomes that will provide tangible benefits to members.

Ministers welcomed the 1998 achievements of the CTI and the Working Groups and their work on the:

- alignment of member economies standards with international standards on electrical and electronic equipment in respect of safety and electromagnetic compatibility by 2004/2008;
- agreement on the part of exchange of information of mutual recognition arrangement (MRA) for electrical and electronic equipment;
- development of a menu of options for investment liberalisation and facilitation;

- development of non-binding principles pertaining to value for money, open and effective competition, and fair dealing in government procurement;
 - implementation of phase 2 of the APEC Business Travel Card trial and collective commitment to expand the availability of multiple entry visas or permits for business purposes;
 - set of policy recommendations on the development of natural gas and promotion of energy efficiency;
 - development of a comprehensive customs work programme on common data elements, risk management and express consignment clearance;
 - launch of the APECNet for business search and opportunities;
 - enhancement of information exchange and policy dialogue through the publications on APEC Energy Supply and Demand, IPR administration systems and the Business Residency Handbook;
 - comprehensive range of training and technical cooperation programmes undertaken in 1998; and
 - development of an APEC Directory of Professional Services that facilitates the provision of trade in services.
9. Ministers called for further development of Collective Action Plans (CAPs) and their implementation in 1999. In particular, Ministers called for intensified work on trade facilitation which encourages the use of technologies and techniques that will help members to build up expertise, reduce costs and lead to better movement of goods and services. They agreed that officials should examine how competition and regulatory reforms can contribute towards facilitating trade and investment. Ministers stressed the importance of the completion of TRIPs implementation by APEC WTO member economies in 2000. In addition, they directed that priority be given in 1999 to the implementation of the multi-year training and technical cooperation programmes, including those on standards and conformance, customs procedures, intellectual property, competition policy and business mobility as a means of enhancing members capacity in the TILF area and in implementing CAPs.
10. Ministers welcomed the actions taken by the CTI and its sub-fora to invite, as appropriate, business/private sector contributions, including from ABAC in accordance with the agreed guidelines. Ministers encouraged actions by APEC fora that will increase benefits to SMEs. They further directed APEC fora to consider ways to enhance business/private sector support and contributions for APEC activities.
11. ***Early Voluntary Sectoral Liberalisation (EVSL)***: Ministers recognised the Early Voluntary Sectoral Liberalisation (EVSL) initiative as a significant step to advance the pace of liberalisation in APEC. The EVSL initiative, undertaken through the APEC principle of voluntarism, is an integrated approach to liberalisation through the incorporation of facilitation and economic and technical cooperation measures.
12. Ministers noted the progress made in 1998 in finalising the EVSL package:

- i. Participation by 16 economies in the EVSL process;*
 - ii. Results of the Kuching meeting on a framework for addressing EVSL , encompassing tariffs, facilitation and ECOTECH, and with respect to tariffs, end-rates, end-dates and product coverage (including subsequent work) as well as guidelines on flexibility provisions;
 - iii. Conformity with the end-rates and end-dates, as reflected in Table 1 (not enclosed) in SOM Chair's report; and
 - iv. Flexibility requests for end-rates and end-dates as reflected in Table 2 (not enclosed) of the SOM Chair's report.
13. Ministers agreed that APEC economies may implement immediately the tariff commitments on a voluntary basis.
14. Ministers agreed to commence implementation of facilitation, ECOTECH and other initiatives according to the agreed schedule in all nine sectors. Additional facilitation and ECOTECH initiatives will be developed and implemented on a continuous basis.
15. Ministers of the 16 participating economies also agreed to improve and build on this progress in 1999:
 - i. by broadening the participation in the tariff element beyond APEC, to maximize the benefit of liberalisation. In this regard, the WTO process would be initiated immediately on the basis of the framework established in Kuching and subsequent information provided by economies, having regard to the flexibility approaches as contained in the status reports with a view towards further improving their participation and endeavouring to conclude agreement in the WTO in 1999; and
 - ii. by working constructively to achieve the critical mass in the WTO necessary for concluding agreement in all 9 sectors.
16. This process of expanding participation beyond APEC will not prejudice the position of APEC members with respect to the agenda and modalities to be agreed at the Third WTO Ministerial Conference.
17. Ministers agreed to review progress at the Trade Ministerial Meeting in June 1999.
18. Elements in the other six sectors shall be further developed for review by Ministers Responsible for Trade in June 1999. Implementation of Non-tariffs Measures (NTMs), facilitation and ECOTECH and other initiatives that have been agreed shall commence in accordance with the work programmes in each sector.
19. ***Impact of Liberalisation:*** Ministers acknowledged the importance of promoting a broad-based and balanced understanding within APEC communities of the rationale for APEC's trade and investment liberalisation goals. Ministers noted that the case studies provide a useful overview of the adjustment costs and benefits as well as the broader impact of liberalisation. Ministers tasked officials to develop effective communication strategies to build community understanding for liberalisation, including through the holding of a keynote seminar on communicating the impact of trade liberalisation in Auckland in June 1999.

*Australia; Brunei; Canada; People's Republic of China; Hong Kong, China; Indonesia; Japan; Korea; Malaysia; New Zealand; Papua New Guinea; the Philippines; Singapore; Chinese Taipei; Thailand and the USA.

20. **Multilateral Trading System:** Ministers reiterated their commitment to strengthen the multilateral trading system through further trade liberalisation and by ensuring the adequacy of trade rules, at a time of globalisation and rapid technological advancement, in a manner which will enhance the capacity of developing economies to integrate into the global economy and achieve the benefits of liberalisation.

Ministers pledged their support for WTO's work on trade and investment liberalisation and rule making. In this regard, APEC member economies would actively participate and contribute to the WTO preparatory process to develop a substantive agenda for the Third WTO Ministerial Conference, with a view to pursuing further broad-based multilateral market access and other liberalisation, to respond to the range of interests and concerns of all members.

Ministers also stressed the importance of full implementation of existing WTO commitments. Ministers also reaffirmed their commitment to maintain the momentum of multilateral trade liberalisation. Ministers encouraged acceleration of accession negotiations in accordance with WTO rules and based on effective market access commitments with a view to achieving universality of WTO membership.

Ministers commended the on-going contribution by APEC to support work undertaken by the WTO in areas such as the interaction between trade and competition policy, transparency in government procurement and investment. In this respect, APEC work in such areas as competition policy, deregulation, government procurement and investment was of particular relevance. Ministers encouraged such work be continued. Ministers also directed that technical cooperation activities be enhanced to assist member economies to implement WTO Agreements.

Economic and Technical Cooperation (ECOTECH)

21. Ministers commended the efforts to further strengthen economic and technical cooperation in APEC under the Manila Framework for Strengthening Economic Cooperation and Development. Capacity building initiatives which contribute towards reinforcing foundations for sustainable growth have become a priority in the light of the economic crisis. Ministers welcomed the *SOM 1998 Report on ECOTECH Activities* and called for the report to be submitted annually.

Ministers expressed satisfaction with progress on the broad spectrum of ECOTECH activities in pursuit of the six priority themes, particularly the focus on capacity-building, and commended the efforts of the SOM Sub-committee on Economic and Technical Cooperation to improve coordination and management and ensure focussed outcomes. Ministers called for intensified work to further improve the effectiveness of economic and technical cooperation activities.

22. **Developing Human Capital:** Human resources development is a key factor for sustained economic growth and investments in human resources now will assist in economic recovery. Skills upgrading of the region's workforce will enhance the flexibility of economies to cope with the challenges of the new millennium. Ministers approved the ***Kuala Lumpur Action Programme on Skills Development*** to further intensify efforts towards upgrading the skills of the region's human capital and instructed APEC fora, particularly the HRD Working Group, to implement the Action Programme. Ministers welcomed the members' efforts to expand or initiate programmes for skills development following the Action Programme. Ministers recognised the importance of private sector contributions in skills development and welcomed the proposed seminar to share experiences on public-private/business sector partnership in skills development be held in

1999. Ministers encouraged greater contribution from the private sector in progressing the relevant projects of the HRD Working Group.

Ministers recognised the importance of fully harnessing the vast potential of the human capital in the region, especially among youth and women, and reiterated their support for continued efforts to integrate them into APEC activities. Ministers endorsed all the recommendations of the Ministerial Meeting on Women in Economic Development and Cooperation in APEC, particularly the development of a *Framework for the Integration of Women in APEC*. Ministers noted the success of the *APEC Youth Science Festival* in Seoul in generating the involvement of youth in science and communication.

23. ***Stable, Safe and Efficient Capital Markets***: Ministers noted the efforts to promote the development and resilience of APEC's financial and capital markets undertaken by APEC Finance Ministers. In tandem with this, efforts are being undertaken by member economies to reform and strengthen their domestic financial systems. Ministers agreed that APEC's approach towards accelerating an early recovery and restoring confidence in the region involved positive linkages and cooperation with the on-going efforts of the international financial institutions and other international fora to alleviate the crisis.

Ministers noted that APEC fora have during the course of the year considered the impact of the financial crisis on labour markets, infrastructure development, SMEs, trade, investment, women, tourism and the energy sector. Members welcomed the report of the task force on human resources and the social impact of the financial crisis.

24. ***Economic Infrastructure***: Ministers welcomed the APEC Infrastructure 1998 Report on Activities to implement the 1997 Vancouver Framework for Enhanced Public-Private Partnerships in Infrastructure Development. Ministers recognised that investment in infrastructure development can contribute to economic recovery in the region and called for further progress in the five areas of:

- creating an Asia-Pacific Information Society;
- creating an Integrated Asia-Pacific Transportation System;
- economically viable and environmentally sustainable energy infrastructure which includes the Natural Gas Initiative endorsed by Energy Ministers;
- infrastructure for Sustainable Cities; and
- infrastructure to Support Rural Integration and Diversification, including innovative ideas for financing rural infrastructure development.

25. ***Harnessing Technologies of the Future***: In recognising the potential of scientific and technological advancements in promoting economic growth, Ministers endorsed the *APEC Agenda for Science and Technology Industry Cooperation into the 21st Century* approved by the Ministers Conference on Regional Science and Technology Cooperation. The Agenda encourages enhanced collaboration and cooperation through the creation of strong open innovation systems and the development of sustainable regional science and technology networks and partnerships. Ministers called for an annual progress report on implementation of the Agenda. Ministers also welcomed progress in the APEC cleaner production initiative and encouraged member economies to actively participate in cleaner production projects.

26. ***Environmentally Sound Growth***: Pursuant to the call by Leaders for an action-oriented report on the impact of population and economic growth on food, energy and the environment, Ministers welcomed and endorsed the *1998 FEEEP Report* which outlines joint actions in the areas of food, energy and the environment, including the establishment of an interdisciplinary network of research institutions. Ministers instructed that work be progressed in 1999. Ministers endorsed the ***APEC Framework for Capacity Building Initiatives on Emergency Preparedness***, which aims to strengthen joint cooperative efforts to enhance capacities of APEC member economies to respond to natural disasters and emergencies, and look forward to initiatives to improve preventive and responsive measures through information-sharing and capacity building. Ministers welcomed the decision of Energy Ministers to improve the efficiency of energy use, in particular through implementation of a voluntary pledge and review program. Ministers reiterated the importance of APEC's work on sustainable development in following up on the initiatives of Environment Ministers in respect of clean oceans, cleaner production and sustainable cities, and directed the appropriate APEC fora to progress work in these areas.
27. ***Strengthening the Dynamism of Small and Medium Enterprises***: Ministers recognised the crucial role of small and medium enterprises (SMEs) in enhancing the resilience of economies in a rapidly evolving competitive business environment. Ministers welcomed the ***Integrated Plan of Action for SME Development (SPAN)*** approved by the SME Ministerial Meeting. The SPAN provides guidelines for the development of SMEs through action at the domestic level and collaboration efforts at the regional level.
28. Ministers also noted the work of the APEC Working Groups and other APEC fora in furthering APEC's objectives of promoting economic growth and cooperation. Ministers directed these fora to continue the implementation of the Framework for Strengthening Economic Cooperation and Development through coordinated activities.

Electronic Commerce

29. Ministers endorsed the work of the APEC Electronic Commerce Task Force in promoting greater understanding of electronic commerce issues through exchanging and sharing information and developing substantive recommendations to ensure that APEC as a region benefits from this new technology. This work programme covers Y2K, "Paperless Trading", authentication issues such as cross certification, collection of case studies, survey of impediments, "Virtual" Electronic Commerce/Multimedia Resource Network and ECOTECH activities. Ministers recognised that whilst the business sector has a leading role in the development of electronic commerce technology and applications, the government has an important role in providing a favourable environment for electronic commerce to flourish and to create confidence from using it.

In order to increase the uptake of electronic commerce in APEC, Ministers endorsed the ***APEC Blueprint for Action on Electronic Commerce*** setting out the broad themes relating to cooperation on electronic commerce within APEC and specific future activities for the APEC-wide electronic commerce work programme and agreed that it be transmitted to APEC Economic Leaders for endorsement. They recognised that technical cooperation would enhance the capacity of member economies for the uptake of electronic commerce within APEC. To ensure continued coordination in pursuit of the Blueprint for Action, Ministers agreed that a Steering Group, comprising representatives from member economies, would be established involving relevant working groups and sub-fora as well as business sector experts, in accordance with APEC guidelines on business/private sector participation. Ministers recognised the urgency of dealing with the Y2K and welcomed the proposed Y2K Regional Contingency Planning Experts' Meeting in early 1999. Ministers tasked officials to collaborate to intensify regional preparations to deal with the Y2K

problem. Ministers expressed appreciation to PECC for its contribution to APEC's work on electronic commerce.

Analytical Work

30. Ministers welcomed and endorsed the Economic Committee's Annual Report, including the attached report of the Task Force on Food and the Infrastructure Workshop's Year-end Report. Ministers commended the Committee for its work in preparing the *1998 APEC Economic Outlook* and the extensive progress made in finalising its initial research agenda. Ministers noted and endorsed the Economic Committee's revised terms of reference that focus the Committee's future endeavours on demand-driven analytical work in support of the Ministers and Leaders meetings as well the policy-oriented work of other APEC fora.

Ministers also commended the Committee and its Task Force on Food for the work in developing the *FEEEP Report to Leaders*, the supporting analytical work on food and the *Proceedings of the FEEEP Symposium*, which addressed the crosscutting aspects of this issue.

Ministers also commended the Infrastructure Workshop for advancing the work in this priority area, including the results of the 1998 Public/Private-Sector Dialogue, which afforded the business sector an important opportunity to discuss the role of infrastructure investment in supporting recovery in growth.

Management Process

31. Ministers welcomed the interim report on the three-year review of APEC's management process with a view to streamlining its work and making it coherent and lean so as to respond better to current challenges. The review collaboratively led by Malaysia, New Zealand and Brunei Darussalam is built upon the work done by the Task Force on Management Issues in 1997.

Ministers endorsed a set of common guidelines to be used in reviewing the mandates of APEC fora and directed Senior Officials to forward their recommendations to Ministers in September 1999. In order to demonstrate their resolve to reform APEC's management process, Ministers agreed on the following initial actions:

- the dissolution of the Trade and Investment Data and Review Working Group (TIDWG) and Small Group on Information Gathering and Analysis;
- the adoption of common review guidelines for self-review by APEC fora;
- a moratorium on the creation of new fora during the review period. If necessary, only *ad hoc* task forces with a definite life span would be created; and
- redesignating the Budget and Administrative Committee (BAC) as the Budget and Management Committee (BMC).

Private Sector/Business Participation

32. Ministers held a dialogue with representatives of ABAC and encouraged greater interaction with the business/private sector in APEC activities. Ministers noted the positive response to ABAC's 1997 recommendations in APEC's Individual and Collective Action Plans.

Organisational and Budget Issues

33. Ministers noted:
- Outcomes of the Sectoral Ministerial Meetings on Finance; Trade; SMEs; Telecommunications and Information Industry; Energy; and Science and Technology;
 - Report of the APEC Study Centres; and
 - Statements of ASEAN Secretariat, PECC and South Pacific Forum.
34. Ministers endorsed the SOM Chair Report on Budget Issues and approved the 1999 budget of US\$6,811,559 and contributions of member economies amounting to US\$3,338,000
35. Ministers took note of the Report of the APEC Secretariat and expressed appreciation for the work done by the Executive-Director, Ambassador Dato' Noor Adlan Yahaya Uddin and staff of the APEC Secretariat, as well as for the high level of professionalism and support provided to the APEC Committees and Working Groups and the APEC process as a whole.

Future Meetings

36. Ministers thanked New Zealand for the briefing on the preparations for the 11th APEC Ministerial Meeting and looked forward to their next meeting in Auckland in 1999. Ministers also thanked Brunei Darussalam for its update on plans for the 12th Ministerial Meeting. The 13th Meeting will be hosted by the People's Republic of China. Ministers welcomed Mexico's offer to host the 14th Ministerial Meeting in 2002.

APEC FINANCE MINISTERS MEETING

**Kananaskis, Alberta, Canada
23 - 24 May 1998**

JOINT MINISTERIAL STATEMENT

1. We, the Finance Ministers of the Asia-Pacific Economic Cooperation (APEC)¹ forum met in Kananaskis, Canada to assess future prospects for growth and development within our region in light of the Asian crisis and to discuss policies and measures to improve such prospects. The meeting in Kananaskis marked the fifth time this forum has convened.
2. We welcomed Peru, Russia and Vietnam as official observers to our meeting, and look forward to their induction as full member economies in November in Malaysia.
3. Our discussions focussed on two broad themes. The first was an assessment of the current economic situation and policies to restore financial stability and growth, including measures to strengthen social safety nets to help cushion the impact of the crisis on the poor. The second was the development and strengthening of financial markets in the region so as to reduce the likelihood of future financial instability and to facilitate the continued dynamic growth of the region. In this regard, we reaffirm our commitment to doing our part to support the APEC goal of free and open trade and investment by 2010 in developed economies and by 2020 in developing economies.
4. The Managing Director of the International Monetary Fund (IMF), the President of the Asian Development Bank, and the President of the World Bank joined our discussions.
5. We had a constructive dialogue with the APEC Financiers Group and key representatives of the APEC Business Advisory Council (ABAC) and the Pacific Economic Cooperation Council (PECC) on measures to encourage the resumption of private capital flows to affected economies. We also recognized the importance of the Year 2000 problem and urge all the economies in our region to take urgent action to address this issue. We express our appreciation to the panellists who guided discussions in those sessions.

Causes of the Financial Instability in Asia

6. We reviewed key macroeconomic and structural issues in the APEC region. The financial turmoil in Asia over the past year has affected not only the APEC region, but has also been a major source of uncertainty in the world economic outlook generally. In this regard, while there are many distinct causes of the crisis in Asia, we also noted some similarities to the conditions leading up to the financial instability experienced by Mexico and other parts of Latin America in 1994-95, such as large short-term capital inflows, growing current account deficits as well as inadequate banking supervision and regulation.

¹ Australia; Brunei Darussalam; Canada; Chile; China; Hong Kong, China; Indonesia; Japan; Korea (Republic of); Malaysia; Mexico; New Zealand; Papua New Guinea; the Philippines; Singapore; Chinese Taipei; Thailand; and the United States.

7. In the decade leading up to the Asian crisis, generally prudent macroeconomic policies had contributed to strong economic growth in most of the Asian economies. During the mid-1990s, however, signs of overheating emerged as high investor confidence and ready access to capital fuelled excess domestic demand in some economies. This contributed to asset market inflation and large current account deficits, which were financed by large capital inflows from developed economies. These inflows placed strains on policy and institutional frameworks that, in the end, proved excessive for some economies.
8. In retrospect, some economies clung too long to an unsustainable and incompatible mix of exchange rate and monetary policies, even after signs of vulnerability had emerged. In those cases, rigid exchange rate arrangements and close ties to the U.S. dollar limited the ability of monetary policy to control overheating pressures and encouraged foreign borrowing by the private sector, often at short maturities. The combination of these factors contributed to an excessive accumulation of short-term, unhedged foreign-currency-denominated debt. Inadequate supervision and corporate governance, particularly in the financial sector, inadequate intermediation of foreign and domestic savings, and government-directed lending also contributed to inefficient investment.
9. At the same time, strong growth masked existing structural problems, including in the financial sector. Rapid cross-border capital flows in a globalized and integrated financial market also introduced new challenges for macroeconomic management and rendered some of these economies vulnerable to adverse external developments, especially sudden reversals in market sentiments.
10. In 1997, these problems became more apparent as a result of a number of developments in the major industrialized economies, including a weakening in import demand, particularly for key export products from the Asian region. The U.S. dollar's rise in value against major currencies may have also played a role in a loss of competitiveness of the region's exports.
11. Although the situations of individual economies varied across the region, instability tended to spread to economies that markets perceived to have similar vulnerabilities. In some cases, a lack of transparency in financial systems contributed to these market perceptions. We also note that in some cases markets did not appear to differentiate appropriately on the basis of available information about the economic fundamentals of these economies.
12. We agreed that speculation in financial markets was not the root cause of the turmoil, although it may have played a role in exacerbating herding behaviour and spreading volatility. We took note of the useful work done by the IMF in its study "Hedge Funds and Financial Market Dynamics." We agreed to keep these issues, including the role of institutional investors and their investment behaviour, under consideration in our future meetings, with contributions as appropriate by the IMF.
13. In our discussions, we focussed on two dimensions of the response to the recent turmoil. The first was the challenge of restoring stability and promoting recovery in the affected economies. The second involved reinforcing our financial systems, and indeed the global financial system, so as to reduce the likelihood of future recurrences.

Restoring Stability and Promoting Recovery

14. We acknowledge the crisis is a global problem with regional manifestations. In reaffirming the central role of the IMF, we echo our APEC Economic Leaders' call in Vancouver regarding the Manila Framework for Enhanced Asian Regional Cooperation to Promote Financial Stability, and we welcome developments that support that call, including the formation of regional economic surveillance mechanisms.

