

Asia-Pacific Economic Cooperation

1999 ABAC Report to Economic Leaders

APEC Business Advisory Council (ABAC)

1999

1999 Report to APEC Economic Leaders

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1999 Report to APEC Economic Leaders

Executive Summary

Trade and investment liberalization is vital to improve the competitiveness of our businesses, to encourage economic growth, and to increase the welfare of our communities. We urge all APEC economies, large and small, to take concrete steps, both collective and unilateral, to achieve the goal of free and open trade and investment by 2010/2020. ABAC calls on APEC Trade Ministers and Leaders to work together on taking that agenda forward in the WTO.

For businesses to succeed internationally, they need open, transparent and efficient domestic markets. All APEC members must ensure that their economies support business in this way. APEC can help economies build their capacity to cope with and benefit from the challenges of a competitive global market.

APEC's Individual Action Plans

These are the principal way for all APEC economies to clearly identify how they will achieve their commitment to free and open trade and investment by 2010 and 2020, and also the main way for business to assess APEC's effectiveness.

Previous concerns remain valid regarding lack of transparency, specificity, and comprehensiveness. The individual actions being taken by member economies are not ambitious enough, in content or timeframe, to meet the goals of free trade and investment by 2010/2020.

Capacity Building

Moves to liberalize trade and investment in the region need to be complemented by a program to build the capacity and infrastructure of APEC member economies to cope with the transition to more open, competitive markets. We recommend a more coherent APEC ecotech program which also details the scope for business input.

Finance

Recovery appears to be within reach, but keeping the region on the road to recovery depends upon continued momentum in the areas of financial reform and corporate restructuring. We have developed specific proposals to promote early economic recovery within the region, and to lay the foundation for long term stability and sustainable growth.

Food

We reconfirm our 1998 recommendation on establishing an APEC Food System, and suggest possible first steps towards implementation of an APEC Food System including the creation of an APEC export subsidy-free zone.

E-commerce

We will continue to work with the wider private sector and governments in the region to develop principles governing e-commerce and a template to assist economies in developing e-commerce in their own economy. We recommend that APEC Leaders seek agreement in the WTO not to impose any new customs duties on electronic transactions over the internet.

Air services liberalization

We support a strong, open and competitive international air transport network. We urge Leaders to implement the recommendations of the APEC Transportation Working Group, and take further steps towards the removal of barriers to trade and investment in air services.

Partnership for Equitable Growth (PEG)

PEG is now formally incorporated as a non-profit organization based in Kuala Lumpur and has begun work on several of its flagship projects

Y2K

We call for regional cooperation within APEC on Y2K issues, including urgent dissemination of best practice measures, and examination of international plans for short -term liquidity support/emergency aid.

Letter

Hon. Philip Burdon
New Zealand

ABAC Chair

Tan Sri Dato' Tajudin Ramli
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Mr. Timothy Ong
Brunei Darussalam

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Mr. Juan Miguel M. Luz
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Rt Hon Jenny Shipley
Prime Minister of New Zealand
APEC Chair 1999
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Dear Prime Minister

The APEC (Asia Pacific Economic Cooperation) process is unique in seeking direct business input into its work. It is therefore well-placed to respond to the economic challenges facing the region. As the official representative of business, the APEC Business Advisory Council (ABAC) is committed to ensuring that APEC responds to these challenges effectively by providing clear and independent advice on business priorities.

Trade and investment liberalization is vital to improve the competitiveness of our businesses, to encourage economic growth, and to increase the welfare of our communities. We urge all APEC economies, large and small, to take concrete steps to achieve the goal of free and open trade and investment by 2010 for developed economies and 2020 for developing economies. These dates are coming up fast, particularly for developed member economies.

For businesses to succeed internationally, they need open, transparent, and efficient domestic markets. It is up to all APEC members to ensure that their economies support business in this way. APEC can help economies build their capacity to cope with and benefit from the challenges of a competitive global market. We strongly support closer linkage between APEC's economic and technical co-operation (ecotech) activities and the needs of business.

Our specific recommendations for this year are outlined below. Background papers and more detailed recommendations are provided in the accompanying document.

Trade and Investment Liberalization

We reaffirm our support for liberalization of goods and services markets by eliminating tariff and non-tariff barriers by 2010/2020, and urge all member economies to continue to pursue collective and unilateral liberalization within APEC. Real progress on trade liberalization must be made at all levels – national, regional, and global – to ensure economic recovery and growth in our region. The call by APEC Trade Ministers for industrial products to be included in a new round of World Trade Organization (WTO) negotiations is a welcome step toward ensuring that the agenda for a new round will be comprehensive. ABAC urges APEC Trade Ministers and Leaders to work together on taking that agenda forward in the WTO.

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On the completion of APEC's early voluntary sectoral liberalization initiative (EVSL), we wrote to Trade Ministers in March and May this year, supporting the call by Leaders in Kuala Lumpur for implementation of tariff reductions in the priority eight sectors by the end of 1999, through referral to the WTO as the Accelerated Trade Liberalization (ATL) initiative. We welcome progress on the important non-tariff, facilitation and ecotech aspects of the eight sectors, and urge Ministers to make similar progress on the same areas of the back six sectors by September. It is disappointing that Trade Ministers referred the tariff component of the back six sectors to the WTO **before** agreeing on the targets and timetable for tariff reductions. A successful transferal of the EVSL/ATL initiative to the WTO is important, both in terms of the pressure it can exert on the upcoming WTO negotiations, and for maintaining APEC's credibility with business.

Individual Action Plans (IAPs)

The IAPs are the principal way for all APEC economies to clearly identify how they will achieve their commitment to free and open trade and investment by 2010 and 2020. It is imperative that all APEC members economies – large and small – continue to take comprehensive action to liberalize their economies and to include this in their IAPs. The IAPs are one of the key measures by which APEC's effectiveness is judged by business. With the focus on sectoral liberalization shifting to a new WTO round, APEC's work on unilateral liberalization becomes even more important. ABAC wrote to Ministers in June following its review of the 1998 Action Plans. We found that many of our previous concerns remained valid, specifically the need to improve their transparency, specificity, and comprehensiveness. Moreover, the individual actions being taken by member economies are not ambitious enough, in content or timeframe, to meet the goals of free and open trade and investment by 2010/2020.

Our initial evaluation of the highlights of the 1999 IAPs continues to support this view. We welcome the decision of some economies to reduce tariffs and open their markets to greater competition, but we still need to see more serious and substantial commitments, especially from developed economies. With the target date of 2010 now only 10 years away, business is looking to the developed economies to provide leadership in the APEC process and show clearly how the Bogor goals are going to be achieved. We look forward to discussing this with you in September.

This year we have targeted our review at three areas in the IAPs of particular interest to business:

- **Investment:** Not enough progress has been made in this area despite the window of opportunity opened by the urgent need for APEC members to further liberalize their investment regimes in the current economic environment. Foreign direct investment (FDI) fell in 1998, particularly in developing economies, and attracting investment back to the region is crucial to its recovery. FDI can provide development capital for the private sector but equally importantly will bring with it better technology, management skills and other expertise. To attract investment, business needs a transparent and stable investment environment. ABAC endorses the 'Menu of Options' approach developed by

the Investment Experts Group (IEG), which identifies concrete policy measures for investment liberalisation for economies to choose from. ABAC strongly urges APEC members to include as many of these options as possible in their IAPs and bind themselves to implementing them as soon as possible.

- **Tariff and non-tariff barriers to trade:** Although APEC member economies are taking steps to reduce tariffs, business still sees them as a significant impediment to trade. APEC members need to reduce tariffs further, including in the agriculture and automobile sectors. ABAC considers non-tariff measures (NTMs) an even more significant barrier. Despite continued efforts by APEC officials to streamline customs procedures, business continues to tell us that there are still serious obstacles to trade in this area. Further steps to eliminate NTMs in the areas of standards and conformance, and efforts to improve transparency in government procurement, are also business priorities.
- **Services:** ABAC notes the efforts of some APEC economies to liberalize their services markets but considerable impediments to trade in services remain. To be able to compete effectively on a global basis, services providers and partnerships must be free to establish themselves in other economies and compete on a level playing field. An important step would therefore be to extend the principle of national treatment to all service sectors. This would allow companies in previously restricted domestic services sectors to be subject to global competition and thereby improve their competitiveness. Liberalization in trade in services must be accompanied by capacity building at the national level so that appropriate competition policy can be implemented.

Capacity Building

Moves to liberalize trade and investment in the region need to be complemented by a new and orderly program to build the capacity and infrastructure of APEC member economies to cope with the transition to more open, competitive markets. Capacity building involves the exchange of information and experiences which help define, then implement, best practice policy making. ABAC recommends a more coherent economic and technical cooperation (ecotech) program which focuses on four key elements:

- The **promotion of international standards for economic governance** in the public and private sectors, including supervision and monitoring of financial markets, the introduction of a new system of rules and principles for corporate governance, regulatory reform and competition policy, and bench-marking of government processes. Important principles include transparency and the promotion of competition. The development of human resources in the public and private sectors is also critical.
- **Complementing the trade facilitation and liberalization work of APEC.** A first priority in this area should be implementation of the work being done in APEC to improve customs procedures and standards and conformance. Success in these areas will require in-depth skills training for the officials who manage the new systems.
- **Meeting longer term challenges to growth in the resource and infrastructure sectors** The program should anticipate possible constraints to growth in, for example, the areas of food, energy, water and waste disposal; help economies develop the policies and institutional capacity to respond; and thereby sustain growth.
- The **development of better communications systems** in member economies to create new business opportunities and facilitate capacity building activities.

ABAC also recommends a new ecotech reporting process which details the scope for business input in particular. This will facilitate joint ventures with multilateral aid agencies and the private sector. Given the minimal funding allocated to APEC's ecotech program, ABAC believes that APEC must leverage funding from governments, multilateral agencies and business. Business

will contribute on a commercial basis if the policy environment is right. Investment from the private sector can, for example, contribute to the strengthening of capital markets, build infrastructural capacity, provide training or develop databases. Business organizations in member economies have also expressed interest in sponsoring training seminars, including one for company directors. These activities will enhance the capacity of SMEs to compete in open markets.