15. We endorse the approach of the IMF, the World Bank and the Asian Development Bank in addressing the financial instability in Asia. We applaud the efforts of these multilateral institutions and bilateral donors to provide valuable financial and technical assistance to Thailand, Indonesia and Korea to help them meet the numerous challenges they face. These include corporate and financial restructuring, balance of payments difficulties, trade financing needs and the severe social effects of the recent financial turmoil. We welcome the IMF's creation of the Supplemental Reserve Facility, to help address problems posed by sudden changes of market sentiment toward individual or groups of economies. We also welcome the enhanced financial resources provided by the Japan Special Funds, at the World Bank and the Asian Development Bank, and the ASEM trust fund, at the World Bank, for assisting economies in dealing with the effects of the recent crisis.
16. We call for the early ratification of the increase in quotas approved by the Board of Governors in January 1998 and of the New Arrangements to Borrow, in order to ensure that the IMF has adequate resources to respond to any spread or intensification of the current crisis and to handle future crises.
17. We commend those economies in the Asian region that have taken difficult and courageous measures to deal with the causes of the instability. We welcome signs of improved prospects in Thailand and Korea as implementation of their IMF-supported economic programs has progressed. We expressed deep concerns about the recent economic and social situation in Indonesia. We welcome the new President's support for political and economic reform and his commitment to implement the recently-strengthened IMF-supported program. We look forward to progress toward economic and political conditions that will permit the restoration of confidence that is essential for recovery. Overall, the long-term fundamentals in the region remain strong and we are confident that the region will regain its dynamism. We agree, however, that there is no room for complacency as difficult adjustments and challenges remain.
18. We note the continuing importance of long-term capital flows, particularly foreign direct investments, for growth in the Asian region. We discussed this in our joint session with the APEC Financiers' Group and concluded that a sustained resumption will require not only a stabilized macroeconomic and exchange rate environment, but also significant reforms in the corporate and financial sectors and improvements in the transparency of market arrangements. We have also noted that those economies that have undertaken these reforms earlier have been able to weather the crisis better and maintain investor confidence. The Philippines, for example, was the first Asian sovereign borrower to tap the international capital markets after the onset of the financial turmoil in Asia. Korea and Thailand, which have shown their steady and strong commitment to reforms, have seen improvements in the value of their currencies and have recently returned to international capital markets.
19. The recent instability has, however, left financial sectors in the region severely weakened, with a large stock of non-performing loans and an increased burden of foreign currency debt. Forceful action to restore health to domestic financial systems in many economies is clearly vital for the resumption of capital flows and growth. We endorse the work the World Bank and the Asian Development Bank are carrying out in supporting the affected Asian economies to reform and strengthen their financial systems and promote sound corporate restructuring.

20. We especially took note of the social impact of the turmoil and the adjustment policies necessitated by it. In the coming months, as companies restructure, the level of unemployment in a number of economies may rise even further. The situation is placing strains on the social fabric and the burden in many cases falls on the poorer segments of society and those least able to protect themselves, especially women and children. In Indonesia there is even evidence of food shortages and inadequate medical supplies.
21. These problems make it important to expand and strengthen social safety nets and other forms of support that exist in these economies. In this regard, we applaud the efforts of the ADB and the World Bank to date to help the affected economies deal with the social impact of the turmoil. We also recognized the flexibility that the IMF has shown in adapting its program requirements to changing economic and social circumstances in the region. We urge these institutions to continue to look for innovative ways of offering support for those hardest hit by the instability.
22. It will also be important for international financial institutions to consider ways to support environmental protection in these economies as they respond to the crisis.
23. We welcome the efforts by those APEC economies less affected by the instability to support economies' prospects in the region as a whole by pursuing policies that promote domestically-led growth. We commend those APEC economies that have demonstrated their policy commitment to maintain stability of their exchange rates, thereby helping to restore confidence in this region. We encourage all economies to maintain movement towards open markets. In this context, as called for by APEC Economic Leaders in Vancouver, we appreciate efforts by other APEC fora towards early voluntary sectoral liberalization, in the areas of tariffs, non-tariff measures, trade facilitation, and economic and technical co-operation.
24. We recognized that adequate access to trade financing is imperative to allow industries to import needed inputs to facilitate the recovery of domestic production. In this regard, we welcome efforts by the OECD and regional governments to maintain and expand existing official export financing programs designed so that economies undertaking IMF-supported adjustment programs do not experience unnecessary disruptions in their trade flows. We encourage the ADB and the World Bank to look for appropriate ways in which they may support the restoration of financing for small- and medium-sized companies in affected economies, as the ADB is already doing in Thailand through the use of credit enhancements. We strongly urge our private sectors to base their assessment of individual banks' credit-worthiness on the relevant facts and not on any simple regional formula. In addition, we noted that the private sector (both creditors and debtors) should be encouraged to play a greater role in the resolution of financial crises.

Developing and Strengthening Financial Markets

25. The recent financial instability in Asia underscores the importance of developing strong, resilient and well-regulated domestic financial markets in the framework of a stable international financial system. In this regard, we welcome and endorse the Basle Core Principles on Effective Banking Supervision and urge the International Conference of Banking Supervisors to endorse them at their meeting in October. We endorse the working party report on Financial Stability in Emerging Market Economies prepared by the G-10 in collaboration with a number of emerging market economies. We also noted the efforts of the Asian Development Bank in evolving "Sound Practices to Facilitate Development of the Financial Sectors in the APEC Region" that reflect the lessons of the financial instability in Asia. In the same vein, we also look forward to the results of International Organization of Securities Commissions' (IOSCO) current efforts to develop an appropriate set of principles for supervision of securities markets.

26. We strongly endorse the idea of enhancing surveillance of financial sector supervisory regimes. We look forward to the international financial institutions and the international regulatory community working together to study ways in which this can be accomplished, including options for better coordination or enhanced forms of collaboration, such as a peer review process. Any reform should strengthen or complement rather than duplicate existing global or regional arrangements.
27. We welcome the successful completion of the World Trade Organization's Financial Services Negotiations. This agreement will achieve improved market access and lower barriers among financial markets. Greater competition in the provision of financial services can, if the prudential regulatory framework is in place, contribute to capital market development. We urged participating economies to ratify their commitments so that the agreement can enter into force as scheduled on 1 March 1999.

Work in the APEC Finance Ministers' Process on Developing and Strengthening Financial Markets

28. Promoting the development of strong, resilient financial sectors in our region has been a central goal of the APEC Finance Ministers' process since its inception. Our work over the past year has continued to focus on this objective, which has assumed even greater importance in light of the financial crisis in Asia. At our meeting last year in Cebu, we launched six collaborative initiatives to promote capital market development and facilitate private investment in infrastructure projects as a response to our Economic Leaders' call for a concrete and practical work program. We also agreed that our Deputies would prepare a voluntary action plan to support the freer and stable flow of capital in our region.
29. This year in Kananaskis, we discussed and welcomed the progress achieved so far under the initiatives launched in Cebu. We plan to continue our efforts over the next year in three priority areas: capital market development; capital account liberalization; and strengthening international financial systems. Further details of the initiatives and their recommendations are in Annex A.

Capital Market Development

30. Over the past year, we examined ways to further capital market development under a number of collaborative initiatives. We examined ways to strengthen clearing and settlement infrastructure within our economies. On this initiative a final report has been issued to us.
31. We conducted a regional forum on pension fund reform, which produced a very useful technical report on the issue including the role pension funds can play in mobilizing private savings and broadening the demand base for long-term debt instruments. In the next year, Chile will host a second forum, to be coordinated by Chile and Mexico, which will focus on policy issues in this area.
32. Under our initiative on securitization, participating economies drafted recommendations on supporting the development of asset-backed securitization, including a voluntary action plan which interested individual economies can implement to support the development of securitization in their markets. We endorse these recommendations.

33. We recalled that the impetus for much of our work on developing and strengthening capital markets was to facilitate private financing of infrastructure. Over the past year, we have continued our work on this subject through our initiative to support cooperation among export-financing institutions. In particular, we welcome the protocol agreement signed by 15 Export Financing Institutions and Export Credit Agencies from across the region which will provide a framework for cooperation among them when market demand for infrastructure recovers.
34. We recognized, however, that the recent period of financial instability has significantly changed the circumstances for financing infrastructure projects. There is a need to analyze the impact of this on infrastructure development in the region and to explore strategies to promote private financing for infrastructure over the medium term. We call upon the Asian Development Bank to work in this area and to report back to us at our next meeting.
35. We received a progress report on the collaborative initiative to support the development of credit rating agencies and strengthening of information disclosure standards, and look forward to further results next year.
36. We agreed to begin work on a new collaborative initiative on the development of domestic bond markets in the region, which will be coordinated by Hong Kong, China. This should be able to build on the contributions on this subject from the APEC Financiers' Group.

Capital Account Liberalization

37. We agree to continue to implement policies to enable economies to benefit from, and minimize the risks of, capital account liberalization. We reaffirm our commitment to continue working on designing a Voluntary Action Plan for Supporting the Freer and Stable Flow of Capital.
38. We recognize that economies should pursue capital account liberalization in an orderly manner. Prerequisites include sound macroeconomic policies, effective prudential regulation and supervision, and an active effort to promote capital market development. Some of our economies have also found the use of market-based prudential safeguards to be a useful complement to but not a substitute for, these preconditions. We asked our Deputies to work with the IMF and the World Bank to compare the experiences of economies in managing the capital market liberalization process, including the results from the use of macro-prudential measures, in order to study how to promote freer flows of capital while maintaining macroeconomic and financial stability. We asked for a report at our next meeting.
39. We asked our Deputies to work with the IMF to examine how to monitor capital flows, including short-term capital flows, effectively with a view to providing information to the market and promoting stability.

Strengthening Financial Systems

40. Under our initiative to Strengthen Financial Market Supervision, two action plans were developed for strengthening training of bank supervisors and securities regulators in APEC economies. We endorse these plans and call for their timely and comprehensive implementation. We thank the Asian Development Bank for its assistance in developing these plans and for its commitment, together with that of the South East Asian Central Banks Research and Training Centre (SEACEN) and the Asia-Pacific Regional Committee of IOSCO, to assist in their implementation. We look forward to receiving a progress report at our next meeting.

41. We welcome other training initiatives launched within our own region: the joint initiative of Canada and the World Bank to establish the Toronto International Leadership Centre for Financial Sector Supervision; the opening of the ADB Institute in Tokyo; the IMF-Singapore Regional Training Institute (STI); and bilateral training assistance provided by individual economies.
42. We welcome the initiative of the APEC Financiers' Group to create a private-sector training and education program for financiers across the APEC region. We call on our APEC Deputies to work actively with the financiers on this initiative and look forward to a status report.
43. As part of our efforts to draw lessons from the recent crisis and strengthen our economies, we agreed to launch an initiative to be coordinated by Malaysia in conjunction with the World Bank and the Asian Development Bank, to examine ways of strengthening corporate governance in our region. This work would recognize work going on in other fora. As part of this initiative, we welcomed Australia's offer to host a seminar to bring together senior business people from our economies to identify priorities for reform in this area. We look forward to reviewing a report on this subject at our next meeting.

Other Matters and Future Meetings

44. We welcome the progress made by the Sub-Committee on Customs Procedures (SCCP) in their twelve-point collective Action Plan to facilitate trade in the region. *The Blueprint for APEC Customs Modernization* and the *Guidelines for SCCP and Business Strategic Partnerships* are important contributions for strengthening cooperation with the business community. Reaffirming that trade facilitation and enforcement must be well coordinated, we encourage customs authorities to continue strengthening such cooperation.
45. We also encourage our officials to expand coverage of bilateral tax treaties with appropriate economies in the region in conformity with international norms and to continue the useful dialogue on taxation through APEC-OECD joint symposia of tax officials. We look forward to the results of the next APEC-OECD tax symposium in Manila.
46. We reaffirm our appreciation to the APEC Financiers Group for their ongoing participation in the APEC Finance Ministers' process. We had a very useful discussion with the Group on the importance of implementing the necessary measures to resolve in a timely manner Year 2000 problems in our economies. We urge the World Bank and the ADB to help economies to address this issue. We call on the supervisory and regulatory authorities in our economies to work with one another, and with the Basle Committee on Banking Supervision, IOSCO, and the International Association of Insurance Supervisors (IAIS) as they review and monitor Year 2000 compliance efforts by all financial institutions.
47. We would like to thank the people and Government of Canada and the Department of Finance for the hospitality extended to all the delegations and the excellent arrangements they have made to make the fifth APEC Finance Ministers Meeting a success. We also thank the chairman of the APEC Finance Ministers Meeting, the Honourable Paul Martin, for his valuable contribution to the success of this meeting.
48. We look forward to the next meeting of APEC Finance Ministers in Penang, Malaysia.
49. Finally, we will report to the APEC Economic Leaders on the outcomes and recommendations of this APEC Finance Ministers Meeting and on any subsequent and related matters, on the occasion of their next meeting in Malaysia in November.

ANNEX A

Regional Forum on Securitization: Although securitization is fast becoming an important source of financing, many structural, regulatory, fiscal and other obstacles continue to inhibit its further development. In an effort to begin to address these obstacles, an international conference on securitization and a workshop for regulators from within the APEC region were held in Kuala Lumpur, Malaysia, in December 1997. A survey on the status of securitization activities in APEC member economies was carried out to gather information on these activities in APEC economies and to identify pertinent developmental issues and regulatory concerns. Based on the outcome of these activities, we encourage the development of securitization activities through (i) the continued removal of impediments to market development; (ii) enhanced training and technical assistance to facilitate the removal of impediments to market development; and (iii) the continued sharing of expertise among our economies. We have adopted a voluntary action plan to assist individual member economies that are interested in accelerating the development of securitization activities in their own markets.

Regional Forum on Pension Fund Reform: Officials from many of our member economies, together with academics and experts from the IFIs, attended the Regional Forum that was held from 4-6 February 1998, in Cancun, Mexico. The forum had as overall objectives the interchange of expertise, information and best practices of pension systems across the APEC region, and the discussion of: the lessons of Latin American pension reforms for APEC economies; the potential for reform and its impact on the development of financial markets, domestic savings, and income distribution; the strategies for the administration of pension funds; the prudential regulation of pension funds investments; and the relative role of the private and the public sectors in pension fund management. A background report describing the pension systems of the APEC economies and outlining the major issues and difficulties was prepared by the ADB.

We recognized that pension funds can play an important role in mobilizing private savings, and broadening, together with other institutional investors, the demand base, especially for long-term debt instruments. Moreover, permitting pension funds to invest in financial instruments other than low-income government bonds can greatly enhance the supply of long-term finance to the private sector. We also recognized that factors such as aging populations, low levels of national savings, unsustainable pressure on public finances and distortions created by high social security contributions make pension fund reform a priority for many APEC economies, placing it at the top of the economic and social agenda. While pension reforms can be spread along a broad spectrum, a sound prudential and regulatory framework is necessary for all types of public and private pension schemes.

Strengthening Financial Market Supervision: Recognizing the importance of sufficiently trained financial supervisors, we assessed the adequacy of existing training programs for both bank supervisors and securities regulators. We identified significant unmet training needs and limitations in the training management process at the domestic level, and determined that enhanced regional and international coordination to address these concerns would be useful. Importantly, we recognized that improvements in training programs would only be effective in enhancing the quality of supervision where a sound supervisory and regulatory regime is in place, and that training programs should be based on sound supervisory and regulatory principles.

Based on these results, we agreed to implement in a timely and comprehensive manner the Action Plans for Strengthening Training of Bank Supervisors and Securities Regulators in APEC economies. The Action Plans include measures to improve the quality of training programmes at the domestic level and to strengthen coordination in meeting training needs through regional and international programmes. Regional advisory groups will be established to oversee the implementation of the Action Plans, while the day-to-day responsibilities will be overseen by a secretariat to be funded and located at the ADB. We thank the ADB for its valuable assistance in implementing the Action Plans and for funding the secretariat and the technical assistance requirements of both plans.

Enhanced Co-operation among Export Financing Institutions: Export financing institutions (EFIs) can play a catalytic role in mitigating risks and mobilizing private-sector financing for infrastructure development. Representatives of the Export Financing Institutions (EFIs) in the APEC region have met several times to discuss the role of EFIs in promoting private sector infrastructure projects, including the opportunities for co-operation among EFIs through information exchange, knowledge transfer, possible co-lending, and the opportunity for policy dialogue between EFIs and host economies.

EFIs also discussed their role in the wake of the Asian financial instability as an important example of EFI cooperation. We recognize different mandates and approaches in various EFIs, however we expect a synergy effect through their cooperation. In view of strengthening EFI cooperation, we also welcome the protocol agreement which sets out a framework for promoting technical cooperation and has been signed by 15 EFIs and Export Credit Agencies from across the region.

Supporting the Development of Credit Rating Agencies and Strengthening Information Disclosure Standards: We encourage the development of independent rating agencies according to international best practices. In order to assess the status of existing rating agencies we examined the current experiences with credit rating agencies in the region to determine how well they are fulfilling their key role in promoting the flow of timely and accurate information across capital markets. The results of work completed thus far include the identification of some of the important issues to be addressed, some of which pertain to the scope for harmonization and increasing the transparency of credit rating agencies' activities. We are currently examining experiences in the region regarding credit rating services. We hope to identify ways to improve the rating agencies' ability to promote the flow of timely and accurate information to capital markets. We also encourage steps to strengthen information disclosure standards in the region consistent with international best practices.

Strengthening Clearing and Settlement Infrastructure: Modern clearing and settlement systems are integral to capital market development. The ADB and several member economies stand ready to provide technical assistance to help strengthen clearing and settlement systems in economies with less advanced systems. We welcome the report of the Executive Meeting of East Asian and Pacific Central Banks (EMEAP) in this area.

**THE THIRD APEC MINISTERIAL MEETING ON THE
TELECOMMUNICATIONS AND INFORMATION INDUSTRY
(TELMIN3)**

**Singapore
3 - 5 June 1998**

MINISTERIAL PRESS STATEMENT

1. A meeting of APEC Ministers responsible for the Telecommunications and Information Industry was convened in Singapore from June 3 to 5 1998. Delegations from the 18 APEC member economies; namely, Australia; Brunei Darussalam; Canada; Chile; the People's Republic of China; Hong Kong, China; Indonesia; Japan; the Republic of Korea; Malaysia; Mexico; New Zealand; Papua New Guinea; the Republic of the Philippines; Singapore; Chinese Taipei; Thailand and the United States of America participated in the meeting.
2. In addition, representatives from three APEC Members-Designate; Peru, Russia and Vietnam, attended the meeting.
3. Representatives of the APEC Secretariat and Observers from the Pacific Economic Co-operation Council, the South Pacific Forum and ASEAN were also present.
4. The meeting was opened by His Excellency Mr Goh Chok Tong, Prime Minister of Singapore, and chaired by the Honourable Mah Bow Tan, Minister for Communications, Singapore.
5. Ministers appreciated the recognition by Leaders and Ministers responsible for Trade during their 1997 meetings of the importance of the telecommunications and information sectors and of the need for expanded telecommunications and information infrastructure and services to support sustainable economic and social development throughout in the region.
6. In particular, Ministers welcomed and responded positively to:
 - a) the Leaders' call to conclude a Mutual Recognition Arrangement (MRA) for Telecommunications Equipment as a model sector for early voluntary sectoral liberalisation;
 - b) the Leaders' recognition of electronic commerce as one of the most important developments of the decade and as a new driver for the rollout of telecommunications and information services;
 - c) the Leaders' recognition of the innovative approach of the APEC Working Group on Telecommunications (TEL) to obtaining input from business/private sector partners; and

- d) the Leaders' satisfaction with TEL's on-going work to make the Asia Pacific Information Society (APIS) a reality, by strengthening and expanding the Asia Pacific Information Infrastructure (APII) throughout the region.
7. Ministers shared the Leaders' strong confidence in the Asia-Pacific region and expressed the belief that the region's telecommunications and information sectors would continue to attract investment, grow and develop despite the recent financial crisis in the region.
 8. Ministers reviewed actions taken by TEL since their previous meeting at the Gold Coast in 1996, and recognised the considerable progress made by TEL in meeting the Leaders' goals. They welcomed the report of TEL showing that the diverse elements of the work programme set at their last meeting at the Gold Coast had been completed or were well underway. Noting the wide range of activities TEL now has, Ministers welcomed the establishment of a set of criteria for approving projects as a means to encourage broad-ranging, yet focused activity at TEL.
 9. Ministers welcomed progress in the development of the APII and saw firsthand its tangible benefits in the form of demonstrations of telemedicine, distance learning and electronic commerce applications held during their meeting. Ministers reaffirmed their resolve to strengthen and expand their cooperation to support development of the APII in an effective and balanced manner.
 10. Ministers recalled the diversity in the level of economic and infrastructure development among member economies and stressed the importance of a strong programme of economic and technical cooperation to ensure that the whole region could participate in the APIS.
 11. Ministers recognised the efforts of, and the leadership shown by, the APEC community in contributing to the recent conclusion of the WTO Agreements on Basic Telecommunications and Information Technology. Ministers affirmed the need to continue to liberalise provision of telecommunications and information infrastructure and services, and for APEC economies to adjust to the realities of a liberalised and globalised telecommunications environment, taking into account the different levels of economic development and diverse circumstances of all APEC member economies.
 12. Ministers noted the trend toward multimedia convergence and the rapid pace at which technology was developing. Agreeing that these developments posed new policy and regulatory challenges and opportunities for APEC economies, Ministers urged TEL to address these issues, and to consider in particular the role it should play in information/content issues.

Business Facilitation

13. Ministers noted that later in the month, APEC Ministers responsible for Trade would meet to develop a comprehensive set of activities to enhance the development and use of electronic commerce in the APEC region. Ministers reaffirmed the importance of electronic commerce as a tool for businesses, governments and consumers and approved a joint action plan for TEL in electronic commerce, which would support the goals of Leaders. Ministers asked that this expanded list of activities be raised and coordinated with the work programme being prepared for the Ministers responsible for Trade.