ABAC believes that the current capacity building work in APEC fails to integrate work by the Finance Ministers. ABAC notes that the Finance Ministers are working on programs for capacity building in priority areas and requests that all capacity building activity be reported in one place in an accessible form.

Financial Issues: Promoting Recovery and Sustainable Growth

For real economic recovery and growth to take place in the economies of the APEC region, there has to be renewal of confidence in their financial sectors. ABAC applauds the important and often painful policy measures undertaken by many APEC economies to address the causes and effects of the financial crisis. Recovery appears to be within reach, but keeping the region on the road to recovery depends upon continued momentum in the areas of financial reform and corporate restructuring.

While ABAC acknowledges the importance of on-going discussions on the global financial architecture, our focus is on those actions that can be taken by member economies and their private sectors. ABAC has developed specific, detailed action plans to promote early economic recovery within the region, and to lay the foundation for stability and sustainable growth. These plans are included in the accompanying document and are summarized below. The proposals will assist all business, including small and medium enterprises, which have suffered disproportionately from the effects of the financial crisis.

A Promoting early economic recovery

- i. Measures which should be given immediate priority:
 - Restoring workable access to capital.
 - Recapitalisation and restoration of the domestic banking sector.
 - Encouraging foreign investment.
 - Enabling rapid corporate reorganization, through legal reforms, improvement of domestic credit markets and trade finance.
 - Addressing concerns about regulatory standards and practices for financial and other institutions.
 - Building on the Asian Growth and Recovery Initiative and the New Miyazawa Initiative at the 6th APEC Finance Ministers meeting in Langkawi, Malaysia in May 1999 to provide credit enhancements to government bonds and working capital for restructuring corporations.
- ii. Financial infrastructure and banking system improvements:

These proposals are designed to maximize private sector participation, use a market-driven approach and require stable and transparent government policies.

- Restructuring bank balance sheets.
- Encouraging foreign investment in domestic banks.

- Legal, accounting, regulatory and corporate governance reforms to improve financial reorganization.
 - Improvement of domestic credit markets.
 - Facilitating trade finance securitization.
- iii. ABAC also suggests the following optional proposals:
- Debt-to-equity swaps similar to those in Chile and Mexico.
 - Exchange rate mechanisms to cushion currency instability similar to those used in Chile and Mexico's FICORCA.

B Beyond the crisis: laying the foundation for stability and sustainable growth

ABAC proposes the following measures to deal with the longer term issues and to strengthen financial systems and markets, especially within developing APEC economies to reduce their vulnerability to financial turmoil:

- i. Developing domestic debt markets
- Several components of the measures listed above are relevant to the development of local debt markets:
 - Issues related to laws/debt markets, development of local credit rating agencies, participation of foreign financial institutions in domestic debt markets, taxation of local and external debt financing and bankruptcy;
 - Promoting high standards in financial disclosure and accounting; and
 - Establishing benchmark government securities with a standard set of maturities.
 - Early adoption of the Voluntary Principles in Promoting Financial and Capital Market Development contained in the 1997 Joint Ministerial Statement from the APEC Finance Ministers Meeting in Cebu, Philippines, and other initiatives on developing domestic debt markets currently undertaken by APEC.
 - Upgrade market infrastructure and the quality of available macroeconomic information.
 - Promote efficient financial market institutions, focusing on the development of pension funds and the insurance sector.
 - Develop debt market instruments with international financial institutions
- ii. Financial sector capacity-building

Develop effective and timely measures to harness the financial expertise within APEC member economies to assist other member economies with their implementation of measures required for strengthening the capacity of central banks, financial and corporate restructuring, improved corporate governance, legal reform and capital market development.

- iii. Strengthening the global financial architecture.

ABAC strongly supports continued dialogue and work that has been done by APEC Finance Ministers, the Group of 7, and the IMF/World Bank on the strengthening and restructuring of the global financial architecture.

Recommendations for action in specific sectors:

Food

We reconfirm our 1998 recommendation that Leaders establish an APEC Food System to harness the resources of the region, and welcome the Leaders' instruction to Ministers to explore this proposal further. ABAC has followed up this year with recommendations on possible first steps towards implementation of an APEC Food System:

- address the APEC Food System in the Individual and Collective Action Plans, in line with the Osaka Action Agenda;
- create an APEC export subsidy free zone for agri-food trade;
- establish science-based sanitary/phytosanitary standards to facilitate production and trade in agri-food products, particularly by developing economies;
- abolish, by the 2001 Leaders' Meeting, practices which limit food supplies to other members for political or economic reasons and eliminate taxes and quantitative restrictions on exports;
- recommend to the WTO in 1999/2000 the adoption of commitments to non-discriminatory access to food supplies as a binding rule;
- commit to progressively eliminating, ahead of the Bogor goals, unnecessary impediments to food trade;
- enhance the transition capabilities of developing economies through a food "technology culture", a food investment code, and a rural development strategy using the APEC-PECC "RISE" project as well as inputs from multilateral agencies;
- recognize the social, environmental and other non-food roles of agriculture.

E-commerce

ABAC wrote to Ministers in June, outlining the cooperative efforts underway between regional business representatives on issues facing Government and the private sector in the area of e-commerce. We are committed to continuing to work with APEC through the E-Commerce Steering Group and with other regional and international organisations active in this area (e.g. PBEC, PECC and the OECD). ABAC supports work already underway in the Steering Group on developing a template to enable economies to undertake a self assessment of their readiness to utilize e-commerce. We further recommend that :

- APEC continues to work in partnership with the private sector to develop principles governing the e-commerce debate (draft principles are included in ABAC's background papers) including discussion of the policy/legal/regulatory and self regulatory environment needed to support e-commerce;

- APEC Leaders seek an agreement in the WTO not to impose any new customs duties on electronic transactions over the internet;
- APEC economies provide a description of how they use electronic means to communicate and carry out transactions with each other and with the private sector (e.g. customs clearances, government procurement, regulatory notifications) and how this could be extended, particularly in dealings with the public.

Air Services Liberalization

A strong, open and competitive international air transport network supports economic development, offering particular benefits to developing economies. We understand that officials have developed eight options for more competitive air services which offer fair and equitable opportunities to all member economies. The challenge now for APEC economies is to take this work forward. We therefore recommend that Leaders:

- Implement the recommendations of the APEC Transportation Working Group, giving particular urgency to the high priority recommendations identified, namely: "doing business" issues; including multiple carriers in bilateral agreements; facilitating cooperative arrangements or code-sharing between airlines; and removing barriers to air freight services.
- Identify and implement further steps to be taken by APEC economies towards the removal of barriers to trade and investment in air services in line with the Bogor Goals.

Partnership for Equitable Growth (PEG)

We reported to you last year on the Partnership for Equitable Growth (PEG), an independent organization intended to act as a catalyst for private sector involvement in APEC's ecotech program. PEG is now formally incorporated as a non-profit organization based in Kuala Lumpur and has begun work on several of its flagship projects.

Y2K

At their May meeting in Langkawi, Malaysia, APEC Finance Ministers agreed that efforts towards preparing for Y2K-related contingencies should be stepped up. ABAC wrote to Ministers in June noting that there is presently no common framework within APEC for regional cooperation on Y2K issues and recommending urgent dissemination of best practice measures to assist with:

- Inter-organizational and international testing of systems;
- Development of business contingency plans;
- Central banks' plans for payments system stability; and
- Dispute resolution through special legislative arrangements.

ABAC notes that existing proposals do not appear to include international preparedness for serious potential disruptions in member economies after entering the year 2000 and therefore suggests examination of international plans for short-term liquidity support and emergency aid programs, including provision of experts to repair systems.

In conclusion, may we reiterate our commitment to representing the views of the private sector in APEC. ABAC is currently working on its own internal procedures and structure to improve the relevance and quality of its advice to Leaders. We look forward to a substantive and frank discussion with you and your colleagues on 12 September in Auckland.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Philip Burdon', written in a cursive style.

HON PHILIP BURDON

ABAC Chair 1999

cc.: APEC Leaders
APEC Trade Ministers
ABAC Members

Background Papers

Action Plan Monitoring Committee 1999 Report

ABAC's Action Plan Monitoring Committee (APMC) has reviewed the 1998 Action Plans and the highlights of the 1999 Action Plans with a view to assessing progress and recommending priorities for future improvements to the IAPs. This year, APMC also undertook a detailed study of impediments to investment and to trade in goods and services, particularly non-tariff measures.

The Action Plan process is APEC's prime mechanism for achieving its goals of free and open trade in goods, services and investment by 2010/2020. Action Plans should therefore represent an open, transparent and comprehensive blueprint by which member economies will seek to reach these goals.

ABAC welcomes the statement made by senior officials that the 1998 IAPs have taken account of ABAC's previous recommendations, particularly the need for more transparency, specificity and commitment to action. We note, too, that Ministers remain committed to IAP improvements and their implementation, despite the adverse impact of the current economic crisis.

ABAC's review of the Action Plans is based on the premise that the IAPs should be able to inform business planning. Although the Action Plans are part of an intergovernmental process, the information they contain has tremendous potential value to the region's business community. If business is able to see clearly what steps an economy is planning to undertake to liberalise, they may be able to factor this into their planning process.

To become a practical tool in business decision-making, however, the IAPs need to be more transparent, accessible, and comprehensive - containing specific plans and commitments to action. With this in mind, ABAC makes the following recommendations:

Transparency

The information contained in IAPs needs to be made even more transparent and accessible in both language and format. The IAPs should be laid out in a clear and straightforward manner, indicating not only the steps which economies intend to take in the liberalisation process, but also the policy intentions behind these measures. APEC should take further steps to organise the information contained in the IAPs to allow comparisons between years and between economies.

Specificity

In ABAC's view, the IAPs still contain too many vague references to future plans to review policies and/or amend legislation. Instead, commitments to future action must be set out in precise terms, including specific objectives to be addressed and timelines for actual implementation. Only then will the region's business community develop confidence in the IAP process and begin to factor the Action Plans into their own planning processes.

Comprehensiveness

All liberalisation measures being undertaken by APEC economies should be included in the IAPs. This includes actions being taken in response to the recent economic crisis and action agreed as part of the EVSL/ATL exercise. If IAPs are not seen to be comprehensive, their credibility is compromised and their usefulness greatly diminished in the eyes of the region's business community. ABAC encourages APEC member economies to review all steps which they are

currently undertaking to liberalise their economies with a view to ensuring that these developments are incorporated into their IAPs.

Outreach

In communicating the contents of the Action Plans to business and other interested constituents, APEC needs to find a balance between the need for accessibility and transparency on the one hand, and the need for comprehensiveness and detail on the other. Last year, ABAC recommended that APEC seek ways to communicate the contents of the IAPs in a concise and user-friendly manner, citing the Blueprint on Customs document as an example.

ABAC would encourage APEC members to redouble their efforts in presenting and discussing their IAPs with their respective business communities. Emphasis should be placed on imaginative and innovative ways of presenting this information on an industry sectoral basis.

In addition to these general comments on the IAPs, ABAC has identified a number of priorities for immediate action by APEC in the areas of investment, tariff and non-tariff measures and services.

Investment

There is a window of opportunity for APEC to re-double its efforts on investment liberalisation. Such actions would send the right signal to the global investment community and allow APEC to show leadership in this important area. This is especially critical, after the OECD Multilateral Agreement on Investment (MAI) appears to have floundered and the WTO millennium round is expected to focus most of its initial efforts on services and agricultural trade.

Foreign direct investment flows to developing Asia shrank by an estimated 7% in 1998 and may shrink further in 1999. Although FDI has not dropped off as dramatically as some predicted in the wake of the Asian crisis, investors are nonetheless showing greater ambivalence towards the region today. Attracting investment back to Asia will be critical to the region's longer-term recovery prospects.

APEC member economies need to send a strong signal to investors that they are willing to take decisive action to further liberalise their investment regimes. This includes not only measures to eliminate barriers to investment flows, but also steps to create a more transparent and stable investment environment. It is also important that all steps taken to liberalise investment regimes, and future commitments, are included in IAPs.

In previous years, ABAC has urged APEC to show its commitment to leadership in investment liberalisation by adopting the Non-Binding Investment Principles originally agreed in 1994. We note that this year, APEC's Investment Experts Group has developed a new "menu of options" approach to investment liberalisation. This menu of options is intended as a reference tool that economies may refer to when updating their IAPs, assisting them in identifying policy measures which will help them to make progress toward creating a free and open investment regime.

ABAC endorses the "menu of options" approach to investment liberalisation through the IAPs. This new approach echoes the Non-Binding Investment Principles but allows greater flexibility for economies to adopt measures suitable to their individual circumstances. At the same time, the proof of member economies' commitment to investment liberalisation will be judged by their IAPs. Whatever options for investment liberalisation and business facilitation are chosen by APEC economies, these steps must be included in the Individual Action Plans, along with a timetable for their implementation. Vaguely worded promises, like adhering to 'non-binding' principles, will not sway investors.

Liberalisation of investment regimes may be a necessary condition to attract direct investment, but it is not a sufficient condition. Lower labour unit costs in emerging markets are no longer the dominant factor influencing capital flows. Today's foreign investors are instead looking for an environment from which they can generate sustained productivity gains. Benchmarks by which foreign investors judge potential hosts are becoming more wide-ranging and complex. For this reason, investment liberalisation must be undertaken in concert with establishing other 'value-added' benchmarks for investors, including sound monetary and fiscal policies, low interest rates and inflation, a sensible exchange rate policy, sustainable external and budgetary balances.

Goods:

a) Tariffs

Despite a continued reduction in tariffs, the region's business community still sees this as an area where more work needs to be done. While the focus of the multilateral trade liberalisation agenda will shift to the WTO in the coming year, it is important that APEC does not lose momentum as it moves towards the Bogor dates of 2010/2020. As noted in previous years, ABAC cautions APEC against leaving 'difficult sectors', characterised by high tariff levels, to later years. Indeed, given the complexity of dismantling highly protected sectors, more time will be needed to address the challenges of structural adjustment and it is therefore imperative these areas are tackled sooner rather than later.

ABAC encourages action on both the 'peaks' and 'valleys' in members' tariff structures. This involves taking early steps to address sectors with particularly high tariff levels, including agriculture and automotive sectors. At the same time, APEC member economies should take further steps to eliminate small 'nuisance' tariffs of less than 2%.

b) Non-Tariff Measures

The dual challenge of non-tariff measures (NTMs) is that it is both difficult to define them and to assess their impact. Although some APEC economies have taken steps to address NTMs, this has mostly been undertaken through the tariffication of various export subsidies under WTO Uruguay Round implementation. While this has increased tariffs in some product sectors, it has made it easier to measure their impact and to address them in the context of future tariff reduction and removal.

Lack of data on NTMs is still a problem - and an area which APEC needs to address urgently. The Collective Action Plans for Tariffs and NTMs require APEC members to incorporate information on NTMs into a future version of the APEC tariff database and to compile a list of measures recognised as non-tariff impediments to trade. The WTO also intends to incorporate data on non-tariff measures into its data base in the future. There may be opportunities for future cooperation between APEC and WTO in the tracking of NTMs, allowing members of both organisations to make only one submission of data to meet their obligations in both organisations.

The important point is that NTMs need to be identified before action can be taken to remove them. It is also important that all NTMs are included in the IAPs, including any new ones which, in view of APEC Members' agreement on standstill, should include justification for their implementation and timelines for their removal.

In addition to addressing the challenge of data, ABAC also proposes a number of priority areas for initial work on NTMs. Despite continued efforts to streamline customs procedures, business tells us that there are still serious non-tariff barriers in this area. APEC members should undertake concerted efforts to identify and address NTMs associated with customs procedures, including excessive paperwork, multiple entry procedures, and unnecessary delays. It is important that commitments made by APEC members in these areas are fully implemented and enforced. In a similar manner, further steps to identify and eliminate NTMs in the areas of

standards and conformance and in government procurement are also priorities for the region's business community.

As highlighted in the work of ABAC's Capacity Building Task Force, APEC's economic and technical co-operation program should seek to complement the trade facilitation work being undertaken through the action plan process. It is only through concerted capacity building efforts in areas such as customs procedures and standards and conformance that APEC's commitments will actually be translated into action at the working level.

Services

No sector of the world economy has grown as fast as services. Trade in services continues to increase in importance for all APEC economies, in many cases representing over 20% of their total trade. Growth in services trade is partly the result of a rise in income and an increased demand for services in developing economies. It has also resulted from changes in the way in which business is organised, with the outsourcing of services which firms once undertook internally and the introduction of technology.

All impediments to services trade are non-tariff measures, reinforcing the need to address them effectively. ABAC notes the efforts of some APEC economies to liberalise their services markets, particularly in the areas of telecommunications and financial services. Nevertheless, considerable impediments to trade in services remain and it is important that full and comprehensive measures to remove them are included in the IAPs.

To be able to compete effectively on a global basis, service providers and partnerships must be free to establish themselves in other economies and compete on a level playing field. This means that foreign service providers are treated no less favourably than domestic service providers - the principle of *national treatment*.

ABAC encourages APEC economies to extend the principle of national treatment to all services sectors. This would allow companies in previously restricted domestic services sectors to be subject to global competition and thereby improve their competitiveness. Consumers of services will also benefit from greater choice in service options and lower prices.

To assist local service providers to adjust to a more open, competitive environment, liberalisation in trade in services must be accompanied by capacity building at the national level. This will also allow for the implementation of proper policies governing competition.

ABAC CAPACITY BUILDING TASK FORCE

RECOMMENDATIONS

A new program

ABAC counsels Leaders to overhaul APEC's economic and technical cooperation activities by installing a new program which is more coherent than the current bundle of projects. The rejuvenated program should build the capacity of member economies to make the transition to more open markets. Capacity building involves the exchange of information and experiences that helps define then implement best practice policy making.

The four elements

The program should focus on four elements.

The first is economic governance in the public and private sectors which includes:

- supervision and monitoring of financial markets,
- the introduction of new systems of corporate governance
- bench-marking government processes.

The challenge is to specify then implement up-to-date rules and principles to promote good governance. Important principles include transparency and the promotion of fair competition. Developing the human resources in the public and private sectors is critical.

Moving to international standards for economic governance in all three areas will cut business costs and promote growth. Achieving the global benchmarks, in the financial sectors and in corporate governance in particular, will also reduce the risks of future crises.

The program should include three other elements. It should complement the facilitation and liberalisation work in APEC. Implementation of the work on customs and on standards is a priority. This will lower costs to business, but success requires the deep penetration of skills among the officials who manage the new systems.

The program should also include activities that deal with longer term challenges to growth in the resource and infrastructure sectors. It should anticipate those issues, for example in food, energy, water and waste disposal, help members develop the policies and institutional capacity to respond, and thereby sustain growth.

Finally the program should contribute to the development of communications facilities in member economies. Better communications will create new business opportunities. They will also facilitate the implementation of a capacity building program.

Better reporting

We further counsel Leaders to demand a new reporting process that lays out the purpose of each project which receives collective endorsement and which explains how it contributes to the program goals. Details should be available on project schedule and size, and on the scope for business input. A more comprehensive reporting system will help Leaders choose the best projects, make better use of scarce central APEC resources, facilitate joint venturing by APEC members with government aid agencies and with business.

A new reporting system will also help officials and members of the business community monitor implementation of these projects. Business wants to be able to appreciate the significance of the projects in the program and factor their impact into business planning.