14. Ministers recognised the need to ensure that the whole region shares in the benefits of electronic commerce, that the various infrastructure and service layers develop in a balanced and sustainable manner, and that the needs and interests of Asia-Pacific users are adequately considered.
15. In particular, Ministers stressed the need to ensure that on-line services support the flourishing of Small and Medium-sized Enterprises (SMEs), and to generate wider social, educational, health and community benefits for the APEC community. They welcomed TEL's contribution to this initiative, especially in documenting the issues arising for SMEs doing business over the Internet in the APEC region, and the Electronic Commerce Seminar recently organised in collaboration with PECC.
16. Ministers welcomed the successful completion of the Internet Electronic Data Interchange (EDI) pilot project, which was conducted by the private sector with support from the public sector, and which has resulted in a set of guidelines for implementing Internet-based EDI.
17. Ministers also welcomed the commencement of international interconnection between electronic commerce test beds, which would serve to facilitate the promotion of electronic commerce within the APEC region. Ministers also applauded the INGECEP/CyberNet project, conducted by the private sector with the support from the public sector.
18. Ministers noted the successful completion of the survey on X.400 interoperability and the interconnection of electronic commerce test beds, which would further facilitate the promotion of electronic commerce within the APEC region.

Development Cooperation

19. Ministers emphasised the importance of promoting the realisation and use of the APII, and applauded TEL's achievements in developing various application and services such as distance learning, telemedicine, telecommuting and electronic commerce.
20. Ministers recognised that the various test-bed projects were making a great contribution to the promotion of the APII by linking the networks of participating economies and running experiments and trials. They urged more economies to participate in these projects.
21. Ministers also noted that the ECOTECH action programme for the IT industry proposed at a number of APEC fora, such as the APII symposium, would help narrow the gap in telecommunications and information infrastructures among member economies.
22. Ministers applauded the establishment of an APEC TEL website by the APII Cooperation Centre in Korea based on the efforts by Singapore and the USA to develop TEL website prototypes and reiterated that TEL should continue to be a model user of technology when member economies communicate and disseminate information and experience to one another, such as on interconnection policy, spectrum management and developmental resources.
23. Ministers welcomed the establishment of the APII Technology Centre in Japan and applauded the successful launch of a number of experiments under the APII Test-bed Project. Ministers encouraged more APEC member economies to participate in the project to advance the development of the APII.

24. Ministers noted the view of senior experts involved in the Interactive Medical Curriculum Pilot Project that rapid delivery of medical information is crucial for the efficient delivery of healthcare and education, especially in remote regions. They agreed that electronic resources are most likely to provide this cost effectively. Ministers welcomed the work done to date on this project and appreciated the cooperation and support of the Asia Pacific Telecommunity (APT).
25. Ministers recognised the synergy between liberalisation and development cooperation initiatives in the TEL, illustrated recently by TEL's work on advancing universal access to telecommunications services.

Human Resource Development

26. Ministers welcomed the progress of various Human Resource Development (HRD) initiatives, including:
 - a) training initiatives to support TEL activities such as implementing the Mutual Recognition Arrangement (MRA) on Conformity Assessment for Telecommunications Equipment, managing a liberalised telecommunications environment, developing fair interconnection and access arrangements, and accelerating the roll-out of on-line services; and
 - b) the development of telecommunications training courses using Web-based methods of instruction.
27. Ministers noted that the establishment of a HRD database for the telecommunications and information sector to share relevant information was conducive to the HRD projects within the region.
28. Ministers urged TEL to continue its efforts to enhance member economies' knowledge and experience through personnel exchanges, skills standards, practical training and distance learning to ensure the availability of an adequate corps of capable personnel to operate and use the information networks of the region.
29. Ministers supported the development by the International Telecommunication Union of a dedicated Centre of Excellence for human resource development in the Asia-Pacific region and instructed TEL to establish links, including virtual links, with the Asia-Pacific Centre of Excellence when it is set up, and with other training programmes and institutions so as to establish coordinated and sustained training programmes for the region.

Liberalisation

30. Ministers applauded the timely work done by the Mutual Recognition Arrangement (MRA) Task Force and endorsed an APEC MRA on Conformity Assessment for Telecommunications Equipment. Ministers saw the MRA as instrumental in TEL's efforts to lower technical barriers to trade and encouraged the Task Force to continue its work to encourage implementation of the MRA by member economies.
31. Ministers endorsed the establishment of the World Trade Organisation (WTO) Implementation Task Group within TEL to assist member economies, where appropriate,

to implement the pro-competitive principles laid out in the 1997 Agreement on Basic Telecommunications. Ministers reiterated their support for the prompt accession to the WTO of applicants in accordance with WTO protocol and based on effective market access commitments, with a view to achieving universality of WTO membership.

32. Ministers affirmed the importance of the study, “Effective Interconnection in the APEC Region”, and encouraged further work by TEL to develop guidelines on interconnection policy and to assist member economies in developing and implementing pro-competitive interconnection principles.
33. Ministers welcomed the report on indicators to measure the benefits of liberalisation to users which would facilitate member economies to measure concrete outcomes of liberalisation in their telecommunications markets.

Ministers-Industry Leaders’ Dialogue

34. Ministers also recognised the importance of continuing dialogue with the industry/private sector leaders, and appreciated the frank exchange of views during the Ministers-Industry Leaders’ Dialogue Session, which was organised by PECC. Ministers agreed that such dialogue would enhance greater partnership between the public and private sectors.
35. At the Dialogue, Ministers were encouraged by industry’s commitment to the APEC process. Ministers and industry agreed that each had a role to play in facilitating the creation of the APIS. Ministers noted industry’s call for greater acceleration of liberalisation efforts, greater transparency of regulation, facilitation of access and interconnection agreements, and addressing the privacy, security, authentication and bandwidth pricing issues impeding network utilisation.
36. Likewise, industry recognised its role in enhancing human resources development in the region and its leadership in developing the market for digital communications and commerce.

The Way Ahead

37. Ministers considered TEL’s future work scope and agreed that the key challenge facing the APEC region is how to manage the transition to knowledge-based societies. Ministers believed that TEL could draw upon its key strengths; namely, its commitment to technological innovation, trade and investment liberalisation, its strong partnership with the business/private sector and its long-standing work in enhancing training and skills development in the Asia-Pacific region. Ministers believed that TEL would have to forge strong partnerships with other relevant organisations, entities and APEC fora to fully exploit these strengths. Ministers also recognised the importance of a balanced work agenda for TEL which respects the diversity of the region.
38. Ministers reaffirmed that TEL should remain focused and streamline its activities. Ministers were of the view that TEL should not take on activities that were not within its objectives and goals and urged TEL to formulate priorities in the work programme it undertakes.
39. Noting that technology was a powerful enabler of development and economic growth, Ministers encouraged TEL to further its efforts to harness emerging technology in ways

that were relevant and useful to member economies' needs.

40. Ministers recognised that MRA and WTO Implementation activities, such as interconnection arrangements in a pro-competitive environment, were concrete ways in which TEL could assist member economies to face the new global market. Ministers also recognised that flexibility should be shown and greater attention paid to the special needs of developing economies, especially during this period of economic difficulty.
41. Following from the Dialogue organised by PECC, Ministers believed that it would become increasingly important for TEL to engage the business/private sector in technical cooperation, human resource development and policy setting. Ministers welcomed industry's interest in working with the public sector in facilitating the emerging APIS by investing in member economies and providing human resource development training.
42. Ministers recognised that convergence has created tremendous challenges to existing human resource capabilities. Ministers reiterated their call for constant skills upgrading, particularly for developing economies, to assist their human resource development.
43. As a result of convergence, Ministers saw an increasing need for TEL to work more closely with other relevant entities when addressing new issues of the "cyber society". Consistent with the APEC vision, Ministers called for greater coordination and cooperation between TEL and other APEC fora as well as other international organisations to avoid duplication.
44. Ministers believed that individual economies' efforts to construct their own information infrastructures should include an important international dimension. They urged member economies to take proactive steps to facilitate the interconnectivity and interoperability of these infrastructures so as to fuel the larger APEC goal of the APIS.
45. With that, Ministers adopted the *Singapore Declaration* containing a Programme for Action to guide further APEC activities in the telecommunications and information sectors. The Singapore Declaration will provide sectoral input to the meeting of APEC Economic Leaders to be held in Kuala Lumpur, Malaysia from 17-18 November 1998.
46. Ministers agreed to hold a fourth Ministerial Meeting on the Telecommunications and Information Industry to review progress in TEL's activities and to continue their valuable policy discussions in the year 2000. Ministers welcomed the offer by Mexico to host the Fourth APEC Ministerial Meeting on Telecommunications and Information Industry.

**THE THIRD APEC MINISTERIAL MEETING ON THE
TELECOMMUNICATIONS AND INFORMATION INDUSTRY
(TELMIN3)**

**Singapore
3 - 5 June 1998**

THE SINGAPORE DECLARATION

We, the APEC Ministers responsible for the Telecommunications and Information Industry, gathered at Singapore from 3-5 June 1998,

reaffirming the APEC Economic Leaders' Declaration at Vancouver, 1997, which recognised that despite the recent economic crisis in the Asia-Pacific region, the prospects for long term growth and prosperity in the region remain strong;

reaffirming also our strong confidence in the Asia-Pacific region's telecommunications and information industry, and in the continued need for growth, liberalisation and investment in these sectors in the years ahead;

responding to those parts of the Vancouver Declaration in which Leaders:

- a) *underlined* APEC's resolve to achieve sustainable growth and equitable development and to unlock the full potential of the people who live here,
- b) *recognised* the importance of telecommunications and information technology in building an Asia Pacific Information Society (APIS),
- c) *agreed* that the Asia Pacific Information Infrastructure (APII) is an essential basis for ensuring the competitiveness of the region in the 21st century, and
- d) *agreed* that electronic commerce is one of the most important technological breakthroughs of this decade;

recalling the Subic Declaration, 1996 in which APEC Leaders:

- a) *emphasised* the importance of economic and technical cooperation in ensuring that liberalised trade contributed to sustainable growth and equitable development and to a reduction in economic disparities;
- b) *endorsed* the Manila Action Plan for APEC (MAPA) which contained the first steps of an evolutionary process of progressive and comprehensive trade and investment liberalisation, including telecommunications services, by 2010/2020;
- c) *affirmed* the urgency for the completion of the World Trade Organisation (WTO) negotiations in basic telecommunications services; and

- d) *noted* that the public and private sectors should work closely together to stimulate investment in infrastructure, to achieve sustained growth;

renewing our commitment to accelerate efforts to bring the APII from vision to reality by implementing a broad range of practical projects and applications and by harmonising policy measures to advance the development of the APIS, which in turn, will contribute to creating the evolving Global Information Society (GIS);

recognising that over the past few years, the global telecommunications and information environment has been increasingly characterised by the convergence of telecommunications, broadcasting and computing networks and technologies;

believing that whilst technological convergence poses new policy, regulatory and business challenges to the APEC community, they also represent opportunities to achieve growth, access and connectivity and to lessen the development gap faster and more efficiently;

mindful that the diversity in levels of telecommunications and information development among member economies requires that greater attention be paid to the special challenges developing economies face in sharing fully in the APIS vision;

reiterating that economic and technical cooperation remain key priorities for the APEC Telecommunications Working Group (TEL), particularly in the area of developing and training our rich human talent to achieve its full potential within the APIS;

applauding the efforts of the APEC community in contributing to the recent conclusion of the WTO Agreements on Basic Telecommunications and Information Technology, two landmark pacts which will facilitate the APEC goal of trade and investment liberalisation, accelerate the development of telecommunications and information infrastructures, dismantle technical barriers to trade, reinforce the globalisation of service provision, and facilitate access to a broader range and better quality of telecommunications and information services at more competitive prices;

commending the wisdom and value of APEC's traditions of multilateralism and voluntariness, particularly in addressing common technical, policy and regulatory issues which technological advancement and increased market liberalisation pose;

reinforcing the complementary roles which governments and the business/private sector can play in TEL's work programme, in particular by harnessing the business/private sector's access to technology, capital and expertise and the public sector's ability to set appropriate policies and regulations to facilitate business and promote universal access and sustained investment in infrastructure development;

highlighting the importance of continuing co-operative activities in research and development, and enlarging the scope of cooperation among researchers from industry, government and academia of member economies, in order to explore and implement cutting-edge infrastructure, applications and services;

having reviewed the activities undertaken by TEL to implement

- a) the various directions of our Leaders to further develop the APEC telecommunications and information industry, and

b) the Action Plan endorsed at TELMIN2 at the Gold Coast in September 1996.

DO HEREBY ADOPT the following Programme for Action:

1. Ministers note that this Programme for Action for the telecommunications and information sector will contribute to the Action Plan to be considered at the APEC Economic Leaders' meeting to be held at Kuala Lumpur, Malaysia, 17-18 November 1998.
2. Ministers affirm that the four pillars of TEL's work programme; namely, business facilitation, development cooperation, human resource development and liberalisation, remain valid and important parts of TEL's work mandate to realise the APIS vision and to support APEC's goals of trade and investment liberalisation and economic and technical cooperation.
3. Ministers recognise the considerable impact that rapid technological development and convergence will have on APEC economies. Ministers urge TEL to consider the scope of its activities within the context of these phenomena, so that TEL's objectives and goals remain relevant in the new global telecommunications and information environment.
4. Ministers note that the dynamism of the telecommunications and information environment and changing expectations by member economies will require TEL to become ever more focused on its objectives and effective in its work. Ministers welcome TEL's adoption of criteria to assist in evaluating project proposals, and urge TEL to be responsive to the need to formulate strategic priorities as its work programme expands.
5. Noting the continuing development gap that exists within APEC, Ministers direct TEL to pay particular attention to the need, highlighted recently by Leaders and Ministers responsible for Trade, to facilitate greater economic and technical cooperation activities to bridge this gap and help member economies regain their economic strength.
6. Ministers support the increased role which the business/private sector has come to play in TEL, and encourage TEL to continue to work co-operatively with ABAC, PECC and other representatives of the business/private sector with the aim of ensuring long-term sustained investment in infrastructure needs of the region and a flourishing telecommunications and information industry.
7. Ministers recognise the direction given by the Leaders in November 1997 that an APEC Electronic Commerce workplan be developed by November 1998. Noting the work of the APEC Electronic Commerce Task Force in developing this workplan for APEC, Ministers direct TEL to support the work of the Task Force.

Business Facilitation

8. Ministers note with appreciation the long-standing work of TEL to facilitate and encourage governments, companies and individuals to conduct transactions electronically via the growing telecommunications and information infrastructure. Ministers further note TEL's encouragement of the business/private sector to initiate and participate in the planning and deployment of services and infrastructure capacity. This is in line with the Leaders' recognition of the private sector's primacy in the development and use of electronic commerce in the region, which is key to economic growth in the next century.

9. Ministers direct TEL to continue its work to promote the use of emerging applications and the development of electronic commerce products and services. Ministers emphasise their belief that APEC has a unique opportunity to promote electronic commerce for businesses and consumers through:
 - a) efforts to harmonise the region's electronic commerce policies, legal and regulatory practices;
 - b) facilitating the electronic delivery of government services, where appropriate; and
 - c) enhancing the development of electronic commerce infrastructure as well as services and applications relevant to Asia-Pacific users.
10. Ministers endorse the priority accorded by TEL to business integration and business-to-business systems in its work on EDI and Internet-based electronic commerce, as this supports efforts to strengthen regional economies and to liberalise trade and investment in the region.
11. Ministers welcome work already done to make known the policy issues for small business enterprises conducting business electronically in the APEC region. Ministers direct TEL to consider further areas for practical work to support the use of electronic commerce by Small and Medium-sized Enterprises (SMEs), such as:
 - a) conducting surveys to measure their usage and uptake of these technologies and services;
 - b) conducting a study of the cost to SMEs of the telecommunications and information infrastructure and services that underpin electronic commerce in the region; and
 - c) the study and, if and when appropriate, development, by the next APEC Ministerial Meeting on Telecommunications and Information Industry, of compatible and sustainable international charging arrangements for Internet services as electronic transactions become increasingly conducted over the Internet.
12. In undertaking a coordinated work plan on electronic commerce, Ministers emphasise the need to be mindful of the work of other APEC fora as well as of other international organisations in order to:
 - a) avoid duplication of efforts;
 - b) enhance collaboration and linkages with other fora, where possible, to take advantage of mutually beneficial activities; and
 - c) ensure that the unique perspectives and needs of APEC economies are considered and met.
13. Ministers note the need to promote pervasive consumer access to and use of electronic government and business services. Ministers welcome the increasing work of TEL in supporting consumer involvement in electronic commerce issues and instruct TEL to consider in its work:

- a) consumer use of electronic commerce in the APEC region to conduct their day-to-day transactions such as, obtaining information, paying bills, transacting with government or municipal authorities and purchasing products and services; and
 - b) the identification of key issues that will affect consumer confidence and ability to use electronic commerce within the APEC region, in particular, issues of access, affordability, privacy and security.
14. In addition to its continued focus on the above, Ministers direct the four Steering Groups of TEL to undertake an expanded work programme to promote electronic commerce consistent with the reference framework document at **Annex A** and the decisions flowing from the APEC Task Force on Electronic Commerce.

Development Cooperation

15. Recognising our Leaders' decision to make the APII a priority for infrastructure development in APEC, Ministers reaffirm the critical importance of development cooperation activities to realise the concrete benefits of the APII. Ministers recognise that the APII underpins APEC's overall economic infrastructure and is a vital prerequisite for the development of the APIS. Ministers call on TEL to continue its work to further the development of the APII.
16. Ministers note with appreciation and encourage TEL's efforts to make the transition from vision to reality when developing the APII, as seen in the demonstrations on telemedicine, distance learning and electronic commerce applications, which Ministers witnessed this week.
17. Ministers encourage TEL to build on the practical work being done by the APII Cooperation Centre in Korea and the APII Technology Centre in Japan to further accelerate the development of the APII.
18. Ministers welcome the work done to promote business/private sector participation in telecommunications and information infrastructure development and encourage members to support it with practical implementation measures. Ministers direct TEL to expand collaboration with the business/private sector to support the development of the APIS, consistent with the priorities of member economies.
19. Ministers instruct TEL to undertake a systematic developmental needs assessment, so as to set strategic priorities for further economic and technical cooperation activities. Ministers further direct TEL to identify and develop applications and projects, which will be of particular benefit to developing economies with rural and under-served areas.
20. Ministers applaud the efforts of member economies to develop their broadband information infrastructures and encourage the efforts of TEL to interconnect these networks and test-beds, beginning with linkages between public institutions such as schools, universities, hospitals and libraries, so as to ensure that the benefits of the APII are experienced by citizens of the region.

21. Ministers direct TEL to encourage technical cooperation, collaborative research and development and voluntary technology transfer among member economies through the mechanism of joint APII research and development projects.
22. Ministers encourage member economies to enhance access to the APII, particularly in Internet infrastructure, by expanding high-bandwidth connectivity among economies. In this regard, Ministers request TEL to study how to create sustainable and equitable financing arrangements for the establishment of these links.
23. Ministers welcome TEL's project on universal access to expand the reach of basic telecommunications services as a first step to achieving the APIS, noting the broad economic and social benefits of universal access and the corresponding costs of limited access. Ministers encourage economies to refer to the "Universal Access Principles" found in **Annex B** when developing policies in this regard.

Human Resources Development

24. Ministers recognise that the development of, and investment in, the region's human resources are essential to the achievement of their goal of balanced development of the APIS. Ministers note that TEL's human resource development programmes must respond to the diverse needs of member economies.
25. Ministers welcome the determination of TEL to ensure that its human resource development activities support the priority objectives of TEL. Key among these in the next period will be human resource development activities to support:
 - a) expanded access to telecommunications services;
 - b) the implementation of the Mutual Recognition Arrangement (MRA);
 - c) development of regulatory regimes that promote competition, including management of interconnection arrangements; and
 - d) linkages with telecommunications training organisations in the region.
26. Ministers direct TEL to continue to expand its work to provide the HRD support required for the development of the APII. Ministers further direct TEL to work with other training and development fora to ensure that economies are able to make use of the knowledge and techniques developed through the projects and studies carried out by these other fora.
27. Ministers recognise the importance of improving proficiency in the usage of available technologies and direct TEL to expand HRD activities to include training in the relevant skills to achieve the APII such as:
 - a) broadband networking;
 - b) multimedia technologies;
 - c) Internet applications; and
 - d) content production tools.

28. Ministers urge TEL to build on economies' knowledge and experience through personnel exchanges, skills standards, practical training and distance learning to ensure the availability of an adequate corps of capable personnel to operate and use the telecommunications and information networks of the region.
29. Ministers further recognise the potential of the APII to deliver training tools to benefit APEC in general and direct TEL to work collaboratively with other working groups in APEC to explore how the APII can be utilised to address and support the training programmes of APEC as a whole. Ministers direct TEL to provide focused attention to the following areas:
 - a) expanding training initiatives to help member economies to meet the demands of a liberalised telecommunications environment by acquiring skills for the knowledge economy;
 - b) developing distance learning systems using advanced technology, such as multimedia; and
 - c) building a HRD database to assist economies in developing HRD programs.
30. Ministers support the development by the International Telecommunication Union of a dedicated Centre of Excellence to develop, strengthen and focus human resource development activities in the Asia-Pacific region. Ministers instruct TEL to establish links, including virtual links, with the Asia-Pacific Centre of Excellence to be established and to work with the ITU and with other international fora, to establish coordinated and sustained training programmes in the region.

Liberalisation

31. Ministers recognise that telecommunications trade and investment liberalisation is fundamental to the attainment of the APEC Leaders' vision of free trade and investment by 2010/2020. Ministers commend TEL for the work it has done to assist member economies to adjust to the reality of global market liberalisation in the telecommunications and information sector and call upon TEL to continue to work to promote liberalisation to support expanded access to telecommunications and information infrastructure and services.
32. Recognising the need for policy and regulatory reform in this new environment, Ministers request TEL to explore collegial approaches to the regulatory and policy challenges presented by convergence and market liberalisation, as well as to support the work of other international fora in this regard.
33. Ministers direct TEL to assist member economies to implement the WTO Agreement on Basic Telecommunications. Ministers note that APEC member economies are in various stages of liberalising their telecommunications markets, and that there is diversity in the form and manner of these liberalisation activities.
34. Ministers note that the *WTO Reference Paper on Regulatory Principles* ("Reference Paper") could serve to establish a common understanding among economies on how an effective regulatory environment conducive to competition could be created, thereby

assisting member economies in their transition to the new multilateral trade regime. Ministers also recall the *Reference List of Elements of a Fully Liberalised Telecommunications Services Sector*, which they recognised at their 1996 meeting to contain a good general description of what free and open trade and investment means in the telecommunications sector. Ministers note that both these documents could assist member economies to develop appropriate policy and regulatory approaches in a liberalised environment. To this end, Ministers direct TEL to promote:

- a) improved understanding and implementation of the Reference Paper principles on:
 - i) competitive safeguards to prevent abuse of market power by a major supplier;
 - ii) transparent, non-discriminatory interconnection at cost-oriented rates;
 - iii) public availability of licensing criteria;
 - iv) universal service;
 - v) establishment of an independent regulator; and
 - vi) allocation and use of scarce resources.
- b) the exchange of information among economies' on their practical experiences in activities such as the corporatisation or privatisation of telecommunications operators;
- c) the development of a stable and effective telecommunications environment by:
 - i) encouraging effective and timely implementation of basic telecommunications services commitments of APEC WTO member economies;
 - ii) assisting non-WTO APEC member economies in working toward the establishment of policies consistent with principles of the WTO Agreement on Basic Telecommunications;
 - iii) supporting the prompt accession to the WTO of non-WTO members in accordance with WTO protocol and based on effective market access commitments, with a view to achieving universality of WTO membership; and
 - iv) playing a leading role in the development of next round of multilateral trade negotiations on telecommunications and information technology.

35. Ministers recognise that the post-WTO environment will usher in new international settlement rates arrangements. Ministers reiterate their firm support for activities now being undertaken by other international fora to achieve a comprehensive and balanced multilateral programme of reform. Ministers recognise that such a programme of reform must demonstrate a concrete commitment to action, but must also be flexible enough to accommodate differing levels of telecommunications development.

36. Ministers call upon TEL to continue work on measuring the benefits of liberalisation to users, and encourage economies to use, where appropriate, the "Indicators to Measure the Benefits of Liberalisation" developed by TEL.

37. Ministers recognise that it is crucial to establish fair and transparent interconnection and access arrangements to support competitive service provision. They endorse TEL's efforts to develop guidelines on interconnection policy. Ministers also direct TEL to improve upon economies' understanding and implementation of interconnection issues by:

- a) creating a flexible, non-prescriptive framework containing the necessary principles to formulate interconnection arrangements in a manner that promotes fair and effective competition in the market and delivers benefits to users;
 - b) discussing appropriate and credible types of information needed as a basis for formulating interconnection arrangements;
 - c) identifying best practices for interconnection arrangements, including price benchmarks and time frames for negotiation; and
 - d) increasing knowledge in APEC on how to develop and implement interconnection principles that promote fair and effective competition in the market.
38. Ministers endorse the Mutual Recognition Arrangement (MRA) on Conformity Assessment for Telecommunications Equipment in the form shown in **Annex C** and direct TEL to take the following measures to support the MRA and encourage its implementation on a voluntary basis and in a timely manner, in order to ensure that all economies benefit as fully as possible from it:
- a) An implementation project to provide practical advice to each economy to facilitate MRA participation which would:
 - i) identify general tasks and issues that could arise for economies when implementing the MRA;
 - ii) conduct research on the technical regulatory practices for telecommunications equipment among APEC economies in need of assistance in implementing the MRA to identify existing and potential legal, administrative and technical barriers to the implementation of the MRA; and
 - iii) develop a comprehensive plan and schedule for addressing identified general and specific tasks that are necessary to the implementation of the MRA.
 - b) Development of best practice principles for technical regulation, to assist economies that are reconsidering their technical regulations to support the introduction of competition in the provision of telecommunications services.
39. Ministers recognise that an essential precondition for the success of the MRA is to boost member economies' mutual confidence in the competence of conformity assessment bodies across APEC to test or assess conformity to an importing economy's requirements. To that end, Ministers direct TEL to implement appropriate confidence-building activities, such as:
- a) organising courses, seminars, personnel exchanges, inter-economy comparisons and joint audits to develop a greater familiarity with others' requirements and a greater commonality of approach; and
 - b) encouraging member economies to institute systems of accreditation for Conformity Assessment Bodies, using guides such as ISO/IEC guides or recommendations issued by international bodies.
40. Ministers request each APEC member economy to voluntarily report on the implementation status of relevant items of the TEL Collective Action Plan (CAP).

Enhanced Cooperation between the Public and Private Sectors

41. Ministers note the recent adoption of the Vancouver Framework for Enhanced Public-Private Partnerships in Infrastructure Development by Leaders, which commits to enhancing the partnerships between the public and private sectors to develop the infrastructure needs of member economies.
42. In response to the Leaders' call and recognising the important role of the business/private sector in the development of the telecommunications and information industry, Ministers applaud the inaugural Minister-Industry Dialogue held during the 3rd APEC Ministerial Meeting on the Telecommunications and Information Industry in Singapore.
43. Ministers appreciate the perspectives and ideas offered by industry leaders and commend the wide range of interests represented at the Dialogue, including the user community, SMEs, trade associations, product manufacturers, Internet associations, the multimedia industry and telecommunications operators. Ministers recognise that these exchanges will help forge a greater partnership between the public and private sectors and urge TEL to take into consideration in its work programme the following points raised by the business/private sector:
 - a) Industry is committed to remaining engaged in the APEC process that demonstrate the commonality of concerns and objectives between public and private sector in the region to achieve the potential of the APIS;
 - b) Governments, businesspersons and users must learn from and with each other if they are to achieve the benefits to be had from the rapidly evolving telecommunications and information marketplace;
 - c) Governments should continue to accelerate efforts to liberalise markets, ensuring greater transparency of regulation, facilitate access and interconnection agreements, and address the privacy, security, authentication, and bandwidth pricing issues impeding network utilisation;
 - d) Governments and industry should work to facilitate accessible, affordable, and reliable mediums for voice, data and video information exchange and communications for users and providers of network services;
 - e) TEL, in conjunction with the industry, should address efforts to accelerate human resources development if the promise of the APIS is to be achieved;
 - f) Both government and industry recognise the importance of utilising the Internet for service delivery and electronic business purposes;
 - g) Industry recognises its lead role in developing the market for digital communications and commerce, and welcomes the Ministers' commitment to develop an environment conducive to the growth of electronic commerce in the region such as: having the government "lead by example" in its use of the Internet, assisting in the development of technologically skilled work forces and IT-literate consumers and involving in efforts to develop trust and consumer confidence in the Internet;

- h) Industry and governments should work together to implement the MRA so as to expedite trade in the region; and
- i) Governments to accelerate their work to develop and implement universal access principle and the interconnection framework.

The Way Ahead for TEL

- 44. Ministers agree that a key challenge facing APEC economies is how to make the transition to knowledge-based societies. The advent of the APIS will create vast opportunities for growth and development but it will also require that our citizens acquire a new set of skills and competencies to live and do business.
- 45. In contributing to the creation of the APIS, Ministers believe that TEL can draw upon its key strengths; namely, its commitment to technological innovation, trade and investment liberalisation, its strong partnership with the business/private sector and its long-standing work in enhancing training and skills development in the Asia-Pacific region. Ministers recognise the importance of the pilot projects as a good working method to facilitate the achievement of this goal. Ministers recognise that there needs to be a balanced work agenda so that it respects the diversity of the region. Ministers also believe that TEL will have to forge strong partnerships with other relevant organisations, entities and APEC fora to fully exploit these strengths.

TEL's Priorities

- 46. Ministers reaffirm that TEL should remain focused and streamline its activities. Ministers are of the view that TEL should not take on activities that are not within its objectives and goals. Ministers urge TEL to formulate priorities and be disciplined in the work programme it undertakes.

Electronic Commerce

- 47. Having already recognised electronic commerce as an engine for economic growth, Ministers encourage TEL to consider a forward-looking work agenda on e-commerce as a way to spur member economies in a timely way.

Technological Innovation

- 48. Noting that technology was a powerful enabler of development and economic growth, particularly in a region as diverse as ours, Ministers encourage TEL to further its efforts to harness emerging technology in ways that are relevant and useful to member economies' needs. Ministers recognise the potential for telecommunications and information technologies to vastly reduce costs, improve efficiency and create jobs. Ministers encourage the broadening of participation by member economies in the APII experiments and pilot projects so that the APIS' potential benefits are mutually shared.

Trade and Investment Liberalisation

- 49. Ministers recognise that the region's recent economic crisis will pose significant challenges. However, Ministers fully expect that APEC economies will overcome these challenges soon and will emerge stronger and more confident as a result of their continued

commitment to and implementation of liberalisation action plans. Ministers recognise that the MRA and the WTO Implementation activities, such as interconnection in a pro-competitive environment, will become crucial ways in which TEL can assist member economies in concrete ways to face the new global market. Ministers also recognise that flexibility and greater attention must be paid to the special needs of developing economies, especially during this period of economic difficulty.

Public-Private Sector Partnership

50. Ministers also believe that it will become increasingly important for TEL to engage the business/private sector in technical co-operation, human resource development and policy setting. Ministers welcome the industry's interests in working with the public sector in facilitating the implementation of the MRA and encouraging the growth of the electronic commerce. Ministers believe that the business/private sector should likewise share responsibility for developing and shaping the emerging APIS by investing in member economies and providing human resource development training.

Training and Skills Development for the Information Age

51. Ministers recognise that convergence has created tremendous challenges to existing human resource capabilities. Ministers stress the need to implement creative work programmes to create a dynamic, innovative and entrepreneurial workforce crucial to a resilient and culturally vibrant regional economy and see the linkage with the ITU Centre of Excellence as helping fulfill this goal. Ministers reiterate their call for constant skills upgrading for developing economies to assist their human resource development.

Closer Coordination with Others

52. Ministers see that as a result of convergence, there will be increasing need for TEL to work more closely with other relevant entities when addressing new issues of the "cyber society". These issues would involve both infrastructure and content. Consistent with the APEC vision, Ministers call for greater coordination and cooperation between TEL and other APEC fora to avoid duplication, and note that the APEC Secretariat will continue to play an important role in this process. Ministers would welcome the inclusion of these other APEC fora in TEL meetings where appropriate, and call upon these other fora to likewise include TEL in their work. Ministers also encourage coordination with other international fora on matters where TEL can provide a useful regional perspective.

Connecting the Region

53. Ministers believe that individual economies' efforts to construct their own information infrastructures should include an important international dimension. They urge member economies to take proactive steps to facilitate the interconnectivity and interoperability of these infrastructures so as to fuel the larger APEC goal of the APIS.

**A REFERENCE FRAMEWORK FOR ACTION ON
ELECTRONIC COMMERCE**

1. The APEC Telecommunications Working Group (TEL) is a singularly important focus of electronic commerce activity in APEC. TEL has a key role in contributing to the development of a coordinated APEC-wide work plan for electronic commerce by the APEC Electronic Commerce Task Force for approval by the Leaders in November. Part of this contribution will be TEL's new reference framework for action on electronic commerce.
2. The new reference framework will:
 - (a) promote electronic commerce for use by businesses and by consumers;
 - (b) contribute to the harmonisation of the region's electronic commerce policies, its legal and regulatory practices;
 - (c) enhance the development of electronic commerce infrastructure as well as services and applications relevant to the needs of users in the region; and
 - (d) facilitate the electronic delivery of government services.

TEL's reference framework will encourage other APEC fora to adopt similar electronic commerce action frameworks. Implementing these frameworks will help bring to fruition APEC's electronic commerce work plan. This document sets forth the rationale and a suggested framework for further work on electronic commerce by TEL.

3. Subsequent to the Leaders' call for action on electronic commerce promotion, TEL worked with PECC to create a forum for government-industry discussion over priorities and objectives for APEC in this area. This endeavour has brought industry in as a full partner in the new TEL work programme on e-commerce — a work programme that had its genesis in a 1990 project on EDI development in the region.

A Global Focus

4. TEL's reference framework will help position APEC to play a lead role in the global expansion of electronic commerce initiatives. Such initiatives are recognised as a principal component of economic growth in the next century and also will position the member economies of APEC to bridge the development gap that continues in the region and to regain their economic strength.
5. Accordingly, in developing an action plan under the reference framework, TEL will collaborate with the APEC Task Force, where possible, and with other international organisations so as to share mutually in the benefits and to avoid duplication. In its plan, TEL will endeavour to ensure that the specific needs of APEC economies are met. Work also will be undertaken in close cooperation with other APEC fora, other organisations in the region, and between APEC member economies on a bilateral basis to ensure coordination in the Asia-Pacific region.

6. While involvement of the private sector has always been a hallmark of TEL's activities, it is realised that the electronic commerce programme of TEL requires an expanded network of advisors from the communications and information industries. TEL is committed to working with PECC and other relevant organisations to develop this network and subsequent joint efforts for the promotion of electronic commerce.

The Challenges

7. TEL recognises that electronic commerce will be a key driver of business development and expansion and new trading mechanisms in the region. Business expansion will be based largely on business integration as well as on the provision of consumer products and services by electronic means.
8. Nevertheless, TEL has noted that there are challenges presented by the roll-out of electronic commerce. These challenges include the need to ensure that the telecommunications and information infrastructure continues to develop in a manner that supports electronic commerce, and the need to promote a stronger role throughout APEC for Small and Medium-sized Enterprises (SMEs).
9. In addition, measures must be taken to develop electronic commerce for the benefit of the whole region and to ensure that economies that rely on existing telecommunications and information systems are supported in the transition to electronic commerce.

Impediments to Electronic Commerce

10. The efforts of TEL will address many of the impediments to electronic commerce that exist in the region. The most fundamental obstacle to electronic commerce is inability to access and use the network infrastructure. Access and use are functions of:
 - a) network capacity at local, country and international levels;
 - b) cost of network access and use;
 - c) availability and cost of access devices (telephones, personal computers); and
 - d) availability of technical skills to facilitate access.
11. These issues lie at the core of TEL's mandate, and TEL has actively pursued relevant liberalisation, human resource development and economic and technical cooperation activities to meet each of these challenges.
12. Further impediments are barriers to market entry and competition in member economies, such as laws and regulations restricting particular industry sectors. Other impediments include economic disincentives to investment such as those caused by the fear of the impacts of systems failure, the absence of suitable business models, the "immature" state of the electronic marketplace, inadequate intellectual property protection, and the need to facilitate business and consumer confidence and trust. While the range of electronic commerce issues exceeds the mandate of TEL, its framework for action focuses on a variety of issues including those of trade liberalisation, business facilitation, the need for

development and cooperation among member economies' and human resources development.

Promoting Business-to-Business Electronic Commerce

13. It is anticipated that business integration activity over the next five years may account for up to ninety percent of the expansion of electronic commerce on basic, advanced and value-added networks. The Internet and other public networks also will play an increasingly important role as security and data protection are enhanced. Improved security and data protection will contribute to the confidence of SMEs in electronic commerce.
14. Business-to-business communications have been the focus of past activity of TEL. This remains a priority, with the particular emphasis on promoting SME involvement in e-commerce. Business-to-business communications is the basis for strengthening regional economies, ensuring broad-based access to networked infrastructure and for liberalising trade and attracting investment. Accordingly, TEL's reference framework builds on work that already has been carried out or has been initiated recently to identify the issues for SMEs doing business over the Internet in the Asia-Pacific region. Further work will review the integration of SMEs into electronic commerce by measuring their usage and uptake, studying the cost to SMEs of the telecommunications and information infrastructure and services that underpin electronic commerce in the region and determining how SMEs can play a stronger role throughout APEC. TEL will promote a test-bed programme between interested SMEs in APEC economies to design, manufacture and market appropriate products.

Promoting Business-to-Consumer Electronic Commerce

15. Consumer transactions will expand from current levels and contribute to the growth of electronic commerce in the region, but expansion is not expected to occur at the same rate as business-to-business transactions. Consumer involvement will rely most directly on access to Internet connectivity and on standard telecommunication services linked to private networks. Increased consumer confidence in the reliability of networks, the security of networks and the protection of personal information, and affordability to Internet access to consumers are key to increasing their purchase of goods and services by electronic means in the region.
16. There also will be consumer and social involvement, in addition to the transactional activity noted above. It will focus on access to electronic services provided by both government and business. Governments, as model users, will spur the development of information, health, education, and community services. The provision of consumer services such as entertainment, financial, media, retailing, recreational support and travel will contribute to enhanced levels of consumer participation and overall levels of awareness and confidence. Economies of scale will unfold as networks and information services expand to serve both business and community needs.

A TEL Electronic Commerce Reference Framework for Action

17. The following reference framework is established to guide the development of a focused TEL work programme through each of its Steering Groups to promote electronic commerce in the Asia-Pacific region. The categories of actions that might be taken have been established in response to the need to access electronic commerce, raise awareness

about the benefits, build confidence and trust, and to develop compatible approaches to the digital marketplace.

a) Improving Access

- promoting cooperation between the public-business/private sectors to expand and enhance access to robust, interconnected telecommunications and information services, so as to enable all citizens and businesses to take advantage of electronic commerce;
- encouraging competition among providers of telecommunications and Internet capacity, leading to more affordable and higher quality services; and
- discouraging market access restrictions or regulatory barriers that inhibit telecommunications and Internet service providers from entering the market and/or providing access to end users.

b) Raising Awareness

- developing and sharing a knowledge base on the economic and social benefits of electronic commerce on the Asia-Pacific region;
- continuing its programme of activities, technology trials and pilot projects to demonstrate the practical benefits of electronic commerce;
- promoting awareness of the benefits of electronic commerce and encouraging its use among SMEs in all member economies; and
- encouraging governments and other public sector organisations to act as model users to promote electronic commerce.

c) Building Confidence and Trust

- building an understanding of business and consumer confidence in digital transactions and developing appropriate strategies to respond to identified needs across the region;
- reviewing and contributing to international approaches for protecting the privacy of personal data; and
- verifying the feasibility of digital transactions and authentication through electronic commerce test-bed pilot projects.

d) Developing compatible approaches to the electronic marketplace

- reviewing different approaches to authentication, which could include electronic signatures and electronic records among economies;
- using the results of the surveys of legal and regulatory barriers to electronic commerce in the region, identify the essential elements of a legal and regulatory framework for electronic commerce;

- encouraging all APEC member economies to remove existing and avoid the introduction of new legal, regulatory and other barriers to conducting electronic commerce in the region to the greatest extent possible and as soon as practicable; and
- promoting the use of best practices on electronic commerce, e.g., the development of self-regulation measures by industry.

Further Support to the APEC Task Force on Electronic Commerce and Collaboration with Other Relevant Fora

18. In many cases, the priorities proposed in TEL's reference framework for action are already being addressed by the four Steering Groups within TEL. Such electronic commerce activities influence and support the development of an APEC-wide workplan for electronic commerce by the APEC Task Force. Any new project activity in support of TEL's framework for action that is identified at the next meeting of TEL in September in Papua New Guinea will be made available to the Chair of the APEC Task Force on Electronic Commerce.
19. The Task Force and other APEC Working Groups and Committees were represented at the APEC-PECC Electronic Commerce Seminar held in conjunction with the TEL meeting in Brunei in March 1998. Continued collaboration with relevant APEC fora such as the APEC Sub-Committee on Customs Procedures, Expert Group on Intellectual Property Rights, Policy Level Group on SMEs, the Human Resources Development Working Group, the Transportation Working Group, the Industrial Science and Technology Working Group and other groups supporting the APEC work programme in areas such as consumer protection, banking, finance or taxation issues. TEL stands ready to support electronic networking of relevant information within APEC.
20. TEL will also continue its close contact with relevant work in other international organisations including United Nations Commission on International Trade Law (UNCITRAL), Organization for Economic Cooperation and Development (OECD), International Organisation for Standardization (ISO), World Trade Organisation (WTO) and International Telecommunications Union (ITU).

UNIVERSAL ACCESS PRINCIPLES

For those APEC economies who believe there is a need to provide universal access to telecommunications services, the following principles provide guidance on how APEC economies can accomplish this in line with the prevailing legal and regulatory environment and government structure of each economy, within the framework of the Bogor Declaration timetable for achieving free trade and investment in the APEC region:

1. Extension of basic telecommunications access is recognised as fundamental to economic development.
2. Each economy will decide on the scope of its own Universal Access objectives according to its own circumstances.
3. The evaluation of universal access objectives should take account of the broad economic and social benefits and the corresponding costs of limited access.
4. The telecommunications regulatory framework:
 - should be administered independently from service operators in order to champion the interests of users;
 - should encourage rational competition so that market-driven network development has the greatest opportunity to flourish; and
 - should provide the kind of certainty in the market that encourages maximum private investment in the network.
5. The policy framework for universal access should encourage:
 - the private sector to use innovative bases for generating and calculating revenues;
 - governments to consider using communications technology to deliver services both for the cost benefit to the government budget and for the intangible benefits to the people of strengthening the communications network;
 - the universal service providers to minimise the costs in providing universal service without compromise on the quality of service; and
 - equitable sharing of the net universal service costs among the relevant contributing parties. The obligation in supporting the provision of universal service should not affect the relative competitiveness of the operators and service providers in the telecommunications market.

6. To be sustainable in the long run, universal access must be provided on a basis that is independent of implicit cross-subsidies. Therefore revenues should be arranged so that net costs are met through one or more of the following mechanisms:
- requiring the provision of universal access as part of the conditions of the licenses of carriers;
 - mobilisation of diverse capital resources, including public, private and foreign capital;
 - transparent funding mechanisms to channel resources to universal access providers, consistent with Members' international commitments and other policies;
 - commercial arrangements negotiated against the backdrop of competition laws.