Funding and business input

The funding available in APEC for economic and technical cooperation is minimal. The role of the APEC process is to leverage funding from governments, acting in bilateral or regional programs, from the multilateral agencies and from business. Business will contribute on a commercial basis, if the policy environment is right. For example, service sector investment can contribute to the strengthening of capital markets. Business will invest in infrastructure projects. Business will deliver extensive staff training and management education programs and will construct data bases. Business organisations in member economies have also expressed interest in sponsoring collective action programs, such as training seminars, including one for company directors. Business can contribute to the training of officials in some circumstances. These sorts of activities also include projects which add to the capacity of SMEs to compete in open markets.

Link to Finance Ministers

The current capacity building work in APEC fails to integrate work by Finance Ministers with that coordinated by APEC Senior Officials and supported by the APEC Secretariat. ABAC notes that the Finance Ministers are working on programs of capacity building in its priority areas and requests that all capacity building activity be reported in one place in an accessible form.

ABAC CAPACITY BUILDING TASK FORCE

1999 REPORT

Preamble

In APEC we have a defined destination and a time line for its achievement. These are specified in the Bogor goal. Reaching that goal will mean coping with the effects of liberalisation and also with other challenges along the way. These include shocks like the financial crisis, all sorts of other pressures associated with growth as well as the impact of new technologies.

There is scope in the region to learn from each other about how to cope with change. We want to know more about the experience of those who have managed changes and shocks in an effective way. Sharing this experience increases capacity in our own economies to manage change. It builds our capacity to do so.

This we see as the theme of the capacity building agenda in APEC.

Capacity building is the goal. Its achievement involves economic and technical cooperation among APEC members. One distinctive feature of APEC is the primary importance that member economies accord to the strengthening of economic and technical co-operation as one of the three pillars in APEC's drive to build an Asia Pacific Community.

APEC Ministers in Manila in 1996 adopted a declaration on an APEC framework

for strengthening economic co-operation and development. The declaration encompassed the themes of consensus building, developing human capital, and the dynamic role of the private sector in encouraging economic co-operation. It recognised the complementary nature of APEC's eco-tech and trade and investment liberalisation and facilitation agenda and set out guiding

principles for the conduct and coordination of activities based around the sharing of information, knowledge, experience and expertise.

ABAC has already focused on the need to develop a framework and network for economic and technical cooperation, to better coordinate APEC eco-tech projects, to find ways of encouraging greater public and private cooperation, and to mobilise private sector involvement in investment.

ABAC reminds Leaders of the Ministerial statement in November 1996 on the need for a working partnership with the business private sector in economic and technical cooperation; of being goal orientated, with explicit objectives, milestones and performance criteria; with an increasing role of the private business sector.

In this statement, the economic and technical priorities were detailed as

- develop human capital
- develop stable, safe and efficient capital markets
- strengthen economic infrastructure to eliminate bottlenecks
- harness technologies for the future
- safeguard the quality of life through environmentally sound growth
- develop and strengthen the dynamism of small and medium enterprises.

APEC Leaders in Kuala Lumpur in 1998 adopted the APEC Agenda for Science and Technology Industry Cooperation into the 21st Century. The Agenda is a blueprint and guidance for APEC to achieve its goal of dynamic and prosperous Asia-Pacific region built on the development and application of industrial science and technology.

The Importance of Capacity Building

Capacity building involves a variety of activities. It includes, for example, the building of skills in the work force to cope with change and adding to the capacity of officials to build the institutions required for an open economy. These systems of governance are potentially very wide ranging and we offer below some comments on immediate priorities.

The sorts of activities which might be considered under capacity building programs include those related to the following issues.

- For APEC to fulfil its charter and achieve its goals, there is a need to ensure that there is adequate governance and stability to meet the challenges of globalization and free trade.
- Such governance embraces the commercial, social and institutional framework by which we live, and needs to shelter within a strong legal and justice system in order that business and people may grow and flourish.
- From a business point of view, such governance also embraces monetary policy and regulatory framework, market access and the provision of infrastructure.
- Taking an even broader perspective, it also must embrace health and educational systems and environmental protection to ensure cultural continuity and the welfare of all people.

- Capacity Building within APEC should ensure the establishment and growth of a material infrastructure and commercial environment, and that it is balanced by the growth of our social and community infrastructures and members' individual well being.

Economic and technical co-operation within APEC provides the mechanism to bring about the systems of governance required to deal with issues in all these areas, given the will of all economies.

A deepening of the reform process

The liberalisation and facilitation agendas in APEC can be thought of as activities to widen the reform process. More sectors and more impediments are included over time as the Individual Action Plans are extended.

Capacity building is aimed at deepening the extent of reform in each economy. It means the reforms work better, they are more effective, and fewer problems are created by the problems of sequencing or implementation.

A deeper reform program can then also accelerate the rate of change and lead to a wider distribution of its benefits which helps create a virtuous cycle of reform and growth.

Cooperation and building bridges

The implementation of the Program involves cooperation. Cooperation means the two-way flow of people, information and ideas. As a consequence, the Program will build bridges between APEC members. Each can learn from the experience of others. It will extend the amount of common ground on many issues, both the immediate concerns and the challenges coming up.

In this way, a Program of capacity building will define then help implement best-practice policy making and the associated institutional development which is appropriate to each member economy.

Elements of a Program

While the potential scope of a program of capacity building could be large, ABAC suggests the following areas are the current top priorities:

- a collective coherent strategy on the issues of economic governance, including financial market development, corporate governance and public sector reform
- support for the liberalisation and facilitation programs
- challenging bottlenecks to growth, including those in the resource sectors and in telecommunications.

Capital markets

A credible response by APEC to the financial crisis is critical for APEC's momentum. ABAC's Chair for 1999 has argued that the crisis had exposed weaknesses in the region's institutional and legislative environment, and that these weaknesses have had direct implications for the business sector. He committed ABAC to make contributions to the efforts to finding solutions to the problems created by this series of problems in the business environment.

ABAC's own task force on financial market issues has made a number of recommendations which require support from processes of capacity building. The report includes a series of recommendations, for example, on the development of and implementation of legal structures which provide stronger incentives for negotiation of debt work-out arrangements. These systems

would facilitate restructuring and arrangement of new sources of finance for banks with high rates of non-performing loans and or of corporations with high debt ratios.

Many economies have such experience which could be shared in the region although those resources are now in great demand. The response will also have to involve the investment in the development of local capacity. Mr David Carse, Deputy Chief Executive of the Hong Kong Monetary Authority, in speech to the Asian International Conference & Trade Credit Workshop on 5 May 1999, said that

it is easier said than done to find loan recovery specialists when many bankers in the Region have not experienced a prolonged period of economic decline. Outside experts, for example from the accounting firms, can help to fill some of the gap. But it is also essential that the banks build up their own resources and provide more training to their own staff on how to deal with problem loans.

He went on to say

The increase in the number of companies requiring financial assistance and the multiplicity of banks involved are however putting some strains on the system. Workouts are becoming more protracted and more difficult to arrange. This is partly because of the shortage of workout specialists already referred to, but also because banks do not always display the necessary spirit of cooperation. I have therefore recently suggested to the Hong Kong Association of Banks that it would be timely to review the manner in which workouts operate in Hong Kong.

Other members will be able to learn from the Hong Kong experience.

Corporate Governance

ABAC members have particular interests and expertise in the area of corporate governance, especially on issues such as insolvency and contracts law, corporate and regulatory law, business disclosure standards, accountancy standards and the responsibilities and operations of company boards of directors.

A draft report for Finance Ministers in their meeting in Malaysia in May 1999 (produced by the Core Group of the Corporate Governance Initiative) noted the strengthening that has taken place in corporate governance arrangements in the international economy. It also indicated that for "Asian firms and economies to compete successfully for funds in the years ahead, their corporate governance practices must at least match those of the new international standards. And they must clearly be seen to have achieved those standards".(p. 5)

ABAC strongly endorses programs of work designed to meet this goal. The work could involve, for example, a collective activity in the form of peer assessment of corporate governance arrangements. Reaching new standards will reduce the vulnerability of business in the region and lower its cost of funds which will promote growth and benefit the whole of the membership.

Regulatory reform

An important element of the structure of economic governance will be the reform of regulatory arrangements. In all sectors of the economy, governments need to put in place best-practice systems of rules and regulation that allow businesses to operate in a transparent, fair and competitive trading environment.

APEC's responses to ABAC's previous recommendations in relation to these areas include those listed in Box 1. While the activities to date are worthwhile, ABAC strongly endorses the 1999 priority proposal to adopt a set of principles for competition policy and regulatory reform. These principles can be used for evaluation of policy in these areas so that their implementation can lead to some focus in the work on institutional development. A focus on the implementation of those principles can then be used to drive the next steps in capacity building in this area.

Box 1: Competition policy and regulatory reform in APEC

- Four workshops have been held since 1995 on diverse competition policy (CP) issues, including the objectives of and mechanisms for implementing CP, the relationship between CP and deregulation, legal aspects, natural monopolies, anti-dumping, and trade policy linkages.
- The APEC Competition Policy and Law Database was completed in February 1998.
- Annual APEC/PFP Competition Policy Training Courses raise officials' expertise in competition law and policy.
- A public/private sector symposium on regulatory reform was held in September 1998 in Malaysia that drew together themes and principles of regulatory reform in APEC.
- Priority work for 1999 includes: development of principles for competition and regulatory reform, in association with PECC; strategies for capacity building and institutional development; and completion of a study on the advantages and disadvantages of competition law for developing economies.

Liberalisation and facilitation

We noted earlier how an important role of the capacity building program in APEC is to support the liberalisation and facilitation agendas. Box 2 shows a simple example, which ABAC applauds, in which capacity building in APEC is helping to meet liberalisation goals.