**THE THIRD APEC MINISTERIAL MEETING ON THE
TELECOMMUNICATIONS AND INFORMATION INDUSTRY
(TELMIN3)**

**Singapore
3-5 June 1998**

**MINISTERIAL DECLARATION ON THE
APEC MUTUAL RECOGNITION ARRANGEMENT FOR CONFORMITY
ASSESSMENT OF TELECOMMUNICATIONS EQUIPMENT**

We, the APEC Ministers responsible for the Telecommunications and Information Industry, gathered at Singapore, 3-5 June 1998,

heeding the call of APEC Leaders:

at Osaka, November 1995, for the development and implementation, on an elective basis, of a model mutual recognition arrangement on conformity assessment for telecommunications equipment; and

at Subic, November 1996 to identify sectors where early voluntary liberalisation would have a positive impact on trade, investment and economic growth in the individual economies as well as in the region, and to submit recommendations on how this could be achieved;

noting the identification by APEC Ministers responsible for Trade at Vancouver in November 1997, of a mutual recognition arrangement on conformity assessment for telecommunications equipment as a sector for early voluntary liberalisation; wherein Ministers responsible for Trade had urged that this work be concluded in the first half of 1998, with a view to commencing implementation wherever possible in 1999;

noting also that our Leaders and the APEC Ministers responsible for Trade had stated at Vancouver in November 1997 that the development and implementation of sectoral initiatives, such as a model mutual recognition arrangement on conformity assessment for telecommunications equipment, should take into account the different levels of economic development and diverse circumstances of all APEC member economies;

applauding the important preparatory work undertaken by the APEC Telecommunications Working Group (TEL) to complete the Framework for such an arrangement and the Enhanced APEC Guidelines for Regional Harmonisation of Equipment Certification by September 1997;

satisfied that, consistent with the leadership shown by APEC in initiating the World Trade Organisation's Information Technology Agreement in 1996 and in ensuring the success of the WTO Basic Telecommunications Services Agreement in 1997, the conclusion of this Mutual Recognition Arrangement on Conformity Assessment for Telecommunications Equipment will:

- build upon wider international efforts to reduce technical barriers to trade¹;
- contribute to telecommunications standardisation efforts undertaken by the International Telecommunication Union; and
- prove a stimulus to other trade facilitation measures within the APEC region

acknowledging that this Mutual Recognition Arrangement on Conformity Assessment for Telecommunications Equipment is an expression of intent by the participating economies to work together in their mutual interest, and does not, in and of itself, create legally binding international obligations for economies;

DO HEREBY DECLARE their strong endorsement² for this, the first ever Mutual Recognition Arrangement (MRA) on Conformity Assessment for Telecommunications Equipment among APEC economies, as a major milestone in their efforts to facilitate trade in telecommunications within the APEC region and to expand the Asia Pacific Information Infrastructure for the benefit of all APEC economies; and

DO FURTHER DECLARE in the form shown in the **Appendix** attached hereto, the indicative timeframe by which their individual economies will voluntarily participate in this Mutual Recognition Arrangement.

1 The World Trade Organisation (WTO) Agreement on Technical Barriers to Trade (TBT) provides that WTO Members “shall ensure, whenever possible, that results of Conformity Assessment Procedures in other WTO Members are accepted, even when those procedures differ from their own, provided they are satisfied that those procedures offer an assurance of conformity with applicable technical regulations or standards equivalent to their own procedures.” The Agreement also provides that “Where a positive assurance of conformity with a technical regulation or standard is required, Members shall, wherever practicable, formulate and adopt international systems for conformity assessment and become members thereof or participate therein.”

2 Chile sees the MRA as a step forward towards the elimination of trade barriers in the APEC region. However, in view of the very open nature of the current Chilean certification system for telecommunications equipment, and in line with Chile’s stated position on Early Voluntary Sectoral Liberalisation within APEC, Chile abstains from endorsing the Ministerial Declaration on the APEC Mutual Recognition Arrangement for Conformity Assessment of Telecommunications Equipment.

Appendix

Indicative Schedule for Voluntary Participation in the Mutual Recognition Arrangement on Conformity Assessment for Telecommunications Equipment

Economy	Mutual Recognition of Test Reports (Phase I)	Mutual Recognition of Equipment Certification (Phase II)
Australia	Australia already accepts test reports from other parties.	Suppliers declarations are accepted now. Australia does not require certification.
Brunei Darussalam	2003	2003
Canada	End of 1998	End of 1999
China	2002 for network terminals	To be advised
Hong Kong, China	Already in effect	July 1999
Indonesia	2005	To be advised
Japan	July 1999	July 1999 (targeted, but could be 2000)
Korea	July 1999	To be advised
Malaysia	2003	2003
Mexico	June 2001	To be advised
New Zealand*	(See footnote)	(See footnote)
Papua New Guinea	December 2001	To be advised
Philippines	2005	2006
Singapore	July 1999	End of 1999
Chinese Taipei	Already in effect	2000 (targeted, but could be 2001)
Thailand	2004	2006
United States	FCC currently accepts test data from other parties.	July 1999

* The responsibility for setting the standards for attachment to telecommunications networks in New Zealand rests with network operators, not the government — except in as far as electrical safety and electro-magnetic compatibility are concerned. Recognising its potential to contribute towards removal of non-tariff barriers in the APEC region, New Zealand proposes to endorse the MRA.

APEC MEETING OF MINISTERS RESPONSIBLE FOR TRADE

**Kuching, Malaysia
22 - 23 June 1998**

STATEMENT OF THE CHAIR

APEC Ministers Responsible for Trade met in Kuching on 22-23 June to review progress on the implementation of instructions given by Leaders in Vancouver and the ongoing APEC work programme on trade and investment liberalisation and facilitation. Ministers exchanged views on the current economic situation, developments in international trade and on APEC's contribution to the work of the World Trade Organisation. Ministers also engaged in a dialogue with ABAC on APEC's response to the 1997 ABAC's recommendations and on broadening APEC outreach to a wider segment of the business/private sector.

The Meeting of APEC Ministers Responsible for Trade is being held during a period of financial and economic turmoil in the East Asian constituents of the APEC region. It was noted that the turmoil has had its impact on a broad spectrum of economic sectors, curtailing the capacity to generate economic growth. It has also brought about social ramifications that are and will continue to be far-reaching. APEC member economies recognised that regional and global economic inter-linkages and interdependence can have a contagion effect on other economies outside the region. While individual APEC economies affected by the financial turmoil must undertake domestic policy initiatives to effect economic recovery, other APEC member economies could, where possible, assist in the process of economic recovery. APEC may not be the mechanism for direct intervention, but it is important that APEC supports initiatives to manage the financial crisis – both in terms of the causes and impacts.

Early Voluntary Sectoral Liberalisation

3. Ministers considered the report of the SOM Chair and noted that officials have made significant progress since Vancouver in further developing the EVSL initiatives, based on APEC's principle of voluntarism. Ministers recognised that specific concerns have been raised by individual economies in each sector.
4. There is emerging consensus on product coverage, target end rates and target end dates, and Ministers endorsed the recommendations of Senior Officials, as a means to further progress work in the fast-track sectors.
5. Participation in the nine sectors and all three measures (trade liberalisation, facilitation, and ECOTECH) in each sector will be essential to maintain the mutual benefits and balance of interests, which Leaders had established when selecting the sectors in Vancouver.
6. In order to enable finalisation of the sectoral arrangements that would maximise participation, Ministers agreed that flexibility would be required to deal with product-specific concerns raised by individual economies in each sector. Such flexibility would generally be in the form of longer implementation periods. In principle developing economies should be allowed greater flexibility.
7. Ministers agreed that consideration of other forms of flexibility should take into account the broader goal of maximising mutual benefits, and the need to maintain the balance of interests.

8. Ministers also noted the significant work done on NTMs, facilitation and ECOTECH, and endorsed the existing implementation schedule, and the related work programme in these areas. Ministers regarded facilitation and ECOTECH as important elements of the EVSL initiative, and agreed that such measures continue to be identified for implementation.
9. Ministers agreed that all sectors containing tariff liberalisation proposals be communicated to the WTO by the APEC Chair for transparency purposes once all details of the sectoral proposals are finalised.
10. Ministers instructed Senior Officials to continue work to finalise by September the sectoral arrangements on the fast-track sectors on the basis of decision taken at this meeting, and further develop the other six sectors.
11. Ministers will consider the final agreements/arrangements of each sector in their entirety at the Ministerial Meeting in November, with a view to commencing implementation in 1999.

Individual Action Plans

12. Ministers welcomed and endorsed the preliminary plans of member economies to implement and improve their Individual Action Plans (IAPs) for 1998. Ministers noted that despite the adverse impacts of the current financial crisis, members remained committed to IAP improvements and implementation. They reaffirmed that the IAP is the primary mechanism for implementation of APEC's trade and investment liberalisation and facilitation (TILF) agenda. Ministers recognised that improving IAPs is a continuous and progressive process and urged members to continue to strengthen their IAPs in terms of transparency, level of detail and specificity. Ministers stressed that faithful implementation would lend credibility to the Plans.
13. An added value of IAPs is that they provide member economies with the opportunity to draw on the experiences and approaches of other member economies in undertaking liberalisation and facilitation. Members can draw on these experiences and adopt and incorporate such best practices in improving their IAPs.
14. In an effort to make IAPs more effective in meeting the needs of business, Ministers noted that IAPs should continue to take account of ABAC recommendations. They noted that some of these recommendations have already been implemented while others are under consideration. Member economies will continue to take into account the views of the business/private sector in the improvements of the IAPs.
15. Ministers commended Malaysia for submitting its IAP for peer review in Kuching. They welcomed Korea's decision to present its IAP for peer review in September at the margins of SOM III. It was acknowledged that bilateral consultations and voluntary peer reviews are confidence building measures that will facilitate exchange of information and contribute towards transparency and comparability of the IAPs. In this context, interested member economies were encouraged to volunteer their IAPs for peer review.
16. To further advance work on IAPs, Ministers agreed that:
 - member economies submit revised IAPs, including the financial sector, according to the revised format guidelines by October 15;
 - member economies continue to give consideration to the views and opinions of the business/private sector in formulating their IAPs.

17. Ministers called for a report on revised IAPs to be submitted to them in November for their review.

Collective Action Plans

18. Ministers reaffirmed the importance of Collective Action Plans (CAPs) for advancing APEC's TILF agenda. Ministers welcomed work to further enhance and implement CAPs, including work underway on more than 80 CAPs activities. They stressed the importance of trade and investment facilitation activities in APEC in the 15 areas under Part I of the Osaka Action Agenda. Ministers took note of the SOM Chair's Report on collective actions and endorsed the list of over 30 TILF outcomes for 1998. These outcomes are expected to contribute towards reducing transaction costs and facilitating business activities such as movement of goods, capital, services and business people.
19. At this time of financial turmoil in the region, APEC's trade facilitation activities would contribute to improving the capacity and confidence of members in their liberalisation efforts. In this context, Ministers also noted the need to prioritise projects in order to make efficient use of limited resources and maximising benefits to members.
20. In advancing work on CAPs, Ministers:
- endorsed the collective commitments of APEC economies to grant multiple-entry visas to regular business travellers through unilateral or bilateral means, unless there are reasonable grounds not to do so; and
 - agreed that capacity of member economies be enhanced through training and technical cooperation programmes to ensure effective implementation of CAPs.
21. Ministers further instructed that a report be submitted in November on:
- achievement of TILF outcomes in 1998;
 - training and technical cooperation programmes in the TILF areas;
 - areas for priority work in 1999; and
 - APEC's response to ABAC's recommendations.

Electronic Commerce

22. Ministers welcomed the report of the Task Force on Electronic Commerce and noted the progress of work in both the Task Force and other APEC sub-fora.
23. Ministers endorsed that the second stage of the work programme which would include possible development of principles and practical cooperative activities for promoting the use of electronic commerce in the region, recommendations on technical cooperation and capacity-building activities, including on public sector use of electronic commerce, as well as outreach and training programmes. Ministers also endorsed the programme of information exchange and technical cooperation to address the "millennium bug/Year 2000" problem and to identify impediments to electronic commerce in the region.
24. In advancing the work programme, Ministers requested the Task Force to take into account:

- the views of the private sector;
- differing levels of development in member economies; and
- the need to avoid duplication of work in both APEC and international fora.

Impact of Liberalisation

25. Ministers welcomed the progress report by the Steering Group on work to develop an APEC-wide programme to assess and promote the understanding of the impact of trade liberalisation. There will be a two-stage implementation plan, involving analytical work on five case studies in Phase I and the development of a strategy for communicating the findings of the study in Phase 2. Ministers welcomed the offer of New Zealand to host a seminar on communicating the outcomes of the Study under Phase 2 of this project just before the next Trade Ministerial Meeting in New Zealand in June 1999.
26. Ministers recognised that the study is timely and relevant especially during this time of economic difficulties and concerns expressed over the benefit of further liberalisation. Ministers reaffirmed the importance of promoting a broad-based and balanced understanding of the impact of liberalisation, taking into account both benefits as well as the associated adjustment costs. In this context, they underscored the importance of selecting appropriate sectors to reflect this approach.

Supporting the Multilateral Trading System

27. Ministers expressed satisfaction with the outcomes of the Second WTO Ministerial Conference and welcomed the agreement to embark on a work programme which includes the implementation of existing Uruguay Round Agreements, the built-in agenda, and recommendations concerning other possible future work on the basis of the work programme initiated in Singapore and recommendations on other matters proposed by members. In this regard, Ministers welcomed the statement presented by the APEC Chair at the Conference, which underlines APEC's commitment to open regionalism and multilateral trading system.
28. Ministers recognised the importance of APEC's on-going programme of activities which support work in the WTO, in particular seminars and training activities on the implementation of WTO agreements such as customs valuation, subsidies and CVD, TRIPs and Services. They agreed that these activities should be continued. Ministers also agreed that APEC's on-going information exchange on electronic commerce would be an important contribution to the WTO.
29. In recalling APEC's role in Information Technology Agreement (ITA) I, Ministers called for a successful conclusion of the ITA II, with a balanced outcome that takes into account interests and concerns of members.

ABAC

30. Ministers welcomed the briefing by Mr. Timothy Ong on the 1998 priorities of ABAC and confirmed APEC's intention to continue to work closely with ABAC. Ministers noted ABAC's view on APEC's work in EVSL, electronic commerce and APEC action plans. ABAC acknowledged the need for capacity building to complement APEC's liberalisation efforts.

31. Ministers' confirmed that APEC fora have responded positively to the recommendations contained in ABAC's 1997 Report to Leaders in the areas of promoting cross-border flows, enhancing private investment in infrastructure and access to capital as well as in implementing economic and technical cooperation. Ministers expressed their desire to continue to work closely with ABAC for liberalising and facilitating trade and investment in the region. Minister also called upon ABAC to reach out to domestic business groups including small businesses so that APEC activities would permeate through a broader cross-section of the business sector.

Other Matters

32. Ministers welcomed remarks from members-designate, Peru, Russia and Vietnam on their preparations to assume full membership in APEC in November. Ministers also received reports from representatives of the Pacific Economic Cooperation Council (PECC), the South Pacific Forum (SPF) and the Association of South East Asian Nations (ASEAN).

FIFTH MEETING OF APEC MINISTERS RESPONSIBLE FOR SMES

**Kuala Lumpur, Malaysia
7 - 8 September 1998**

JOINT MINISTERIAL STATEMENT

1. APEC Ministers Responsible for SMEs met in Kuala Lumpur on 7-8 September 1998 to review the work of the Policy Level Group on Small and Medium Enterprises (PLGSMEs) and discusses:

- an integrated plan of action for SME development;
- the impact of the regional financial instability on SMEs; and
- the importance of electronic commerce for SMEs.

In addition, Ministers had a dialogue with representatives of the business sector on the outcome of their meetings and on how the private sector could benefit from the APEC process.

2. Ministers took note of the report of the PLGSMEs on its activities and welcomed the decision of the APEC Senior Officials to extend the mandate of the PLGSMEs for another two years. The mandate was extended with the understanding that decisions on the PLG's future focus and mandate may result from the current review of APEC management process. Ministers also noted the on-going activities under various APEC fora, both public and private, as presented by the APEC Secretariat.
3. Ministers noted the progress on the implementation of the 17 approved projects which have significant impact on capacity building of the public and private sectors to provide high quality information and services to SMEs and to improve their capacity to adopt new technology and penetrate new markets. To date seven projects have been completed and the remaining 10 are at various stages of implementation.
4. Ministers further endorsed the following three new project proposals prioritised by the PLGSMEs, while acknowledging that future project proposals must take into consideration existing financial resources of APEC:
 - i) A Strategy for Internationalisation of SMEs in Asia-Pacific Area: Lessons from an Empirical Study on Korea and other APEC Member Economies
 - Ministers recommended the funding of this project be shared by the APEC Secretariat and the Republic of Korea
 - ii) Training and Certification for Small Business Counsellors – Phase III
 - Ministers recognised the importance of this project for all APEC economies and stressed the need to manage the project efficiently.
 - iii) Electronic Commerce Impact Study for SMEs

- Ministers agreed that in order to avoid duplication, the PLGSMEs will coordinate with the Telecommunications Working Group and the E-Commerce Task Force on the implementation of this project.
5. Ministers welcomed the report on best practices for disseminating information to SMEs. Ministers acknowledged that there is no single best way to deliver information to SMEs and encouraged giving priority to the development of effective information management for SMEs. Ministers stressed that it is crucial that SMEs be informed of all APEC initiatives to enable SMEs to benefit from such activities.
 6. Ministers emphasised the importance for the SME PLG to ensure that APEC projects build on work of other APEC fora and benefit a majority of member economies. Ministers agreed that implementation of future projects should not necessarily be constrained by the resource availability in APEC. Member economies are encouraged to contribute the balance required for the implementation of approved projects.

Integrated Plan of Action for SME Development (SPAN)

7. Ministers considered the proposed Integrated Plan of Action for SME Development (SPAN) which serves as a set of broad guidelines for SME development in individual economies. The SPAN builds on the Framework of SME activities approved by Ministers in 1997. Ministers recognised that SPAN provided a convenient reference point for review of initiatives, programmes and regulatory frameworks to promote the development of SMEs and to plan future action at the individual economy level and collaborative efforts at the APEC level. Ministers emphasised the importance of focusing the SME work programme on key issues which affect SME development, and on sharing best-practice responses to these issues.
8. Ministers emphasised that SPAN, besides focusing on enterprise development, should also promote the development of new entrepreneurs including technopreneurs. In this regard, there is a need to demarcate between enterprise and entrepreneurial development.
9. Ministers further requested the PLGSMEs to collaborate with other international organisations to ensure that APEC perspectives are reflected in the work of such organisations, and with other APEC fora to ensure that such perspectives are developed in a coordinated and efficient manner.
10. Ministers commended the inclusion of microenterprises and women entrepreneurs as an integral part of SPAN. Ministers agreed that SPAN should also include environmental considerations. Ministers recognised that environmentally friendly and cost effective technology should be accessible to SMEs.
11. In endorsing the SPAN, Ministers acknowledged that it is not intended to be prescriptive and that adoption would be on a voluntary basis. Ministers stressed the importance of private sector participation in contributing to and carrying out the objectives of SPAN. Ministers asked the PLGSMEs to compile information on SME programmes and services in member economies to be appended to the SPAN.
12. The SPAN will be presented to the Ministerial Meeting and Leaders in November 1998.

Electronic Commerce and SMEs

13. Ministers recognised the importance and benefits of electronic commerce for SMEs. Ministers exchanged information on efforts undertaken by their respective economies in promoting the use of electronic commerce.

14. Ministers reaffirmed the leading role of the business sector in the development of electronic commerce and the role of the market in advancing the expansion of electronic commerce throughout the APEC region. Ministers reaffirmed the need for specific programmes to facilitate and promote the wider use of electronic commerce by SMEs. Ministers also recognised the need for setting-up appropriate information infrastructure to ensure business access to electronic networks.
15. Ministers noted the work programme of the APEC Electronic Commerce Task Force, the various APEC fora and ABAC on electronic commerce including the Year 2000 (Y2K) problem, a major issue that needs to be addressed.
16. Ministers directed the PLGSMEs to work closely with the relevant APEC fora with the view to further develop capacity building initiatives and to assist SMEs in the use of electronic commerce. The APEC Secretariat was asked to compile a list of electronic commerce hub and network service providers available in APEC economies.

Addressing the Impact of Regional Financial Instability on SMEs within the APEC Region

17. Ministers noted that the Asian financial crisis has affected other economies outside the region. Ministers expressed concern that, if not addressed urgently, the global contagion effect that is evident now will exacerbate.
18. Ministers noted the work undertaken by Finance Ministers and other APEC fora to overcome the crisis. Ministers strongly endorsed APEC Financial Ministers' decisions to:
 - share knowledge and experiences on approaches to financial market regulations;
 - consider establishing a global system of multilateral surveillance of national financial sector supervisory and regulatory systems; and
 - develop immediate measures to support SMEs and strengthen social safety nets in affected economies.
19. Ministers emphasised that APEC Finance Ministers should develop the necessary securities and financial market regulatory framework as soon as possible.
20. Ministers agreed that proposals pertaining to measures to address the financial crisis discussed at this meeting be conveyed to Financial Ministers.
21. Ministers also noted that reforms have been taken by individual economies to strengthen financial institutions and economic governance at the domestic level. Ministers stressed that it is important to continue with the liberalisation process and that the present financial turmoil should not deter progress in this regard. Ministers also stressed the importance of APEC economies taking measures either individually or collectively to prevent a future recurrence of the crisis.
22. Ministers encouraged the adoption of specific measures to address the impact of the crisis on SMEs. These could include:
 - Ensuring the availability of trade financing by exports credit agencies
 - Expansion of industrial supply and subcontracting business cooperation
 - Better risk assessment capabilities in relation to credits for SMEs
 - Dissemination of information on opportunities to build better business linkages for trade and investment among SMEs
 - Establishment of an interactive business matching web sites

23. Ministers directed the PLGSMEs to work closely with other APEC fora to assist SMEs to overcome their difficulties as a result of the financial crisis.