Box 2: Implementing the TRIPs Agreement

- An extensive cooperation program has been in progress underway including Partner for Progress (PFP) training programs on industrial property rights in 1996-98 and various symposium on IPR. An APEC/ABAC Joint Symposium on IPR was held in February 1999 in Fukuoka. Cooperation will continue with a PFP training program on Industrial Property Rights.
- Some members have already implemented TRIPS and others are in the final stage of doing so. Members have agreed to a framework proposed by Korea for additional bilateral technical cooperation to implement TRIPS (which supplements existing collective efforts).
- All members are expected to implement TRIPS by 2000. Members will implement the framework for additional technical cooperation, and Korea will hold a technical cooperation symposium in June 1999 to assist TRIPS implementation, taking the replies to the checklist on the TRIPs Agreement into consideration. Members will also examine the possibility of further improving IPR systems after full TRIPS implementation.

ABAC has argued in other places in its report this year that the trade facilitation work in APEC has to be given new urgency. Earlier ABAC reports stressed the importance of dealing with customs arrangements. There has been extensive effort in this area in APEC.

Removing impediments to trade associated with the existence of different systems of standards is a further example of a priority in this agenda. ABAC notes the programs underway in APEC in relation to alignment work on a number of product groups (electrical and electronic appliances, food labeling, rubber products and machinery, as well as transport and seafood).

However, the amount of associated capacity building to implement new standards in various member economies is not clear from the information available to ABAC. A immediate priority is to demonstrate how the capacity to implement agreements on standards is being constructed alongside agreements to align standards.

Food

The development of an efficient food system is a headline recommendation in ABAC's current work program. Associated capacity building programs should be identified and incorporated into the program with explicit links to the food system project. An element of that project is the development of rural infrastructure. Other activities include the promotion of trade in food products and the dissemination of technological advances in food production. Specifying work programs in these areas that contribute to the goals of the project will be important.

Energy, water and waste

In response to previous recommendations in relation to infrastructure, APEC actions are listed in Box 3. These are mainly related to the energy sector. ABAC applauds these results, particularly with respect to the natural gas grid proposal which is also a priority for the Partnership for Equitable Growth. Further work on implementation of the idea based on private sector input and advice is now critical.

The provision of adequate water resources and the disposal of waste to ensure improving health standards within each economy are also critical long run targets. New work will be required to establish programs with respect to the serious issues associated with water and waste disposal in the region.

Box 3: APEC and infrastructure - a focus on energy

- APEC Finance Ministers agreed in 1997 on Voluntary Principles for Facilitating Private Sector Participation in Infrastructure in which member economies undertook "to introduce necessary steps, where appropriate, to put in place a framework to provide a high level of investor protection..."
- The November 1997 Vancouver Framework for Enhanced Public-Private Partnerships in Infrastructure Development reaffirmed these principles and called for action to improve capacities in various areas.
- APEC Energy Ministers endorsed in 1997 the principles contained in the *Manual of Best Practice Principles for Independent Power Producers (IPPs)* aimed at facilitating private investment in power infrastructure in APEC.
- Energy Ministers in October 1998 adopted a series of recommendations aimed at establishing a low-risk environment to encourage private investment in natural gas infrastructure, supplies and trading systems in the region.
- As directed by Energy Ministers, EWG held an energy infrastructure investment workshop in the USA in April 1999. Business people helped EWG examine the initiatives on natural gas, best practice principles for IPPs, and environmentally

sound infrastructure in terms of practical action.

- Energy Ministers in 1997 endorsed a report on an EWG project designed to promote the uptake of environmentally sound infrastructure. A work program to advance the report's recommendations was endorsed by the Ministers in October 1998.
- EWG will progress the Natural Gas Initiative in 1999, with input from the EWG Business Network and the Energy Regulators' Forum, to develop an action strategy to help economies implement the recommendations.
- TEL WG has finalized the APEC Interconnection Framework which aims to secure a competitive supply of services to users.

Telecommunications

Telecommunication facilities within each economy warrants serious attention. It has always been a critical input into business activities, and the current region-wide interest in the scope to develop electronic commerce highlights this sector once again. The lack of provision within certain member economies of basic telecommunication facilities needs to be addressed.

Research for ABAC on the effects of impact of barriers to trade and investment in the service sector indicates that a more liberal policy regime in the telecommunications sector can have a significant impact on the extent of services available. This research also indicates the opening up telecommunications markets has even more dramatic effects on access to mobile services than to fixed line services. However reform of this sector involves a number of challenges, including those in relation to competition policy. These issues were highlighted in the reports for APEC by the PECC and APEC Study Centres Consortium on 'Communicating the Benefits of Liberalisation'. They include in particular the design and implementation of competition policy in this sector, which includes the implementation of community service obligations. These are all clearly areas for a valuable capacity building program among APEC members.

Links to liberalisation

The situation in telecommunications provides an example of when a program of liberalisation can itself help build capacity. We expect this is a common situation in the service sector and similar examples could be found in financial services and in education itself. We suggest that the contributions of liberalisation in these sectors to capacity building in the region be the subject of further work by APEC officials in order to extend the appreciation in the community of benefits of liberalisation.

SME Interests

APEC Ministers responsible for small and medium enterprises met in April this year. Their statement stressed the following areas as priorities for SMEs:

- enhancing management performance through education;
- reducing barriers to trade and compliance costs;
- improving capital markets and access to them;
- strengthening linkages to assist business within the region (e.g. the importance of electronic commerce).

Here we concentrate on electronic commerce and training. Our other proposals, particularly those on capital markets, are also relevant to SME interests.

E-commerce

APEC has achieved an impressive program of work in electronic commerce, as summarised in Box 4. However, we see a gap. There is not enough attention to efforts to make available skills in using this technology. In the next section, we make a suggestion about how business can help fill this gap.

Box 4: APEC and e-commerce

- HRD WG has conducted a project on Internet and Electronic Commerce: Training on Java-based Technology. Website now operational: www.edu.au/commerce.apec
- TEL WG survey of the uptake of electronic commerce by SMEs underway. Final report to be delivered in mid-year 1999.
- TEL WG survey of legal and regulatory barriers to conducting Electronic Commerce completed and posted to the internet, with regular updates planned.
- As directed by Ministers, the APEC Secretariat is compiling a list of e-commerce hub and network service providers available in the economies.
- Transport WG and SCCP have conducted separate EDI Commerce Messages projects to identify, through pilot projects, the processes and preparation required to enable business involved in international trade, transport and customs to trial and use harmonized EDIFACT messages in the trading chain between organizations in APEC economies (to be completed by December 1999)
- APEC Ministers responsible for Telecommunications and Information Industries adopted a Framework for Action on Electronic Commerce consistent with these points in June 1998 and directed TELWG to implement.
- GP Experts Group held a seminar in February 1999 partly on the topic of electronic tendering in government procurement. The GPEG Home Page is linked to 11 members' electronic GP sites.

The following are proposed:

- A study on the impact of e-commerce on SMEs and how they can benefit from it will be conducted 1999-2000.
- Transport WG (TPT) will hold an E-commerce Seminar in April 1999 in Santiago, focusing on practical applications for transport and trade.
- The TPT WG will conduct a training program to provide a sound base of knowledge and skills in e-commerce to enable firms to install e-commerce systems and prepare them for the trialing of messages.

- At TPT-WG 15 in April 1999, the TPT-WG will consider a proposal for a pilot project to provide electronic commerce training in maritime transport.
- TEL WG will participate in an OECD -business workshop on Electronic Authentication in June 1999

Business to business skills transfers

The business sector can provide arrangements for the transfer of skills. Some ABAC members, working with their local business associations, have proposed to organise combinations of seminars, training courses and case studies of successful business management in international markets.

Other forms of skill transfer involve sponsorship by equipment suppliers. For example, the Human Resource Development Forum in PECC is working with firms in the IT sector to arrange training courses for SME managers on the use of information technology and how it can help their business. ABAC also has a proposal to create a series of Information Data Base Service Centres to make available material on policy regimes in different member economies. These Centres would be sponsored by the private sector.

Further examples of business to business transfers of skills occur in many economies which are hosts to 'centres of excellence' for particular industries and activities within those industries. These centres disseminate knowledge and essential skills with the aim of continuously upgrading their knowledge as technology progresses. These centres are established and managed by the private sector, in some case, by large companies who use the centres to manage the development of skills among their sub-contractors. They are examples of the private-to-private delivery of capacity building, in some instances in partnership with governments.

Examples of these centres include

- Philips Tooling Centre in Singapore
- The Hong Kong Quality Assurance Agency
- The Clothing Technology Demonstration Centre in Hong Kong
- The Hong Kong Jewellery Industry Technology Centre
- The Internet Centric Excellence initiative at the University of Hong Kong (funded by Oracle and Sun Microsystems).

Box 5 describes the activities of one of these centres. We recommend that these and other projects should be studied for the purpose of identifying potential policy impediments to their operation in other member economies and defining the appropriate scope for government partnerships in their establishment.

Box 5: A model Centre for Excellence

The Hong Kong Jewellery Industry Technology Centre (HKJITC) was established in 1995 with funding support from the Industry and Technology Development Council of the Hong Kong Government. It is jointly managed by the Hong Kong Jewelry Manufacturers' Association (HKJMA) and the Hong Kong Productivity Council (HKPC).

The major objective of the HKJITC is to provide integrated support services to the local jewellery industry in order to enhance its market competitiveness and to extend its

manufacturing capabilities. The HKJITC is based at the HKPC Building to monitor technology trends, develop technologies for strategic needs and disseminate relevant information and technologies to the jewellery industry.

From : <http://hkpcms.hkpc.org/hkjtc/intro.html>

Procurement

Unfair and discriminatory practices observed in procurement can also be dealt with using competition policy. Examples, some members argued, arise in the bidding processes for elements of large scale construction or infrastructure projects. Discriminatory practices can inhibit the opportunities for participation by business in developing member economies. The rules of competition policy can be applied to assess these situations.

Consumer Education and Protection Initiative (CEPI)

The Task Force noted the relevance of a proposal on consumer issues and its significance for SMEs. The CEPI was endorsed by the SME Ministerial held in Christchurch in April this year. This proposal would focus on legal and regulatory best practices in consumer rights, how to deal with problems such as deceptive advertising and labeling, how to operate codes of ethics and industry self-regulation and how to handle new issues arising from technology change, such as internet-based disputes settlement. Work on these topics is being led by business and consumer groups and ABAC looks forward to receiving more information on the results of this effort.

BUSINESS INPUT

Resources for economic and technical cooperation within APEC are scarce. APEC is not an aid organisation. Business can assist however. Business can work with government to provide resources on a commercial basis; and member economies, particularly those with foreign aid programs, can work with business to ensure the development of the necessary infrastructures.

During the past two years, ABAC has focussed on the formation of a Partnership for Equitable Growth for this purpose.

The extent to which business is making an input into economic and technical cooperation is less than might be expected. Figure 1 shows the number of eco tech projects listed in the APEC Secretariat's economic and technical cooperation matrix (currently available on the Secretariat website) grouped by the current priority areas, and also showing the number involving private sector input. On average about half of all the projects listed had some business input.

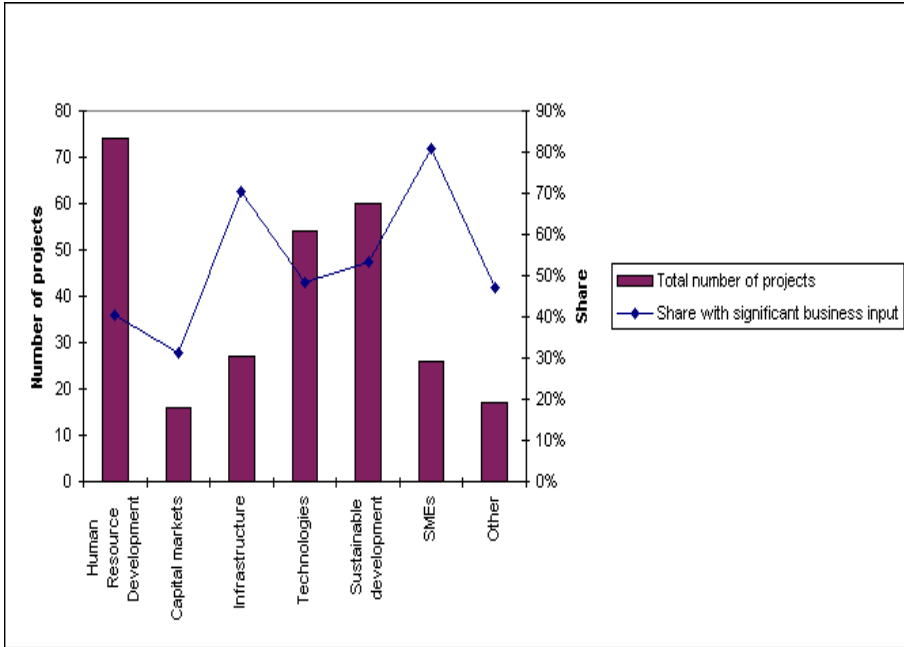
These data are also based on the reports provided by project coordinators. Closer inspection reveals that in many cases business is actually involved even if its contribution is not made explicit in project summaries.

Within the set of APEC priorities, the attention of the Task Force was drawn to the APEC Agenda for Science and Technology Industry Cooperation in the 21st Century. The meeting was impressed with the scope of this work, the resources already applied by member economies and, after further briefing, the extent of the opportunities for business. Recognizing APEC's hope to increase business involvement and contribution in its ecotech agenda, ABAC was encouraged to submit specific proposals that support implementation of this Agenda.

A more effective reporting system has to be developed for economic and technical cooperation projects. That system should include the detail of current business input and the scope for business to make a contribution.

The data should also be up to date. The data in this table is based on the matrix report now available on the APEC web site and this document is dated 27 August 1998.

Figure 1: Projects by APEC priority area



Source: APEC website

Information flows

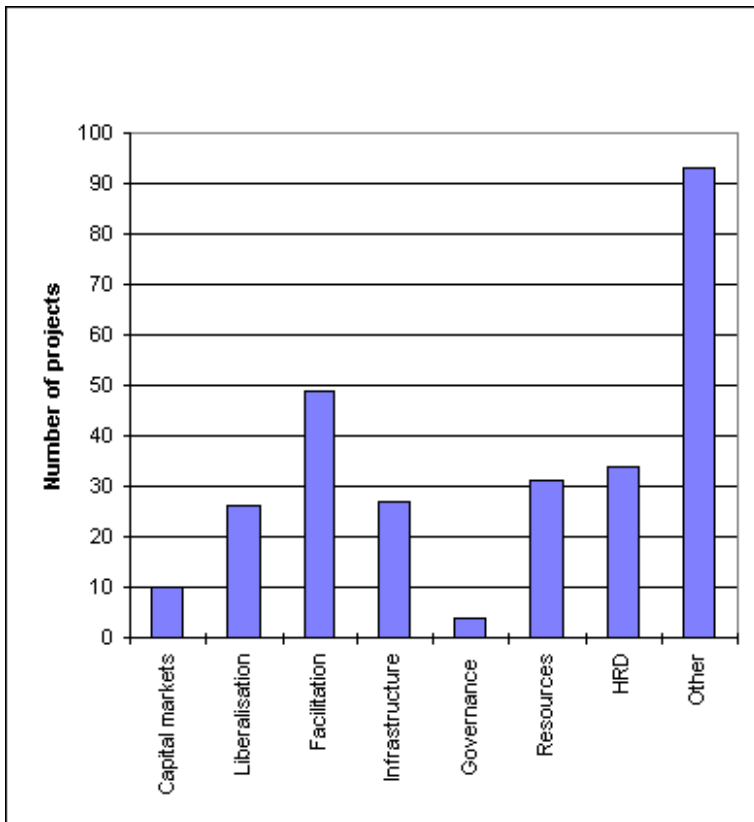
Figure 2 shows the categories on economic and technical cooperation projects reorganised under ABAC's own priority areas, as defined in this paper, with the addition of a specialist human resource development category (other hrd projects are allocated where possible to the other priority areas) and with the addition of another category of "other" in which the unclassified projects are located. This figure reveals that the program is underweight in terms of capital markets and governance.

There are two qualifications to these data.

First, the current capacity building work in APEC fails to integrate work by Finance Ministers with that coordinated by APEC Senior Officials and supported by the APEC Secretariat. ABAC notes that the Finance Ministers are working on programs of capacity building in its priority areas and requests that all capacity building activity be reported in one place in an accessible form.

Second, while the number of projects might be small, each one might be large in absolute terms. The scale of each project is not clear from the matrix.

Figure 2: Projects by ABAC priority area



Source: APEC website

These problems, as well as earlier remarks in this section, indicate that the current reporting system is inadequate. It lacks information about

- the scale of each project
- how the project is funded, in particular the extent of business input
- the outputs which have been achieved
- the impacts of projects on the goals of the program
- expectations of original time-lines and of outputs by which actual performance can be evaluated
- the contribution that APEC is able to make compared to other institutions, including bilateral aid programs or multilateral systems of assistance, or the extent to which APEC processes can extend the contribution made by these other programs
- linkages, complementarities and cross referencing between projects in the same topic areas but managed by different parts of the APEC process.

Provision of this information will lead to better choices of projects, facilitate coordination and produce a more effective program. Methods for achieving more coordination and therefore effectiveness in these activities within the APEC structure have to be considered. There are special challenges for the administrative processes in APEC whose principles of participation have to be maintained.

Of particular interest to business, and a contribution to the development of a new discipline in economic and technical cooperation, would be to insist on a check of private sector interest. Is business participating in the activity directly, or has it shown interest in using the results of the work, or are there more general expressions of business interest in the information provided or processes developed? Examples of projects which business has expressed an interest in supporting were noted earlier. A well-developed economic and technical cooperation program will enhance the opportunity for business to make this sort of contribution.

Delivery

The obvious way to share experience to build capacity is through the exchange of information, and, alongside that exchange, the development of the capacity to use the information, that is, human resource development.

From this perspective capacity building is going to involve the movement of people from one environment to another. Workers from one economy will spend time in plants and factories in another. Teachers from one economy will spend time sharing their skills with students in another. Officials from one stock exchange will explain their rules and procedures to officials from another. These are all examples of capacity building. As illustrated above, business has an interest in being involved in these sorts of training programs and exchanges.

Box 6 illustrates another example involving officials dealing with visa processing which ABAC applauds. Where training is involved, it needs to be suitable to domestic conditions but aimed at strengthening local institutions, increasing professional standards achieving APEC best practice and reducing costs to business.

Box 6: Visa entry

ABAC applauds the system of "mentoring" to provide training and technical infrastructure development in visa processing and border entry systems. In 1999, there will be project to focus on the prevention of travel document fraud which will lead to streamlining the processing of legitimate travellers.

A survey on economic governance issues

One of the challenges in managing an effective program for capacity building is to develop proposals for action in a systematic manner. ABAC's suggestion is that priorities for capacity building initiatives be detailed through a survey. This survey on, and by, all member economies will identify the scope for additional capacity building co-operation. The objective of the survey would be twofold.

- First, to identify and document current activities as a useful contribution to coordination of responses and information flows.
- Second, to identify areas for additional capacity building co-operation that could complement existing bilateral, regional and multilateral activities.

The scope of the survey could be expanded over time. In responding to the financial crisis, we propose that the immediate priority is capacity building in relation to economic governance, which refers to public sector governance, corporate governance and financial system reform. Sub-categories include:

- appropriate legal frameworks
- arrangements to provide adequate economic and financial data
- transparency and accountability mechanisms

- competitive and efficiently regulated markets
- associated training and education.

Box 7 reports an example of how the survey might be implemented.

Box 7: A model for the survey

One model of how to deal with this issue is a recent survey of capacity building with respect to economic governance. This survey spells out in a matrix format areas in a number of economies where economic capacity building was requested and those areas where programs are underway. This work was commissioned by the Australian government. This survey was a one off event. It covered six APEC economies as well as listing multi-economy activities. It includes a classification system which groups activities under the headings of public sector governance, corporate governance and the financial system. We suggest officials examine this classification for the propose turning this survey into a regular event, at the same time as facilitating private sector access, eg for the purpose of making suggestions of areas in which services should be made available and for having access to the results of the survey.