Dialogue with the Business Sector

24. Ministers took note of the report by the Pacific Economic Cooperation Council (PECC) and commend its efforts to support the APEC PLGSMEs.
25. Ministers welcomed the briefing by the representatives of the various private sector groups on their recent meetings. Ministers noted the importance of greater private sector involvement in APEC and called upon the private sector groups to ensure that the initiatives and programmes contribute to the growth and development of SMEs. Recognising the special needs of SMEs, Ministers welcomed the SME Business Forum's proposal to establish an ongoing SME Task Force to foster closer public/private sector SME dialogue.
26. Ministers welcomed the Declaration of the 1998 Women Leaders' Network Meeting and took note of their recommendations. Ministers emphasised the importance of eliminating barriers to the full participation and contribution of women to our respective economies; and noted the establishment of the Confederation of Women's Business Councils in APEC economies as a catalyst to facilitate and enhance business networking and partnerships among women entrepreneurs.
27. Ministers commended the APEC Export Credit Agencies and Export Financing Institutes Working Group on SME Exporters' Support for their commitment to working with commercial lenders and international financial institutions to enhance trade financing, risk sharing and co-insurance opportunities to improve credits risks of SME exporters and augment financing availability. Ministers also noted the Working Group's focus towards simplification of documentation and improvement of services to SMEs by means of electronic communication.
28. Minister's welcomed the recommendations made by the APEC Business Advisory Council (ABAC) especially on initiatives that would accelerate the recovery of the SME sector.
29. Ministers took note of the report of the Young Entrepreneurs' Organisation (YEO) and their proposal to create the Young Entrepreneur Business Award and the formation of the Young Entrepreneurs' Advisory Council (YEAC).
30. Ministers welcomed the suggestion from the Business Forum on the establishment of the SME Task Force and noted that its participation in the activities of the PLGSMEs will be subject to the APEC rules on non-member participation. The PLG will follow up on this and other recommendations of the business organisations.

Next Ministerial Meeting

31. Ministers welcomed New Zealand's offer to host the next Ministerial Meeting in Christchurch in April 1999.

THIRD MEETING OF APEC ENERGY MINISTERS
Energy: Driving Force for Economic Recovery and Development

Ginowan, Okinawa, Japan
9 - 10 October 1998

DECLARATION

1. The Third Meeting of APEC Energy Ministers was held on 9-10 October 1998 in Ginowan, Okinawa in Japan. Ministers and their representatives from Australia; Brunei Darussalam; Canada; Chile; the People's Republic of China; Hong Kong, China; Indonesia; Japan; the Republic of Korea; Malaysia; Mexico; New Zealand; Papua New Guinea; the Philippines; Singapore; Chinese Taipei; Thailand; and the United States of America attended. They welcomed Peru, Russia and Vietnam, members-designate, to the meeting and looked forward to their formal accession to APEC in November in Malaysia. Also present were representatives from the APEC Secretariat, the Energy Working Group Secretariat, and observers from the Pacific Economic Cooperation Council.
2. Ministers discussed the serious economic situation of several APEC economies. Ministers also discussed the implications for the energy sector of the economic situation and the future energy supply and demand outlook. Ministers considered several ways in which the energy sector can contribute to the recovery of economic growth in the region.
3. Ministers stressed the importance of implementing the 14 non-binding energy policy principles to address the current economic difficulties as well as to achieve the goals of sustainable economic growth, stable energy supply and environmental protection.
4. Ministers acknowledged that important stimulants to renewed growth and prosperity are open and efficient energy markets which are guided by appropriate rules to ensure their smooth and equitable functioning and the development of efficient energy infrastructure. Ministers also noted the importance of improving living standards and of sustainability, and in this context the importance of mitigating negative local, regional and global environmental and social impacts of energy production, delivery and use.
5. Ministers reiterated the important role that the energy sector could play in stimulating regional economic activity, including by raising the technical capability and economic efficiency of member economies and creating employment, in addition to improving the quality of life. To draw the maximum potential benefits, Ministers agreed that appropriate policy reforms should be rigorously pursued in the energy sector with capacity- and infrastructure-building stimulated by investment, including from the business sector.
6. Ministers examined the policy implications arising from decisions by APEC Economic Leaders and at the two previous meetings of APEC Energy Ministers, as well as the energy outlook prepared by the Asia Pacific Energy Research Centre (APEREC). They resolved to work cooperatively to secure tangible economic, social and environmental benefits for member economies by focusing on initiatives that will have an early and enduring impact.
7. Ministers agreed that the energy outlook prepared by the Asia-Pacific Energy Research Centre should be used by the Energy Working Group as an important basis for policy discussion and that the Centre should continue its work to better understand the energy supply and demand

issues confronting the Asia-Pacific region. Ministers welcomed the decision of the Energy Working Group to further strengthen policy dialogue among member economies on important issues such as energy security, energy infrastructure, energy efficiency and energy and environment. Ministers also welcomed the actions of the Energy Working Group to facilitate improved communication with the business sector.

Energy Security

8. Ministers discussed the results of the *Regional Energy Outlook* prepared by the Asia-Pacific Energy Research Centre, considering the influence of the current economic difficulties. Ministers noted that according to the outlook, in spite of the current economic downturn in Asia and projected slower growth in demand, the region's demand for energy is expected to outpace its energy production by a wide margin, underscoring the APEC region's growing energy import dependence. Total primary energy demand in the region is projected to increase by 41 percent, while indigenous energy production will increase by 31 percent over the period of 1995 to 2010, with total imports to be doubled as a consequence. Ministers also noted that lower energy infrastructure and production investment as a result of the Asian downturn could induce bottlenecks, preventing the efficient delivery of energy to satisfy the higher energy demand growth expected beyond 2000. Ministers confirmed that energy supply diversification, intraregional energy infrastructure development and improvement of energy efficiency are vital issues from the viewpoint of enhancing energy security.
9. Considering the strong forecast growth in demand and increasing dependence on oil from outside the region, Ministers recognized the need to promote diversification of energy supply, including where appropriate natural gas, renewables and nuclear energy, and to promote market-driven energy infrastructure development. Ministers also recognized that well-functioning markets, market-based pricing, greater energy efficiency and information flows among market participants are important for enhanced energy security.
10. Ministers welcomed the initiation of information sharing on oil markets, and endorsed the decision by the Energy Working Group to discuss oil supply and demand security issues.
11. Ministers noted the recommendations from the report on "Energy Security: Fuel Supplies for the Power Industry", which emphasize the importance of encouraging the efficient operation of market-based mechanisms.
12. Considering the dependence of economic activities on energy, Ministers emphasized the importance of sharing information, among themselves and with others, that will assist in addressing potential disruption caused by the Year 2000 "millennium bug" computer problem. Ministers commended the Energy Working Group for referring this issue to its Energy Regulators' Forum for comment and report. Ministers instructed the Energy Working Group at its next meeting in April 1999 to propose actions that may help member economies and business in the remedial steps that they are taking.

Energy Infrastructure

13. Ministers recognized that continuous development of adequate energy infrastructure is essential as a stimulus for economic recovery as well as for sustainable development in the region. Under the current economic situation, the development of efficient energy infrastructure should be actively pursued to improve the productivity of economic activities and to facilitate recovery. Estimates are that hundreds of billions of dollars will be required for energy power infrastructure alone in APEC economies over the next decade. Ministers reaffirmed their support for efforts that build markets and address the goal of reducing disparities among members. Ministers stressed the importance of the availability of funds and investments towards the development of

such infrastructure in the developing economies.

14. In this regard, Ministers stressed the importance of promoting private sector participation in infrastructure development in those areas permitted by their respective legal frameworks, and re-emphasized the need for a predictable, transparent institutional and regulatory framework to enhance the investment climate.
15. With respect to the role of the energy sector in the region's economic recovery, Ministers agreed that existing action directed at improving investor confidence and mobilizing capital could be enhanced. To this end, Ministers instructed the Energy Working Group to hold a business/government workshop to develop recommendations for early action. The newly established EWG Business Network, as well as the Energy Regulators' Forum, should be involved in the development of the workshop agenda on an urgent basis. This would be compatible with, and make an important contribution to, other APEC activities to assist in the region's economic recovery.
16. Ministers discussed progress in implementing the best practice principles for independent power producers agreed at the second meeting of APEC Energy Ministers and directed the Energy Working Group to effectively follow up the implementation of these principles in close communication with the private sector.

Natural Gas Initiative

17. Driven by the goals of promoting economic development and growth, increasing energy security and improving the environment, demand for natural gas in APEC is expected to grow significantly over the next 20 years. Meeting this demand will require increased natural gas production and significant new infrastructure development. The Asian Development Bank estimates that as much as US\$ 70 billion in investment will be required for natural gas infrastructure in Asia over the next 15 years. In addition, it is estimated that hundreds of billions of dollars in investment will be required in other APEC economies over the next 15 years. Meeting increased demand for natural gas in the APEC region will also require increased trade in natural gas and natural gas-related products and services among APEC member economies, which will have a powerful multiplier effect on APEC economic growth prospects.
18. Ministers endorsed the recommendations contained in the report of the initiative "Accelerating Investment in Natural Gas Supplies, Infrastructure and Trading Networks in the APEC Region." Ministers agreed that implementation of the recommendations would be consistent with the priorities of individual economies and regularly reviewed. The APEC Natural Gas Initiative will promote the acceleration of investment in natural gas supplies, infrastructure and trading networks in the region. Natural gas trading networks comprised of internal and cross-border pipelines, Liquefied Natural Gas (LNG) terminals and distribution systems would promote economic development within economies and further cooperation and trade between the APEC economies. Feasibility studies on pipeline projects in this region should be conducted.
19. Recognizing the necessity to minimize the adverse environmental impact of new energy infrastructure development, Ministers endorsed the "Recommended Work Program on Environmentally Sound Energy Infrastructure in APEC Member Economies." They agreed that the work program would provide impetus to the application of environmental policy practices that are predictable, transparent and consistent. Ministers noted that such practices would facilitate energy investment while allowing investors flexibility in meeting environmental objectives, and charged the Energy Working Group to develop practical and effective means of implementation.

Energy Efficiency

20. Hundreds of billions of dollars are expended on energy annually in member economies. Ministers noted that even a one percent energy saving on infrastructure and energy use translates into literally billions of dollars of investment freed up for other purposes. Increased energy efficiency will not only contribute to the competitiveness of industrial activities, but will also reduce environmental impacts as the amount of energy required to produce a given level of goods and services is reduced.
21. Ministers recognized the importance of fostering continuing improvements in the production, delivery and use of energy and agreed to implement a voluntary pledge and review program comprising: developing and implementing programs to achieve efficiency gains where economic to do so; reporting on the programs developed, their specific objectives and the results achieved; sharing information and experience in achieving improved energy efficiency; and developing indicators and databases that will enable the measurement of performance over time.
22. Furthermore, Ministers instructed the Energy Working Group to develop a program to exchange information on policies, technologies and practices to improve the efficient production, transportation and consumption of energy. Ministers endorsed the recommendations on improving energy efficiency in *the Report of Guidelines for Improving Energy Efficiency* and agreed that energy efficiency should continue to be a priority of the Asia Pacific Energy Research Centre, encouraging the Centre to advance its work on energy efficiency indicators.
23. Ministers welcomed the progress made in implementing cooperation on energy efficiency standards testing, and endorsed the Standards Notification Procedure. Ministers noted that this is an immediate step which will not only increase transparency to business and facilitate trade, but also help to minimize the proliferation of differing test procedures in the region.
24. Ministers emphasized the importance of regional cooperation to promote the development and deployment of energy technologies to reduce the growth of greenhouse gas emissions, noting the importance of progress in improving energy efficiency and the increased use of low or non-carbon emitting energy systems. Ministers encouraged greater efforts to attract private investment in advanced energy technologies as a way to produce vigorous economic growth while limiting emissions. Ministers noted that mechanisms to address this issue are being discussed within the context of the United Nations Framework Convention on Climate Change.
25. Ministers stressed the importance of promoting energy research and development, commercial and economic transfer of environmentally sound technologies, and continuing cost-reduction in the introduction of these new technologies, with the direct participation of the business sector.
26. Ministers welcomed progress made in promoting environmentally sound and efficient measures in the area of minerals and energy exploration and development.

Interaction with Business

27. Ministers welcomed the report from the business sector following their deliberations in the Okinawa Energy Business Forum and noted that energy-related investment and energy efficiency were seen as major business opportunities. Ministers referred the report to the Energy Working Group for further consideration. Ministers welcomed the actions of the Energy Working Group to improve and sustain the interface between the Group and the business sector, particularly the newly established EWG Business Network. Ministers urged continued efforts on business and government communication.

Recommendations to APEC Economic Leaders

28. Ministers agreed to report the accomplishments and development of the Third Energy Ministers Meeting to APEC Economic Leaders for their consideration at Kuala Lumpur in November 1998. Ministers recommended that Leaders highlight the important role that the energy sector could play in the recovery from the current economic difficulties through improvement of the business environment facilitated by expanded policy dialogue among member economies, development of efficient energy infrastructure and improvement of energy efficiency. Ministers agreed that the recommendations from the Natural Gas Initiative should go forward to APEC Economic Leaders for their consideration in November 1998.

APEC MINISTERIAL MEETING ON WOMEN

**Makati, Philippines
15 - 16 October 1998**

JOINT MINISTERIAL STATEMENT

Preamble

1. We, the Ministers from Australia; Brunei Darussalam; Canada; Chile; the People's Republic of China; Hong Kong, China; Indonesia; Japan; the Republic of Korea; Malaysia; Mexico; New Zealand; Papua New Guinea; the Republic of the Philippines; Singapore; Chinese Taipei; Thailand; and the United States of America; members-designate from Peru, Russia, and Vietnam; representatives of the APEC Secretariat; observers from the Pacific Economic Cooperation Council, South Pacific Forum, and ASEAN Secretariat responsible for Women's Concerns Related to Economics and Trade of the Asia-Pacific Economic Cooperation (APEC) region met in Manila on 15-16 October 1998, to give practical effect to the commitments made by Leaders in 1996, to "put special emphasis on the full participation of women and youth" (paragraph 18), and, in 1997, when Leaders directed APEC to "take specific steps to reinforce the important role of women in economic development" and hold a Ministerial Meeting on Women "to take stock of the progress to date in involving women in APEC's agenda and to determine next steps to integrate women into the mainstream of APEC activities" (paragraph 20).
2. The theme of our meeting was "Women in Economic Development and Cooperation in APEC", with the sub-themes: "Women and Small and Medium Enterprises"; "Women and Industrial Science and Technology" and, "Women and Human Resources Development". Throughout our deliberations, we were cognizant of the role that women play in the achievement of the objectives of the Bogor Declaration, the Osaka Action Agenda and the Manila Action Plan. We noted the cross-cutting nature of the issues and the linkages that exist between the sub-themes.
3. In view of the economic and financial crisis in our region, we are concerned with its differential impacts on women and men. While the full social and economic consequences of the crisis have yet to be fully understood, we believe that a disproportionate share of the burden falls on female youth and women, particularly where there have been decreases of expenditures on education, training, health care and social services as well as supply shortages of basic needs such as food and medicines, and a general reduction in employment. We stress that women have a crucial role in the successful planning, design and implementation of economic recovery programs, not only as beneficiaries but also as decision-makers. Additional investments in training, retraining and upskilling women workers can aid in the recovery process.
4. Recognizing that progress has been made on the advancement of women and the rapid pace of development in the APEC region, we emphasize the importance of preparing women to fully utilize their potential in order to meet the challenges to the region. We also wish to ensure that all APEC decision-making levels take into account the concerns and perspectives of women in APEC in the different fora.

5. We commend APEC for the initiatives already taken to promote the full participation of women in its processes and activities. Throughout our discussions we built upon the commitments made by Ministers of Finance, Human Resources Development, Small and Medium Enterprises, Science and Technology, Transportation, and Environment and Sustainable Development, as well as the activities undertaken by APEC Committees and Working Groups. We also commend Officials for their work as they prepared for this APEC Ministerial Meeting on Women and the experts who prepared the technical papers that provided the basis for a constructive dialogue and led to the formulation of recommendations to APEC Leaders. We believe that the papers contain valuable information and analysis and could serve as useful references in APEC for follow-up work to this Ministerial Meeting.
6. We took note with appreciation of the contribution made by the Women Leaders' Network (WLN) from APEC economies, since 1996, on issues pertaining to women and APEC.

Women in Economic Development and Cooperation in APEC

7. Women are critical to the achievement of sustainable economic development in our region. At this time of economic and financial crisis, it is especially important that women continue to contribute to global growth and recovery. Women now constitute between 32 and 46 percent of the labour force in individual economies. Globally, the increase in women's overall share of the labour force has been particularly marked in export-oriented sectors, where women comprise as much as three-quarters of the workforce. Although women are known to be particularly active in the informal sector, their participation and contribution to the economy through this sector is undoubtedly greater than current estimates. Furthermore, women's unpaid work constitutes a major contribution to the economy.
8. In terms of the impact of women on trade and investment, women's participation in these areas as workers, entrepreneurs, and investors contributes to the achievement of sustained economic growth. However, as a result of gender biases in institutions, women workers and women in business are often less able to take advantage of the economic opportunities that may be created by trade and investment liberalization. With appropriate policies and programs in place, women's increasing labour force participation and the growth of women's businesses will significantly contribute to the capacity of APEC economies to engage in and benefit from global trade. Regarding the impact of trade on women, increased labour force participation has created in some cases, incentives for investments by public and private sectors in education and training for girls and women. These gains, however, must be balanced against the negative effects of poorly paid jobs, and poor and hazardous working conditions as well as their consequent strain on domestic economies' health and social expenditures.
9. As a result of our deliberations, we conclude that the specific realities faced by women must be recognized, understood and systematically taken into account in the formulation and implementation of policies, programs (including economic recovery programs), and projects. We urge APEC to address the paucity of data and research on the roles and contributions of women. Where trade and investment liberalization and globalization may create different effects and opportunities for women and men, we believe that gender impact analysis will lead to an improved understanding of their relative merits, and thus, should be undertaken across all APEC sectors. We acknowledge that analysis of data is

being undertaken in various APEC sectors. In this respect, we support further efforts to identify gaps in such data collection and where necessary, suggest improvements.

10. In the context of the current economic and financial crisis affecting many economies in the region, we conclude that greater effort is needed to enhance the contribution of women to their economies and to explicitly integrate women's participation and concerns into economic recovery programs. Measures are also needed to minimize the disproportionate burden of the crisis on women.
11. We are pleased that several of the APEC Working Groups have begun to address gender issues as part of their activities. However, we note that the efforts vary in emphasis and scope from one Working Group to another, and believe that APEC would be greatly strengthened by a more concerted and coordinated approach to integrate women and gender into all its processes and activities, and engagement of broader sectors of society. We support the view expressed by Ministers at the 1996 Conference on Regional Science and Technology Cooperation, recognizing gender as a "cross-cutting concern with implications in other APEC fora".
12. We recognize that APEC activities related to trade and investment liberalization and facilitation (TILF) and economic and technical cooperation (ECOTECH) are closely inter-linked in areas such as education and training, labour force participation (in the formal and informal sectors), access to information and technology, and business and credit. We also recognize that these agendas have major implications for women.

Women and Small and Medium Enterprises (SMEs)

13. It is well recognized that SMEs have been leading contributors to economic growth in most economies. The growth of micro, small and medium enterprises owned or operated by women has been a worldwide phenomenon over the past years. While in most economies, data on the full extent of women's participation in SMEs is not available, their contribution across APEC member economies is much larger than commonly perceived and continues to grow rapidly. In industrialized economies, over one-third of new businesses are set up by women and in some cases, women's businesses are creating employment faster than the domestic average. However, women-owned SMEs face gender-specific barriers that limit their capacity to maximize their contribution to the economic growth and social development of APEC economies.
14. In many APEC economies, women business-owners experience serious difficulty in accessing financial resources, including start-up or venture capital. Examples persist of gender bias in the legal structures and financial institutions of our economies which limit women's choices to enter into and develop successful businesses. Financial institutions need to remove gender-stereotype prejudices affecting businesswomen and become gender sensitive in lending decisions. Institutional and structural changes in terms of policy reforms and legal framework need to be pursued to provide women with equal access to financial resources. Access to financial packages and services targeted towards the large and growing sector of women-operated SMEs has to be available. Access to markets including tourism, information and technology, particularly media and communication technologies, are important factors in determining the success of businesses. On-line marketing and information services for women have to be established to enable them to search for niche markets and do business. The participation of women in domestic and global trade fairs/missions has to be encouraged to build networks for their businesses. Networking to

link women entrepreneurs in the formal sector with those in the informal sector is important for business linkages, technology transfer and management upgrading via fostering sister relationship programs. There needs to be a focus on improving the management capacity and capability of women-owned SMEs. Women's training has to address the urgent need for specialized skills training and acquisition of education to meet the labor requirements of globalization. Given women's multiple burdens, assistance needs to be provided to women in SMEs to cope with multiple roles by facilitating family-friendly employment and providing basic support, such as parental leave.

15. We find that as a result of the lack of sex-disaggregated data on women's contributions to SMEs and to the economy, economies may be missing opportunities to enhance and promote the development of SMEs and economic growth. We note with concern that out of 15 APEC SME projects since 1994, only two were gender-specific. We encourage APEC to build on the commitment made by APEC Ministers at their Meeting on SMEs in 1997, where they "agreed to promote gender sensitive policies and measures related to the development of SMEs to empower women in technical, managerial, and entrepreneurial fields," and to take the necessary measures to remove the barriers faced by women-owned SMEs so that they may develop, expand and thereby increase their contribution to the social and economic growth of the region.
16. We welcome the agreements reached by the 1998 APEC SME Ministers to include micro-enterprises and women entrepreneurs as an integral part of the Integrated Plan of Action for SME Development. They also emphasized the importance of eliminating barriers to the full participation of women to individual APEC economies. In this context, they noted the establishment of the Confederation of Women's Business Councils in some APEC economies as a catalyst to facilitate and enhance business networking and partnership among some entrepreneurs. We welcome the reference by SME Ministers to recent statements of APEC Finance Ministers about the impact of the financial crisis. SME Ministers highlighted the need to develop immediate measures to support SMEs and strengthen social safety nets in affected economies. We further recognize the importance and benefits of e-commerce in SMEs and encourage other APEC fora to give special assistance to women in the use of e-commerce in business.