SUMMARY List of recommendations

1. **Develop a coherent approach to economic governance reform.**
 - a. **Add to work on financial market development:** The current set of economic and technical cooperation activities appears to be underweight with respect to the goal of building safe and efficient capital markets. Priorities, including associated capacity building projects, have been proposed by ABAC's Financial Task Force. An important example where a gap in other work programs can be filled is the capacity to design then implement arrangements for the management of distressed assets.
 - b. **Press on corporate governance:** ABAC proposes a new portfolio of activities to support work in APEC on corporate governance with the goal of following up work in the Finance Ministers' process in APEC on corporate governance. Its aim is to narrow the gap to international standards, thereby reducing vulnerability, lowering the cost of funds and promoting growth.
 - c. **Attention to public sector reform:** APEC has been working on the development of a set of principles for the implementation of regulatory reform and competition policy. Such principles can provide good guidance for public sector reform, add to the transparency of decision, promote a competitive environment and lower costs to business. A commitment to implement these principles will provide a guide to the design of capacity building projects.
2. **Contribute to the implementation of the liberalisation and facilitation agenda**
 - a. APEC has made substantial progress on trade **facilitation**, especially with respect to the alignment of standards and customs procedures. ABAC strongly endorses work on these topics as a priority in the APEC work program. But it also stresses the importance of complementary effort on building the capacity to implement the new systems in these areas.
 - b. As the structure of the APEC **Food** System proposal is clarified, a program of complementary economic and technical cooperation activities can facilitate its implementation.
3. **Meet potential bottlenecks to growth -**

- a. - in the **resource sector**: in addition to **food**, there are issues in other parts of the resource sector as well. The provision of adequate **water resources and the disposal of waste, both waste water and solid waste**, to avoid bottlenecks and to ensure improving health standards within each economy are critical long run targets. New work will be required, parallel to that already in progress on energy, to establish economic and technical cooperation activities with respect to the already striking issues associated with water and waste disposal in the region.
- b. - related to infrastructure, in particular **telecommunications**: reform of sectors including telecommunications can lead to substantial improvements in service quality. Better communications will create the scope for new business opportunities. They will also facilitate the implementation of a capacity building program. Reform in this sector involves a number of challenges, including those in relation to the design and implementation of competition policy, which includes the specification and administration of community service obligations. These are all areas for capacity building through the sharing of experience among APEC members.

4. **Mobilise business contributions of resources**

The funding available in APEC for economic and technical cooperation is minimal. The role of the APEC process is to leverage funding from governments, acting in bilateral or regional programs, from the multilateral agencies and from business. Business will contribute on a commercial basis, if the policy environment is right. For example, service sector investment can contribute to the strengthening of capital markets. Business will invest in infrastructure projects. Business will deliver extensive staff training and management education programs. Opportunities for business to have these projects endorsed in the economic and technical cooperation program will facilitate their implementation.

5. **Review economic and technical cooperation information systems**

Business seeks the development of new information systems within the APEC structure that will provide more data about economic and technical cooperation projects in terms of performance and contribution to APEC's goals. Business also wants to know how it can play a role.

PROMOTING RECOVERY AND SUSTAINABLE GROWTH

Executive Summary

APEC economies have undertaken important measures to address the financial crisis. We applaud the efforts of several economies deeply affected by the financial crisis to undertake many of the painful but necessary policy adjustments. We believe these measures are directly linked to improvements in the economic situation of Indonesia, Korea, Malaysia, the Philippines and Thailand. Strong contributions from Japan, the United States and international financial institutions have assisted in this process. Recovery appears to be within reach. Keeping the region on that road to recovery depends upon continuing the momentum for financial reforms and corporate restructuring; these should remain a high priority.

While ABAC acknowledges the importance of on-going discussions on the global financial architecture, our focus is on those actions that can be taken by member economies and their private sectors. ABAC has developed specific, detailed action plans to promote early economic recovery to the region and to lay the foundation for stability and sustainable growth. These proposals will have particular relevance to the small and medium enterprises in the Asia-Pacific region, which have suffered disproportionately the effects of the financial crisis.

A. PROMOTING EARLY ECONOMIC RECOVERY

i) Measures which should be given immediate priority:

- Restoring workable access to capital.
- Recapitalization and restoration of the domestic banking sector.
- Encouraging foreign investment.
- Enabling rapid corporate reorganization, through legal reforms, improvement of domestic credit markets and trade finance.
- Addressing concerns about regulatory standards and practices for financial and other institutions.

ii) Financial infrastructure and banking system improvements:

These proposals are designed to maximize private sector participation, use a market-driven approach and require stable and transparent government policies.

- Restructuring bank balance sheets.
- Encouraging foreign investment in domestic banks.
- Legal, accounting, regulatory and corporate governance reforms to improve financial reorganization.
- Improvement of domestic credit markets.
- Facilitating trade finance securitization.

ABAC also suggests the following optional proposals:

- Debt-to-equity swaps similar to those in Chile and Mexico.
- Exchange rate mechanisms to cushion currency instability similar to those used in Chile and Mexico's FICORCA.

iii) Provision of special measures to facilitate access to capital.

ABAC reiterates its recommendation from last year regarding credit enhancements to government bonds and working capital for restructuring corporations by building on the

momentum achieved by the Asian Growth and Recovery Initiative; New Miyazawa Initiative at the 6th APEC Finance Ministers meeting at Langkawi, Malaysia in May, 1999.

B. BEYOND THE CRISIS: LAYING THE FOUNDATION FOR STABILITY AND SUSTAINABLE GROWTH

ABAC proposes the following measures, which deal with the longer term issues, which will strengthen financial systems and markets, especially within developing APEC economies, and reduce the vulnerability of these economies to financial turmoil:

i. Developing Domestic Debt Markets

- Several of the measures under "Promoting Early Economic Recovery" are relevant to the development of local debt markets.
 - Issues related to laws/regulations that affect securitization, development of secondary debt markets, development of local credit rating agencies, participation of foreign financial institutions in domestic debt markets, taxation of local and external debt financing and bankruptcy.
 - Promoting high standards in financial disclosure and accounting; and
 - Establishing benchmark government securities with a standard set of maturities.
- ABAC recommends the early adoption of the Voluntary Principles in Promoting Financial and Capital Market Development contained in the 1997 Joint Ministerial Statement from APEC Finance Ministers Meeting in Cebu, Philippines, and other initiatives on developing domestic debt markets currently undertaken by APEC.
- measures to upgrade market infrastructure and the quality of available macroeconomic information;
- measures to promote efficient financial market institutions, focusing on the development of pension funds and the insurance sector; and
- measures for the development of debt market instruments with international financial institutions.

ii. Financial Sector Capacity-Building

ABAC recommends the development of effective and timely measures to harness the financial expertise within APEC member economies to assist other member economies with their implementation of measures required for strengthening central banking capacity, financial and corporate restructuring, improved corporate governance, legal reform and capital market development.

iii. Strengthening the Global Financial Architecture

ABAC strongly supports continued dialogue and work that has been done by APEC Finance Ministers, the Group of 7, and the IMF/World Bank on the strengthening and restructuring of the global financial architecture.

LIST OF RECOMMENDATIONS AND ACTION PLANS

(A) MEASURES TO PROMOTE EARLY ECONOMIC RECOVERY

Proposal 1: Providing Workable Access to Finance

Public Sector Actions:

Immediately implement the New Initiative to Overcome the Asian Currency Crisis and the Asian Growth and Recovery Initiative, by developing loan programs to provide credit enhancements to government debt and working capital for restructured corporations, through mechanisms such as guarantees and measures based on the concept of collateralized bond obligations.

Private Sector Actions:

Banks and non-bank corporations to participate in the development and implementation of restructuring programs.

Proposal 2: Restructuring Banks' Balance Sheets and Encouraging Foreign Investment

The proposal for restructuring bank balance sheets as critical for re-energizing the banking system. While we are recommending other avenues for domestic borrowing, local banks will continue to dominate and play a crucial role in domestic finance. Banks must have a solid capital foundation and clean balance sheets to be able to meet new investment opportunities. Restructuring of bank debt in Asia is required as a result of the financial crisis, and securitization can play an important role. In addition, around the world, securitization of bank loans has become a major financial tool of the banking system on an on-going basis. Collateralized loan and mortgage obligations are important vehicles to transfer risk off bank balance sheets and allow banks to continue to generate new loan commitments.

This proposal also encourages foreign direct investment in banking. Let us be clear on this point - it is not meant to dilute governments' economic control. Rather, the goal is to enhance the ability of local banks to compete effectively in the increasingly open global financial markets. Initially, increased international investment brings global financial resources to recapitalize local banks. Subsequently, it brings financial expertise to join with the strong local presence of banks, permitting domestic banks to provide their local customers and markets with financial innovations developed in other parts of the world. These benefits will serve to strengthen local banking, not replace it.

Public Sector Actions:

1. Regulatory agencies to provide firm guidance for financial institutions to meet capitalization requirements, require banks to submit business and restructuring plans, and close those that cannot restructure.
2. Establish appropriate debt restructuring frameworks best suited to specific circumstances and, where needed, set up agencies to handle debt restructuring issues, and define and enforce principles for restructuring bank debt.
3. Undertake the necessary reforms to ensure the effectiveness of legal systems, including commercial codes and bankruptcy regimes.
4. Address regulatory constraints on the sales and securitization process.
5. Address foreign exchange risk issues, and where such risks should reside (whether with the bank, the investor or the government).
6. Ensure that tax policy does not impede appropriate restructuring.
7. Provide all possible technical and policy information as well as assistance to domestic commercial banks or other financial entities, rating agencies, investment banks and potential investors.
8. Remove legal impediments to foreign participation in local financial institutions, as Singapore, Indonesia, Korea and Thailand have already done.

9. Secure a level playing field for foreign and local financial institutions, including identical regulatory/supervisory environments.