Women and Industrial Science and Technology (IST)

17. In the new global, knowledge-based economy, competitive advantage requires a highly skilled and diversified workforce that will increase productivity and fuel innovation. Economies need the talent of their entire population, male and female, to create a leading-edge workforce. This will be achieved through policies that place greater emphasis on science and technology education and training for skills upgrading and reskilling. It further implies the full utilization of women's talent and competence in these fields. We commend APEC Ministers at their Conference on Regional Science and Technology Cooperation in 1996, for recognizing the "importance of removing barriers and promoting the full contribution of women to science and technology as essential elements in meeting APEC's goal of achieving sustainable and equitable development" as well as the need to strengthen "the exchange of scientific and technical men and women across the region".
18. As part of APEC's economic goals and activities, we must address the range of factors that discourage female youth and women from pursuing interests in and considering careers in science and technology. We note that in many economies fewer young women than young men obtain formal education, and that of the number who do, an even smaller

proportion obtain training in science and technology. Skills gaps, as well as skilled workforce shortages, are already creating major bottlenecks in global and regional economic production and scientific development. Yet, women remain an under-utilized intellectual resource in most parts of the world.

19. We note in particular, women's important role in local knowledge systems and indigenous science and technology. Whether in agriculture, textile, food processing, or many other technologies, women's deep involvement with traditional knowledge systems has been commonly recognized. We believe APEC must make greater efforts to understand and preserve these knowledge systems, including promoting mutually beneficial exchanges between practitioners of modern and traditional technology, and to support the continuing development of traditional practices and knowledge of indigenous and rural women.
20. Given the importance of science and technology for future sustainable economic development, we are concerned that there is severe under-representation of women in science and technology. We are also concerned by the limited information available at domestic and global levels, on the participation rates of women and men in scientific and technological education and careers, and on the possible differential impact of technological change on the lives of women and men. In this regard, impact studies particularly on information and communication technologies should be conducted. We commend the Industrial Science and Technology Working Group (ISTWG) for establishing an Ad Hoc Group on Gender and Science and Technology for a two-year period from 1997 to 1999, to document and share best gender practices, and to design a gender and science and technology web site for information dissemination. In view of the need to complete its work, which has been postponed due to the financial and economic crisis, it is recommended that extension of the mandate of the Ad Hoc Group be considered to allow it to complete its work plan, mindful of the current management review process. Furthermore, we suggest that special efforts to improve the recruitment and retention of women in science and technology, be included as part of the proposed APEC Agenda for Science and Technology Industry Cooperation in the 21st Century.

Women and Human Resources Development (HRD)

21. Investments in human resource development enhance economic development and the well-being of our populations. A sound educational base provides a foundation for employment security and lifelong learning. We agree that full participation by female youth and women at all levels of education and training is critical to developing a skilled workforce that can respond to economic change. We conclude that obstacles to women's full access to human resource development strategies that recognize the different realities of women and men must be examined and addressed.
22. We are pleased to note the increased labour force participation of women, but we are concerned with the trend of increased feminization of low-wage and low-skill employment, jobs frequently accompanied by unsafe and unhealthy conditions with little opportunity for skill development in most economies. Throughout our economies, we see evidence of barriers that prevent women from advancing in their careers. Earnings differentials, and education and occupational segregation between women and men remain persistent forms of economic inequality. In addition, we recognize the need to better understand how women may benefit from, and may be disadvantaged by, globalization and changes in the organization of production. We also note that the performance of unwaged work falls

disproportionately on women and believe that HRD strategies can ease work-family tensions in order to achieve full participation of women.

23. As we come together during this time of financial crisis, we stress the importance of recognizing investments in women's and female youth's education and training as sound investments in economic growth and the importance of understanding that as young women acquire more education, there is a corresponding improvement in the general welfare of future generations that is closely linked to economic growth. Therefore, these investments should not be subjected to austerity drives such as a reduction of budget allocation.
24. We commend the considerable work of the Human Resources Development Working Group (HRDWG) in integrating gender into its work, including through the HRDWG Statement of Medium-term Priorities that emphasizes that activities should be undertaken with due consideration of gender implications. The HRDWG agrees to integrate gender-based analysis into the Project Management Guide which could serve as a model for other APEC fora.

Common Themes

25. We note the inter-relationship of barriers to the realization of women's full economic contributions across the range of our discussions particularly the differential impact of the current economic and financial crisis on women. It is essential that we direct our efforts to:
 - expand economic opportunities in areas where women are traditionally under-represented;
 - empower and increase capacity building of women to respond to economic opportunities and challenges;
 - eliminate barriers to women's full participation in the economy;
 - recognize the economic contributions of women's unpaid work and that APEC economies address, where possible, the constraints created by these responsibilities;
 - increase the availability and quality of sex-disaggregated data, research, and analytical information; and
 - ensure the integration of women in the planning, design and implementation of responses to the current economic and financial crisis.
26. We recognize the close linkages that exist between the issues and activities of other APEC fora and the issues affecting women in small and medium enterprises, science and technology, and human resources development. We urge the SOM in their coordinative function to encourage all APEC fora to take into account the range of our conclusions in their respective work.

Recommendations

27. We are pleased to report that important steps have been taken in "integrating women into the mainstream of APEC processes and activities". We strongly urge APEC to build on

these initial efforts and to this end, the following recommendations are submitted to Leaders and are addressed to APEC as a whole.

We seek the endorsement of APEC Leaders to:

- a) **Recognize gender as a cross-cutting theme in APEC.** The successful integration of women into the mainstream of APEC processes and activities under TILF and ECOTECH, requires a comprehensive, horizontal and gender-sensitive approach to all APEC planning and programming, as well as the implementation, by sector, of women-specific activities and projects. Moreover, greater emphasis should be placed on the sharing of experiences among APEC economies, and the engagement of broader sectors of society. The current SOM review of the APEC management process and subsequent implementation may provide a timely opportunity for the identification of the institutional measures to integrate gender as a cross-cutting theme in APEC.
- b) **Place a high priority on the collection of sex-disaggregated data.** The lack of sex-disaggregated data hides the actual, as well as the potential, contributions of half the population to our economies and may hinder effective policy development. We recommend that APEC identify the gaps in data collection methodologies and processing and take steps to address these gaps in the most cost-effective way. Each member economy is encouraged to build its own sex-disaggregated database in a format comparable to internationally recognized standards, where available.
- c) **Implement gender impact analysis of policy, program and project proposals as an integral component of APEC decisions, processes and activities, including planning, priority setting, resource allocation, design, implementation and evaluation.** We believe that APEC must examine its current practices in this regard, and develop methodologies and tools (or adapt those currently available in other fora), that will meet the needs of APEC and provide the best results.
- d) **Place a high priority on the development of further studies on the impact of the financial and economic crisis on women and the development of strategies to minimize any disproportionate effects on them; and to explicitly integrate the economic interests of women into regional and domestic strategies for economic recovery and future prosperity.**
- e) **Accelerate the progress of integrating women in the mainstream of APEC processes and activities.** We recommend the development of a “Framework for the Integration of Women in APEC”. We believe that this Framework will maximize the effectiveness of APEC policies and activities, strengthen horizontal linkages across APEC, and promote a common understanding of how the goals of gender integration can be achieved.

The Framework would include: the development of guidelines for gender analysis; improvements to the collection and utilization of sex-disaggregated data; approaches to the involvement of women; and an implementation plan for the Framework, including options for a process to review the progress of integrating women in APEC in future years, taking note, among others, of the suggestions from the technical papers of this Ministerial Meeting.

The Framework would be developed within one year by an Ad Hoc Task Force on the Integration of Women in APEC under an existing APEC mechanism to be determined by SOM. This Task Force will be resourced by individual economies, would

communicate electronically and by other means, and will be disbanded following the completion of the Framework.

- f) **Promote and encourage the involvement of women in all APEC fora.** We believe that APEC should review its approach to all APEC planning and programming, encouraging all APEC fora to increase the involvement of women, especially in decision-making. This should include APEC-related fora such as the APEC Business Advisory Council (ABAC). We also recommend greater application of gender perspective and expertise in APEC work.

- g) **Ensure the implementation of these recommendations and accountability for results.** This Ministerial Meeting on Women has no precedent in APEC. We believe that the momentum gained at this Meeting in addressing the role and contribution of women in economic development and cooperation in APEC must be carried forward. However, the scope and complexity of the issues facing women and APEC economies on the eve of the 21st century will require a longer-term perspective, sustained commitment, better coordination, equitable access to resources and accountability for results. We therefore believe that, within an existing APEC mechanism, it is essential that a process to ensure the progress of integrating women in APEC be an inherent part of the Framework. And since APEC activities occur within the context of economic policies determined by officials of the various APEC economies, we encourage more women to participate in the decision-making structures of these economies.

- 28. In summary, we wish to emphasize to Leaders women's critical role in economic development and cooperation in APEC, and the importance of building on APEC's initial efforts to integrate women in the mainstream of its processes and activities. To accelerate progress toward this goal, we recommend the development, in consultation with other APEC fora, of a Framework for the Integration of Women in APEC, over the course of the next year, by an Ad Hoc Task Force on the Integration of Women in APEC under an existing APEC mechanism to be determined by SOM.

Closing Remarks

- 29. We were honored by the presence of His Excellency Joseph Ejercito Estrada, President of the Republic of the Philippines. We wish to express our most sincere appreciation to President Estrada and the Philippines for their warm hospitality, and thank all those involved in ensuring that this Meeting was a resounding success.

THE THIRD APEC MINISTERS' CONFERENCE ON REGIONAL SCIENCE AND TECHNOLOGY COOPERATION

Mexico City
21 - 23 October 1998

MEXICO DECLARATION

We, the Ministers responsible for Science and Technology from Australia; Brunei Darussalam; Canada; Chile; the People's Republic of China; Hong Kong, China; Indonesia; Japan; the Republic of Korea; Malaysia; Mexico; New Zealand; the Republic of the Philippines; Singapore; Chinese Taipei; Thailand; and the United States of America, meeting in Mexico City, on October 21-23, 1998, for the Third APEC Ministers' Conference on Regional Science and Technology Cooperation;

Being consistent with the Osaka Action Program for Industrial Science and Technology, which included as a priority a *“strong endorsement for enhancing links between government agencies, the private/business sector (including small and medium sized enterprises) and academic institutions engaged in collaborative industrial Science and Technology (S&T) research and development”*;

In pursuance of the APEC vision to create a community of Asia-Pacific built on the economic dynamism of the region based on free trade and investment, and active and intensive regional cooperation in science and technology that will be *“a source of economic dynamism, a vehicle to a prosperous Asia-Pacific and as a means to achieve sustainable and equitable development of the region”* as declared at the Second APEC Ministers' Conference on Regional Science and Technology Cooperation in Seoul, 1996 ;

Recognizing the timeliness of strengthened economic and technical cooperation for addressing the challenges of the changing regional and global economies, consistent with the *“Framework for Strengthening Economic Cooperation Development adopted in Manila, 1996; in order to rapidly and effectively achieve the vision shared by member economies by harnessing technologies for the future, developing human capital and safeguarding the quality of life”*; and acknowledging that the Vancouver Declaration of the APEC Leaders recognized that ‘connecting’ people, resources issues, and science and technology will contribute to accelerate the development of the region, APEC economies have supported the creation of public/private partnerships that stimulate regional dynamism and facilitate science and technology exchanges; and

Noting that S&T is increasingly integrated within APEC fora and activities, which is a recognition of the role of S&T in fostering economic growth and social development;

Do hereby declare as follows:

In order to realize the vision of an APEC community thriving on the basis of dynamic industries and sustainable resources, the innovative capability of the region must be maintained and strengthened. Despite the current global economic situation, member economies should sustain and further their support for S&T efforts and build on the progress made.

To sustain discovery and innovation and maximize the efficiency of existing investments in S&T across the region, partnerships and networks have become indispensable. Cooperative public and

private partnerships and networks allow participants to link their human, intellectual and infrastructural resources to address regional economic, social, and environmental issues. Such linkages have a positive multiplier effect, spreading the benefits and stimulus of investments and innovation widely across the APEC region.

The proposed APEC Agenda for Science and Technology Industry Cooperation into the 21st Century recognizes that science and technology can contribute to the broad APEC goal of economic and technical cooperation (ECOTECH) being pursued through various APEC fora. Effective implementation of that agenda and the outcomes of this Ministerial Conference will require the Industrial Science and Technology Working Group (ISTWG) to coordinate on horizontal issues with other APEC fora.

As we enter the new millennium, we thus conclude that the support of partnerships and networks should be a top priority of APEC, and we encourage APEC fora to take the following actions:

- i. identify and share information about best practices for technology diffusion, and develop initiatives to provide APEC-wide linkages between technology networks among member economies;*
- ii. foster the formation and strengthening of networks in specific areas of S&T across APEC;*
- iii. encourage APEC fora, particularly the ISTWG, to continue to work with, and systematically engage, the private sector to participate in the policy dialogue, in particular as it pertains to the assessment of constraints and opportunities for partnerships and networks among APEC economies;*
- iv. conduct further analyses and implement additional actions on human resources issues, including, in particular, facilitation of mobility of personnel, and increasing the public awareness of S&T activities, especially among the young;*
- v. encourage the elimination of barriers to the fullest participation in, and contribution to, S&T by all members of society, with special attention to under-represented segments, such as women and persons with disabilities;*
- vi. identify key skills necessary for effective innovation and assess the need for training in member economies;*
- vii. promote linkages among universities, public science agencies and industries to enhance the development of technologies and research training capacities;*
- viii. promote cleaner production both to preserve the environment and to stimulate economic growth;*
- ix. foster the pursuit of new knowledge and the development of technologies for humanistic concerns, such as the better health, well-being and enriched culture of all segments of the population; and*
- x. disseminate best practices in natural disaster mitigation and emergency preparedness.*

THE THIRD APEC MINISTERS' CONFERENCE ON REGIONAL SCIENCE AND TECHNOLOGY COOPERATION

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DRAFT JOINT COMMUNIQUE

1. Ministers responsible for Science and Technology from Australia; Brunei Darussalam; Canada; Chile; China; Hong Kong, China; Indonesia; Japan; Korea; Malaysia; Mexico; New Zealand; the Philippines; Singapore; Chinese Taipei; Thailand; and the United States of America; participated in the 3rd APEC Ministers' Conference on Regional Science and Technology Cooperation, held in Mexico City, Mexico, October 21-23, 1998. Representatives of members designate from Peru, Russia, and Vietnam; the APEC Secretariat; and an observer from the Pacific Economic Cooperation Council were also present. A complete list of Heads of Delegations attending the Conference appears as Annex 1.
2. The conference was opened by The Honorable Miguel Limón, Secretary of Education for the Government of Mexico. He conveyed the appreciation of the Mexican Government for APEC's vision in enhancing international cooperation in science, technology and education. Secretary Limón recognized APEC accomplishments in addressing human resource development and contribution to sustainable development, and congratulated the Industrial Science and Technology Working Group (ISTWG) for its achievements. The Conference's Main Topic, "Partnerships and Networks: Capturing the Benefits of Innovation Across APEC," was emphasized as a means to improve technological innovation in the region. Finally, Secretary Limón expressed his best wishes for the success of the Conference proceedings.
3. The conference was chaired by the Honorable Carlos Bazdresch, General Director of the National Council for Science and Technology for the Government of Mexico. He reflected on the current political, financial, and social changes in the region and recognized the need for seeking new solutions through the development and use of partnerships and networks. He noted that such a focus on partnerships and networks is in line with the ISTWG Action Program and the "APEC Agenda for Science and Technology Industrial Cooperation into the 21st Century." He further noted that there are successful, functioning partnerships and networks within APEC, and encouraged members to examine the issues underlying their success, and their role in spreading the benefits of innovation in the region. Enhancing the flow of information, as well as improving understanding of the relationships between higher education institutions, and the public and private sectors, were mentioned as considerations.
4. The Executive Director of the APEC Secretariat, Ambassador Dato' Noor Adlan, reported on the APEC activities in the past two years. He emphasized the responsiveness of the Ministerial Meeting in addressing its task from the Leaders by presenting the "APEC Agenda for Science and Technology Industry Cooperation into the 21st Century." He also commended the selection of the main topic, "Partnerships and Networks: Capturing the Benefits of Innovation Across APEC," as supportive of the Leaders' Vision for connecting S&T across APEC. Given the current economic difficulties facing the APEC region, the Ambassador also noted the increased importance of S&T in economic growth and development.

5. **Keynote Speeches**

With the shared vision of a dynamic and prosperous Asia-Pacific region, the Ministers reaffirmed the key role of science and technology, and innovation in sustainable economic development, and the unique opportunities for APEC collaboration in these areas. Ministers emphasized the challenges posed by the current global financial crisis, but they expressed optimism that a strong commitment to science and technology will help drive economic revitalization in affected economies. Priority was given to strong APEC cooperation in science and technology, effective collaborations through partnerships that are specific, measurable, achievable, realistic and timely, (“smart”), and pooling of comparative advantages to increase efficiency. Ministers noted that the future lies in innovation and the intelligent application of science and technology. Finally, they added a strong human dimension to the science and technology agenda in noting the importance of science and technology not only to economic development, but also to social development and the well-being of people throughout APEC.

Ministers described their own evolving science and technology agendas, institutions, funding, partnerships, networks, and initiatives. They noted the importance both of creating an enabling environment for science and technology development, and of incentives for investment in this area. They voiced support for specific ongoing projects through the ISTWG, such as those directed toward a sustainable environment and cleaner production, natural disasters mitigation and emergency preparedness, health and emerging infectious diseases.

Other prominent themes raised by Ministers included: (a) the evolution toward “knowledge-based economies,” and further emphasized the enhanced role of innovation systems within APEC; (b) the significance of public-private partnerships in science and technology; (c) new efforts toward promoting public awareness and support for science and technology, especially among youth; (d) the value of information and telecommunications technologies to overall science and technology development; and (e) the importance of participation of all segments of society in science and technology development, including women, men, young people and persons with disabilities. They recognized that information sharing should not infringe on the protection of proprietary information that is important for successful commercialization.

6. **Open Exchange of Ideas on Science, Technology and Society**

During a private luncheon, Ministers held an open exchange of views on current issues in science and technology. Issues discussed included the Year 2000 computer problem, and concerns about the ability of societies to take full advantage of the rapid advances in science and technology and the consequences of not doing so. Regarding the Year 2000 computer problem, Ministers noted the urgency of raising public awareness of the significance of this problem, the need to assess technical links with other organizations, the particular vulnerabilities of small and medium enterprises, and the value of sharing information regarding contingency plans should problems occur. Other concerns noted included legal liability issues and the possible overreaction to this problem by the public. Regarding the rapid advances in science and technology, a particular issue of interest was the importance of enabling society as a whole to have informed choices about which advances are most appropriate to bettering their lives. Issues discussed in this context included: providing youth with appropriate skills for the future economy; considering stresses on society, such as major job dislocations; sharing information about technologies that are appropriate to particular local conditions, such as varied resources and climate; and the need to ensure participation by all segments of society, including women, under-represented minorities, and individuals with disabilities. Ministers noted that advances in

science and technology were certain to bring major changes to the global economy, and that economies not appropriately prepared could be seriously disadvantaged.

7. Main Topic

Ministers supported the theme of “Partnerships and Networks: Capturing the Benefits of Innovation Across APEC” as relevant and timely both within and among economies. They noted that focus on partnerships and networks will facilitate intellectual synergy and efficient resource use and shared cases that demonstrated these benefits.

Mexico presented the following suggested actions for consideration by the Ministers:

- a. *In view of the current global economic situation, it is expected that growth rates in the region will, for a period of time, be lower than those recently experienced. Economic growth will depend on achieving a balance between the accumulation of resources (physical and human) and their allocation to the most productive uses. As a consequence, future growth and improved quality of life will rely not only on increasing investments, but also on increasing opportunities to raise productivity.*
- b. *To achieve the above, one powerful resource available to APEC economies is the creation of partnerships and networks directed towards discovery and innovation.*
- c. *Accordingly, Ministers call upon APEC fora to consult and cooperate on the implementation of the following actions.*
- d. *The sharing of information is an essential prerequisite to the formation of partnerships and networks. Ministers call for increased efforts to:*
 - i) identify and share information about best practices for technology diffusion, and develop initiatives to provide APEC-wide linkages between technology networks among member economies;
 - ii) foster the formation and strengthening of networks in specific areas of S&T across APEC.
- e. *Policy dialogues among member economies are a necessity to facilitate the exchange of information and experiences on the effectiveness of policies towards partnerships and networks. Ministers:*
 - iii) encourage APEC fora, particularly the ISTWG, to continue to work with, and systematically engage, the private sector to participate in the policy dialogue, in particular, as it pertains to the assessment of constraints and opportunities for partnerships and networks among APEC economies.
- f. *People are both agents and creators of partnerships and networks. Initiatives have been carried out to facilitate mobility of personnel and to examine the barriers that may impede the mobility and exchange of human resources. Special attention is being given to ensure the full participation of women, men, and people with disabilities, and to increase public awareness of S&T activities, particularly among the young. Skills development in both the public and private sectors is also important in the successful implementation of partnerships and networks. Ministers call upon APEC fora to:*
 - iv) conduct further analyses and implement additional actions on the above human resources issues, including, in particular, facilitation of mobility of personnel, and increasing the public awareness of S&T activities, especially among the young;

- v) encourage the elimination of barriers to the fullest participation in, and contribution to, S&T by all members of society, with special attention to under-represented segments, such as women and persons with disabilities;
 - vi) identify key skills necessary for effective innovation and assess the need for training in member economies;
 - vii) promote linkages among universities, public science agencies and industries to enhance the development of technologies and research training capacities.
- g. *If APEC is to meet its economic, societal and environmental development needs in order to advance its sense of community and increase the common prosperity of its peoples, it is essential to increase activities that contribute to sustainable development. Ministers call for increased efforts to establish partnerships and networks that:*
- viii) promote cleaner production both to preserve the environment and to stimulate economic growth;
 - ix) foster the pursuit of new knowledge and the development of technologies for humanistic concerns, such as the better health, well-being and enriched culture of all segments of the population;
 - x) disseminate best practices in natural disaster mitigation and emergency preparedness.
- h. *The proposed APEC Agenda for Science and Technology Industry Cooperation into the 21st Century recognizes that science and technology can contribute to the broad APEC goal of economic and technical cooperation (ECOTECH) being pursued through various APEC fora. Similarly, effective implementation of the actions suggested as outcomes of this Ministerial Conference should involve various APEC fora.*
- xi) ISTWG should take the initiative to improve coordination on horizontal issues in conjunction with the SOM Sub-Committee on ECOTECH where appropriate.
- i. *Recognizing the valuable accomplishments in APEC of S&T activities that have effectively developed and realized partnerships and networks, Ministers invite APEC fora, and in particular the ISTWG and the SOM Sub-Committee on ECOTECH, to foster and expand this valuable approach by addressing S&T opportunities presented by mutual interests and priorities, within the context of innovation systems.*

Ministers strongly endorsed and adopted these suggested actions.

8. **Progress Report on APEC ISTWG Related Projects and Activities**

The ISTWG Lead Shepherd from the Philippines briefed the Ministers on the work of ISTWG and the status of the 64 APEC ISTWG projects. The presentation was derived from the specific tasking statements made by APEC Leaders and Ministers since the 2nd APEC Ministers' Conference on Regional Science and Technology Cooperation held in 1996, in Seoul, Korea. The highlights of the discussion follow.

- ***Technologies for the future:*** Efforts to harness technologies for the future were addressed by the formulation of the APEC ISTWG Action Program and the draft APEC Agenda for Science and Technology Industry Cooperation into the 21st Century.

- **Human resource development:** Human resource development activities were discussed, including youth and gender issues. For example, the continual improvement of the APEC Science and Technology (AST) Network contributes towards promoting the exchange of researchers; the surveys on barriers to the mobility of S&T personnel and public awareness programs in APEC identify S&T constraints; and the networking of R&D institutions optimizes resources. On youth issues, the first APEC Youth Science Festival was held last August in Seoul, Korea, with the next Festival to be held in Singapore in 2000. Additionally, an experts' workshop convened in Manila, Philippines, last March, identified key issues on gender in S&T.
- **Cleaner production strategy:** A number of Cleaner Production Strategy projects were implemented in 1997-1998. They aim to reduce negative environmental impacts while stimulating economic growth by focusing on both sector-specific activities and cross-cutting policies and methods for cleaner production. For example, in November, 1998, the United States will host an APEC symposium of participating economies and their industries to highlight world class approaches in measuring industrial environmental performance indicators for improved economic development, industrial growth, and environmental performance in the APEC region. Also, Chinese Taipei has recently hosted a successful training course on cleaner production for the textile dyeing and finishing industry. The participating economies are planning domestic projects to implement aspects of the best practices shared at the course.
- **Emerging infectious diseases:** The collaboration on emerging infectious diseases has resulted in an APEC action plan with a number of important specific projects endorsed by the ISTWG. For example, there is a project to examine molecular epidemiology of dengue viruses and an APEC telecommunications network for emerging infectious diseases. Additionally, this group is also addressing environmental health priorities (e.g., geographic information systems linking environmental monitoring to health surveillance data), as well as other health concerns (e.g., training in radiation oncology, collaboration on good clinical practices).
- **Emergency preparedness and disaster recovery:** Joint actions on emergency preparedness and disaster recovery measures have successfully resulted in collaborative research on disaster mitigation, a workshop on seismic design and the retrofit of structures, and cooperation on earthquake simulation.
- **Small and Medium Enterprises (SMEs) :** Integrating SMEs into the work programs of the APEC fora in 1997-1998 resulted in additional work by the APEC Center for Technology Exchange and Training for SMEs and a workshop on access and diffusion of S&T research to SMEs.
- **Other issues:** Some IST issues raised at the last Ministerial Meeting need further attention and will be addressed in the future. These include building public awareness of S&T, innovative use of global positioning systems, and exploring the need for a code of ethical conduct for research in APEC.

An overview summary of the IST Action Program as captured in the 15th ISTWG Meeting, conducted through the APEC S&T website, is as follows:

Priority Areas	Total Number of Projects
a. Improved availability of information	14
b. Improved human resource development	9
c. Facilitation of partnerships and networks	9
d. Improved business climate	2
e. Contribution to sustainable development	25
f. Enhanced policy dialogue and review	5
	—
TOTAL	64

9. **APEC Agenda for Science and Technology Industry Cooperation into the 21st Century**

Ministers noted the importance of the draft Agenda for Science and Technology Industry Cooperation for the 21st Century which was called for by the APEC Leaders at their meeting in Vancouver, Canada, in 1997. The Ministers viewed this draft Agenda as a key contribution to the advancement of science and technology cooperation in the region to achieve mutual economic growth and common prosperity. Ministers strongly endorsed the draft Agenda for presentation to the APEC Leaders in Kuala Lumpur, Malaysia, in November 1998.

10. **Mexico Declaration**

Reflecting the APEC Leaders' vision of an APEC community thriving on the basis of dynamic industries and sustainable resources, and recalling the past deliberations of Ministers responsible for Science and Technology, Ministers concluded that promoting partnerships and networks in science and technology should be given high priority. They called on the member economies to sustain and further their support for S&T, and to cooperate through partnerships and networks as a means to share the benefits of investment and innovation across the APEC region. Ministers issued a Mexico Declaration identifying partnerships and networks as an important mechanism to sustain discovery and innovation, and to maximize the efficiency of existing investments in S&T across the region. Such arrangements allow participants to link their human, intellectual and infrastructural resources to address regional economic, social, and environmental issues.

11. **Next Ministers' Conference**

Ministers noted the value of holding Ministerial level discussions when needed to advance APEC goals, as well as to review key S&T issues and priorities in the APEC region. Ministers endorsed the 4th APEC Ministers' Conference on Regional S&T Cooperation by the year 2001. Ministers also called for a greater level of interaction with the private sector at the time of Ministerial Conferences, and for structuring more time for informal discussions. Mexico will be surveying economies to determine the next host and venue.

12. **Closing Remarks**

In closing, Mr Bazdresch thanked the delegates for their cooperation and active contributions to the Conference and noted with pleasure the agreement and progress made on the key themes of the Conference. Ministers thanked Mr Bazdresch for his invaluable contributions as Chairman of the meeting, and the Government of Mexico for its splendid arrangements for the Conference and its warm hospitality.

APEC BUSINESS ADVISORY COUNCIL
1998 ABAC REPORT TO APEC ECONOMIC LEADERS

Kuala Lumpur, Malaysia
6 November 1998

TRANSMITTAL LETTER

As the business advisory council of APEC, our mandate is to provide timely and relevant recommendations towards the achievement of APEC goals taking full account of the current crisis which challenges the very foundation of society, business and free enterprise in several APEC member economies.

To address this crisis, APEC Business Advisory Council (ABAC) believes that it is crucial to be innovative in thinking, frank in assessing the realities, and bold in prescribing alternative and flexible solutions. Notwithstanding the contagion, ABAC continues to believe that free trade in the region by the year 2010 for developed economies and 2020 for developing economies should remain the goal of APEC. Although the liberalization of trade in goods and services has led to significant wealth creation, the ramifications of speculative currency trading are not clear. Premature liberalization of capital markets in some economies has led to unintended costs and outcomes. As a result of the severe impact associated with these outcomes, some member economies have had to introduce measures to insulate themselves from this contagion. APEC must re-emphasize the importance of the collective responsibility of member economies to ensure that our broader APEC objectives and sense of community are not lost.

ABAC believes that the Economic Leaders must act decisively and collectively to contain the severe difficulties faced by the private sector and its constituencies. This crisis will clearly test the resolve of APEC to find solutions.

Our key recommendations are targeted at restoring investors' confidence, promoting currency stability and bringing about the return of foreign direct investments and other long-term capital. These recommendations are focused on the following areas: the severe crisis in Asia, early voluntary sectoral liberalization, economic and technical cooperation, small and medium enterprises, electronic commerce, and food systems.

On the financial crisis, we urge immediate actions by the APEC economies both individually and collectively to avert its escalation into a global crisis.

Beyond the regional and national initiatives outlined below, we urge the Economic Leaders to acknowledge the growing concerns within APEC as to the volatility associated with current financial flows.

Our proposals are aimed at providing rapid amelioration to the crisis by encouraging inflows of foreign capital, restoring liquidity in the affected economies, reforming and reinvigorating the financial process and cushioning the impact of currency volatility. We wish to emphasize that a stable financial environment is necessary for trade and investment to flourish and that without financial stability the benefits of trade liberalization cannot be fully realized.

We propose the following regional initiatives:

1. Establish a mechanism to enhance the credit of government bonds denominated in hard

currencies and issued by affected economies through guarantees, exchangeable government bonds or collateralized bond obligations.

2. Develop mechanisms to cushion the impact of currency instability on the private sector, including multilateral currency swap structures where coordination of policies permit.
3. Re-emphasize that the IMF broaden its approaches to take into account the social implications of its programmes.
4. Convene an ongoing regional forum to promote and coordinate cooperative responses to the financial crisis.

In addition to these initiatives, we also strongly urge Economic Leaders to strengthen their domestic economies by taking the following initiatives:

5. Enhance domestic capital market infrastructure:
 - restructure bank balance sheets through loan sales and financing structures;
 - encourage foreign direct investment in domestic financial institutions to strengthen the capital bases of domestic banks and enhance their global competitiveness;
 - undertake legal reforms to facilitate financial reorganization; and
 - improve domestic capital markets through the development of liquid bond and asset-backed securities markets.
6. Alleviate corporate debt:
 - establish a mechanism for restructuring corporate debt through debt-equity swaps.
 - develop a special exchange-rate mechanism to assist qualified companies in managing currency volatility.
7. Facilitate exports:
 - encourage the use of securitization structures of trade receivables for trade finance.
 - enhance the role of export credit agencies to match the financing needs of export companies.

On early voluntary sectoral liberalization (EVSL), the Economic Leaders, in Vancouver, identified 15 sectors for early voluntary sectoral liberalization (EVSL), of which nine were slated for immediate action. In spite of the severe economic downturn in Asia, ABAC reaffirms its commitment to liberalize goods and services markets through the elimination of tariff and non-tariff measures, as the most effective path to sustained growth and economic recovery in the region. EVSL is a vital part of this process. ABAC also reaffirms its support of the ECOTECH component of EVSL as a means of capacity-building in the region to ensure that all economies benefit from EVSL to the greatest extent possible.

APEC Economic Leaders committed to EVSL and economic growth in the region have a collective obligation to see the initiative succeed. This requires economies to demonstrate a willingness to end protection of the targeted sectors, even though most economies will face stiff challenges in some sectors.

ABAC continues to believe that:

- the EVSL initiative should be inclusive with sectors moving through the process together so that there is a spreading of benefits among APEC economies;

- the EVSL initiative should be comprehensive. ABAC strongly recommends that coverage be as broad as possible; and
- the EVSL initiative should be credible, ideally with all APEC member economies endorsing each of the work plans.

ABAC also believes that where concessions and flexibility are needed, then the principle of tariff staging should be considered rather than an opting out of sectors or product coverage.

On Economic and Technical Cooperation (ECOTECH), we conclude our work in this area with the proposal to establish the *Partnership for Equitable Growth (PEG)*, a nucleus corporation which acts as a catalyst and engages governments in a business/private sector-driven approach to capacity-building required to push forward the liberalization agenda of APEC. In Vancouver 1997, the Leaders welcomed ABAC's intention to set up the PEG mechanism to support ECOTECH initiatives in the region. In Kuala Lumpur in 1998, ABAC presents the Leaders with the imminent establishment of PEG, which carries its own distinct legal and independent personality as a non-government and market-driven vehicle.

In particular, PEG can commence work in the following priority ECOTECH areas where a clear need exists for its role as a catalyst to bring in business/private sector participation. ABAC has identified early PEG flagship projects which it believes would benefit APEC economies:

- The *Asian Gas Grid (AGG) Project* builds on the initiative of the APEC Energy Working Group which calls for removal of impediments through policy changes within APEC economies to foster a favorable investment environment. The AGG takes this further through the setting up of the APEC Resource Corporation to coordinate the development of an Asia-Pacific gas network. This network would link existing and proposed gas networks in Indonesia, Malaysia and Thailand with major demand centers in the People's Republic of China (PRC) with possible expansion to Chinese Taipei, Japan and the Republic of Korea.
- The *APEC IT Education Initiative* was first recommended in the 1997 ABAC Report and aims at drawing on the region's strengths to provide education and training in areas critical to IT development. Specifically, in keeping with the APEC vision of an Asia Pacific Information Society (APIS), ABAC believes that PEG can provide a valuable start by supporting two essential projects (i) to assist SMEs in reaping potential benefits from e-commerce and (ii) to develop IT technicians critical to the region.

With these issues in mind, ABAC strongly recommends to the Leaders that immediate action be taken to encourage all member economies to invest through ECOTECH initiatives to prevent a further breakdown in our global economic system. In so doing, APEC would help preserve the platform upon which we do business and set in motion a capacity-building effort towards a more level and sustainable playing field.

On Small and Medium Enterprises (SMEs), ABAC recognizes the key role SMEs play in member economies where they provide the bulk of employment. There, they now face a grave situation where thousands of small businesses have already collapsed and many more are threatened. In the process, scores of workers and family members are becoming unemployed. The problem is extremely serious in a number of member economies. Immediate action is needed to ensure the short-term survival and ultimate long-term health of SMEs.

ABAC's recommendations are divided into two general categories: the financial climate needed to support SMEs, and the setting up of employment and business conditions critical for SMEs to grow.

Among the initiatives that would provide a more favorable financial environment for SMEs are:

- Creation of financial institutions to support SMEs
- Development of performance-based lending practices for SMEs
- Encouragement of banks to allow for loan restructuring
- Provision of credit on an equal and open basis
- Provision of micro-lending
- Allocation of funds from the IMF's Structural Adjustment Loans (SAL) to provide low-interest loans to SMEs
- Provision of short-term tax relief options for SMEs

A more favorable climate for employment and business opportunities for SMEs can be achieved by:

- Encouraging large corporations to use SMEs through sub-contracting arrangements
- Requiring governments to utilize SMEs when purchasing goods and services
- Accelerating infrastructure project implementation using SMEs
- Requiring the evaluation of government infrastructure project awards to include a loading for SME set aside
- Unbundling of components of infrastructure projects to allow greater opportunities for SME participation
- Centralizing sales opportunities through electronic networking
- Encouraging micro-business development by enhancing consumer protection regulations

On E-Commerce, ABAC believes that the private sector should lead in the development of e-commerce while relying on government to lay the framework that would include cross-border consumer protection. Governments should avoid introducing new laws where existing laws can be applied and ensure the development of electronic infrastructure to provide economic and equitable access throughout the region. In this regard, public-private partnerships will be vital in realizing the full benefits of e-commerce especially where trust and confidence need to be established in the area of electronic payment systems.

One area in which e-commerce may be promoted in government is through maximum usage of technology in government operations, such as on-line tax payment and procurement. In like manner, e-commerce provides great opportunities for SMEs, mindful that the need for educational and training programs will be paramount.

We also urge government to address squarely the Y2K issue which through the very process of globalization has made the problems faced by smaller member economies systemically linked to more developed member economies. Given the interconnectedness of the present global economy, even if 20 percent of all systems are not Y2K-compliant, the danger to all APEC economies will be great. Output will be severely compromised and essential services and life-saving medical processes will be disrupted. The cost to fix the shocks and associated problems will be tremendous. Therefore, we should focus our efforts in several priority areas such as the financial, transportation, utilities and medical services sectors.

On an APEC Food System, ABAC calls on our Economic Leaders for action in the food sector as a step vital to achieving sustainable growth and development in the region. ABAC recognizes the complexities of the food sector and the associated sensitivities. We believe a new framework is needed to achieve APEC's goals in this sector. This will be a long-term project and action must proceed according to APEC principles and objectives.

ABAC proposes an APEC Food System as a comprehensive and equitable approach to action in the food sector. The APEC Food System is a vision of a far more robust regional food system

which efficiently links together food producers, processors and consumers. A regional food system which harnesses the resources of the region to more securely meet consumers' food needs will maximize the contribution of the food sector to the wealth and prosperity of all economies. The APEC Food System calls for cooperative action (in parallel) in the following areas: rural infrastructure development, dissemination of technological advances, and promotion of trade in food products.

On Action Plan Monitoring ABAC feels that, under the current economic difficulties, it is of utmost importance to encourage and facilitate the flow of capital, especially long-term capital, back into the region. We recommend, as we did in 1997, that the Economic Leaders again endorse the rapid implementation of the 1994 Non-Binding Investment Principles as the best way to achieve this. For economies which feel ready, we would also urge them to move beyond these principles. In addition, to the extent that economies are able, ABAC recommends that financial services should continue to be a priority sector for liberalization. This would greatly help in the establishment of sound domestic financial markets and provide the depth and sophistication needed for stable long-term economic growth.

In our analysis of the individual action plans, we note the following. Improvement has been made in transparency though the plans remain difficult for business people, in general, to access. However, more specific detail is needed to enable business to benefit from the action plans. The plans have likewise shown a greater commitment to action and the adoption of EVSL indicates a willingness to go beyond agreements made in other multilateral fora. With this in mind, APEC should now consider an active outreach program to the wider business community to ensure that plans are clearly and effectively disseminated. The status of APEC's work on ABAC's Flagship Recommendations from its 1996 and 1997 Reports to Economic Leaders also needs to be reflected in the Individual Action Plans.

ABAC, given the plight of SMEs and their importance to the region, strongly urges Economic Leaders to direct that Action Plans show a clear commitment to action which will contribute to the recovery of the SME sector. In more specific areas, ABAC proposes recommendations in the areas of tariffs, non-tariff measures, services and investments. The list of recommendations is appended.

In moving ahead, ABAC points to the compelling need for capacity-building to sow the seeds for future growth. The ECOTECH agenda becomes even more crucial in preserving our sense of community upon which greater openness and liberalization will depend. By working to reduce disparities among member economies, ABAC's ECOTECH recommendations will help strengthen the conditions needed to safeguard APEC and its liberalization agenda. It is thus imperative that we work on immediate confidence-building measures and enabling capabilities to build a positive contagion to overcome the current crisis. In the process, however, we should not put aside the work needed to realize the longer-term goals of APEC.

We close by advising our leaders to reflect on three thoughts. *First*, we need to maintain flexibility in the liberalization agenda to avoid losing support for it amid this crisis. *Second*, immediate capacity and community-building will speak loudly to our economies that APEC has its priorities in the right order in this crisis. *Third*, we need to address squarely the issue of governance in international financial markets to put in place the requisite order for free markets to operate effectively.

ABAC continues to believe that APEC can and should be a powerful forum. Difficult times such as these test the capability and credibility of APEC and its leadership. Our collective responsibility to the region is to provide an urgent considered response with tangible results.

ABAC looks forward to its dialogue with the Leaders.

ABBREVIATIONS USED IN SELECTED APEC DOCUMENTS 1998

ABAC	APEC Business Advisory Council
ADB	Asian Development Bank
APEC	Asia-Pacific Economic Cooperation
APEREC	Asia-Pacific Energy Research Centre
APII	Asia-Pacific Information Infrastructure
APIS	Asia-Pacific Information Society
APT	Asia Pacific Telecommunity
ASEAN	Association of South-East Asian Nations
AST	APEC Science and Technology
ATC	Agricultural Technical Cooperation Experts' Group
BAC	Budget and Administrative Committee
BMC	Budget and Management Committee
CAPs	Collective Action Plans
CTI	Committee on Trade and Investment
EC	Economic Committee
ECOTECH	Economic and Technical Cooperation
EDI	Electronic Data Interchange
EFIs	Export Financing Institutions
EMEAP	Executive Meeting of East Asian and Pacific Central Banks
ESC	Sub-Committee on ECOTECH
EVSL	Early Voluntary Sectoral Liberalization
EWG	Energy Working Group
GIS	Global Information Society
HRD	Human Resources Development
HRDWG	Human Resources Development Working Group
IAPs	Individual Action Plans
IAIS	International Association of Insurance Supervisors
IFIs	International Financial Institutions
IMF	International Monetary Fund
INGECEP	Integrated Next Generation Electronic Commerce Environment Project
IOSCO	International Organization of Securities Commissions
ISO	International Organisation for Standardization
IST	Industrial Science and Technology
ISTWG	Industrial Science and Technology Working Group

ITA	Information Technology Agreement
ITU	International Telecommunication Union
MRA	Mutual Recognition Arrangement
NTM	Non-tariff Measures
LNG	Liquefied Natural Gas
OECD	Organization for Economic Cooperation and Development
PECC	Pacific Economic Cooperation Council
PEG	Partnership for Equitable Growth
PFP	Partners for Progress
PLG	Policy Level Group
PLG SME	Policy Level Group on Small and Medium Enterprises
S & T	Science and Technology
SAL	Structural Adjustment Loans
SCCP	Sub-Committee on Customs Procedures
SCSC	Sub-committee on Standards and Conformance
SEACEN	South East Asian Central Banks Research and Training Center
SMEs	Small and Medium Enterprises
SOM	Senior Officials' Meeting
SPAN	Integrated Plan of Action for SME Development
SPF	South Pacific Forum
STI	IMF-Singapore Regional Training Institute
TEL	Telecommunications Working Group
TILF	Trade and Investment Liberalization and Facilitation
TPWG	Trade Promotion Working Group
TPT-WG	Transportation Working Group
TRIPS	Agreement on Trade-related Aspects of Intellectual Property
TWG	Tourism Working Group
UNCTAD	United Nations Conference on Trade and Development
WLN	Women Leaders' Network
WTO	World Trade Organization
Y2K	Year 2000
YEAC	Young Entrepreneurs' Advisory Council
YEO	Young Entrepreneurs' Organisation