Private Sector Actions:

1. Promote improved financial disclosure and transparency as well as generally accepted accounting standards, and participate in setting those standards.
2. Coordinate bank restructuring programs with corporate sector restructuring to eliminate legal and regulatory barriers.
3. Sound banks to retain and manage problem loans; other financial institutions may also buy loans from banks and manage them as debt or convert them to equity.
4. Promote the training of bank staff in meeting the challenge of creating pools of assets to be securitized and in setting up appropriate financing structures; and create a private sector training program for bankers on securitization.
5. Ensure that foreign financial institutions have incentives to take care of their investment in local institutions by: (a) providing attractive economic incentives to perform well, including compensation arrangements for key personnel; and (b) avoiding the overuse of guarantees that reduce the incentive to perform.

Proposal 3: Legal, accounting, regulatory and corporate governance reforms to facilitate financial reorganization

Throughout our proposals, we make specific references to legal and procedural reforms that are crucial to the process of financial reorganization or liquidation. Legal reforms can substantially boost prices for distressed debt, easing the refinancing burden on Asian companies. And for the country, as well as the company, successful reorganization or liquidation can contribute to economic revival, preservation of skills, expertise and allocation of resources, minimizing social and fiscal costs. Legal reform has to be accompanied by strengthening the judicial system. Legal reform will not succeed without judicial reform. This proposal generalizes that reform process and new capital flows.

ABAC recommends the following improvements in the legal systems affecting restructuring, including negotiation, restructuring, refinancing and recourse.

Public Sector Actions:

1. Articulate a set of principles to guide initial out-of-court negotiations between creditors and debtors, and where appropriate, assume oversight functions with regard to the process.
2. Address legal and regulatory barriers, as well as disincentives to the efficient operation of secondary debt markets, which would be helpful in sorting out and repricing claims out of court.
3. Undertake measures to further strengthen judicial systems, including additional training of judges and court officers, and where necessary, make funding available to intensify current training programs.
4. Address the necessary issues to promote clear, impartial, transparent and effective laws, procedures and standards governing the following key areas:
 - Initiation of insolvency proceedings, especially with regard to transparency of procedures and providing for the gathering and dispensing of information.

- Establishment of workable frameworks for rational and equitable creditor decisions, especially with regard to ensuring that administrators' and creditors' committees function at a high level of competence, and to promoting effective creditor participation, where creditors are notified on key matters and allowed to have a voice in those matters.
- Provisions for allowing moratoria on creditor actions, especially to prevent undue disruption of company operations by ensuring their prompt effectivity, and allowing petitions for relief from moratoria that are not functioning.
- Treatment of creditors, especially with regard to ensuring that the rule of absolute priority, or the hierarchy of claims outside of insolvency, is maintained within insolvency, and promoting the equitable treatment of similarly-situated foreign and domestic creditors.
- Provisions for allowing companies to acquire critical cash flow financing and to handle contracts and leases during a negotiation or restructuring, and ensuring the clarity of laws concerning prejudicial transactions.
- Exercise of right to submit reorganization plans, and providing a level playing field for both debtors and creditors.
- Frameworks for classification of creditors, voting rights and contents of plans.
- Frameworks permitting debt-equity swaps, together with a review of banking laws and regulations to facilitate them.
- Use of pre-packaged plans to facilitate reorganization.
- Creation and operation of structured finance, especially with a view to ensuring quick and cost-effective application.
- Ways to allow debtors a "fresh start" through the discharge of debt after confirmation of reorganization plans

Proposal 4: Improvement of Domestic Credit Markets

The fourth proposal focuses on improving domestic credit markets, lifting some of the financing burden from the banking system during the recovery, providing a mechanism to efficiently price risk and transmit information to both borrowers and lenders. These markets will be crucial to many of the debt restructuring actions to be taken. A functioning credit market will, in time, remove some of the potential default risk from the government, thereby permitting a more rapid return of sovereign debt to investment-grade status. Investor confidence will be restored by putting in place convincing measures that insure that the sovereign will not default.

ABAC recommends the following to encourage local market debt issuance, minimize cost, including risk premiums, to prospective issuers, and promote the implementation by the private sector of best practices in domestic securities markets.

Public Sector Actions:

1. Encourage expanded participation of foreign financial institutions in local markets, especially by addressing restrictions on their operations, ceilings on foreign purchases of domestic securities, direct investment flows, and ownership of financial institutions.

2. Address provisions in existing tax codes that unduly disadvantage local debt financing over external debt financing.
3. Establish benchmark government securities with a standard set of maturities.
4. Promote the development of local credit rating agencies, especially by addressing legal and regulatory impediments to the rating process, and encourage the use of ratings.
5. Ensure the effective implementation of the APEC Finance Ministers' Strengthening Financial Market Supervision initiative, the APEC Financiers Group's training and education program for financiers across the APEC region, and other multi- and bilateral training initiatives.

Private Sector Actions:

1. Implement high-quality internationally-accepted accounting and auditing principles and require their use by companies accessing securities markets. All participants in the securities markets should provide transparent, high-quality and consistent accounting information to enable markets to make informed decisions and to reduce risk and lower borrowing costs.
2. Upgrade clearing and settlement systems to meet international standards.
3. Rate fixed income securities to minimize cost to issuers, and encourage the creation of effective, credible and independent domestic rating agencies with transparent guidelines and policies.

Proposal 5: Facilitating Trade Finance Securitization

The proposal for trade finance securitization plays directly to Asian companies' strength – their role as export powerhouses. Current limitations on trade finance primarily reflect investor concerns over domestic economic conditions and company balance sheets, not viability in export markets. These proposed trade finance securitizations sever the links to those risks and allow companies access to trade credit at reasonable interest rates. These investment vehicles are in wide use around the world in financing a broad array of export cash flows and are perfectly suited for Asian companies.

The following measures are recommended to reform current regulatory and legal constraints which limit companies' ability to raise working capital through securitization of trade finance.

Public Sector Actions:

1. Promote short- and medium-term financing facilities, which are necessary to tide companies over the crisis and foster investor confidence. In this regard, we strongly support the Export Credit Agencies (ECA) Joint Statement in Support of Asia issued by 18 economies on February 21, 1998.
2. ECAs to give special consideration to the financing problems of small and medium enterprises (SMEs).
3. Address regulatory constraints on the securitization process that affect export receivable securitization, to enable companies to finance export activities at minimum cost.
4. Address tax and accounting policies and regulations that unduly disadvantage securitization over other forms of financial intermediation.
5. Address legal issues to reduce the cost and expand interest in securitizing export cash flows, especially through the promotion of effectively functioning

commercial codes, solid legal basis for the absolute transfer of future export sales proceeds to the security, workable bankruptcy regimes and experienced bankruptcy judges that are required in the event of originator insolvency.

6. Identify, in cooperation with the private sector, appropriate export cash flows that could be securitized and provide all possible technical and policy information and assistance to companies, rating agencies, investment banks and potential investors.

Private Sector Actions:

1. Exporters to begin working with the government, legal experts, rating agencies and investors to establish mechanism, identify opportunities and remove barriers to export finance.
2. Improve financial disclosure and transparency and adopt generally accepted accounting standards to facilitate securitization and reduce financing costs.
3. Structure future cash flow securities to handle multiple issues, reducing risk and expense to the originator and offering known, stable, and well-defined financial structures for rating agencies and investors.

Proposal 6: Debt-Equity Swaps Option

A proposal for debt to equity swaps, is aimed at corporate recapitalization, encouraging foreign direct investment and extinguishing foreign currency denominated debt. Just as with banks, companies will benefit, not only from the infusion of new capital, but also from the synergy of international expertise with local strengths of well managed companies, competitive labor costs and strong track records in international export markets.

ABAC recommends an action plan for debt-equity swaps in local currencies to convert bank debt claims into equity and to allow local investors to buy corporate debt from banks at a discount and then swap it into equity. This newly created class of preferred equity will have certain characteristics of debt and others of equity:

1. The preferred equity would have no required periodic payments. Instead, it would be subject to mandatory redemption from the available cash flow.
2. The redemption price would be based upon the unpaid principal and accrued and future interest on the debt that was converted into the preferred equity.
3. No dividends would be paid on common as well as preferred equity as long as any preferred equity is outstanding.
4. Prior to redemption in full, the preferred equity holders will have a voice in the management of the company.
5. The management control would revert to common equity holders, once the preferred equity is redeemed in full.
6. If the preferred equity is not redeemed in full by the agreed date, the holder may have the right to convert it into sufficient amount of common equity to acquire controlling position in the company.
7. If the company fails, the preferred equity holder would have a liquidation preference over common equity holder.
8. Local laws may need to be changed to implement the above debt-into-preferred equity swap mechanism.

Optional Action Plan for Debt-Equity Swaps for Foreign Investors:

1. Foreign Investors would purchase in the (international) secondary market rescheduled debt notes from original creditors, at (discounted) market value which reflect the risk of default as perceived by creditors. The more sound the relevant laws, the better price these equity will fetch.
2. With these notes in hand the foreign investor would negotiate with original debtors a prepayment of the debt. The debtor would probably be willing to make a prepayment only if rewarded at an attractive discount.
3. Although the prepayment would be in local currency (at the market exchange rate), foreign investments funded through this program would be given foreign investment treatment, allowing them to benefit from all the prerogatives granted by the foreign investment statute. Investors would have the right to remit profits and principal after a specified period of time.
4. The difference between the discount at which the investor buys a debt claim in the secondary market and the discount which he has to give the original debtor to obtain a debt prepayment in local currency has to be large enough to make the transaction attractive to a foreign investor. Note that the discount differential plays a role similar to that of a subsidized exchange rate. But the mechanism has no fiscal cost: the "subsidy" is paid by the original creditors when they decide to sell their loans at a discount.
5. Interested foreign investors would be required to sign a contract with the Government stipulating that they have the right to access the foreign exchange market to remit profits and capital, but only after the stipulated grace period expired. This restriction is needed to avoid a massive outflow of foreign exchange (or undue pressures over the exchange rate) by creditors interested in using debt- equity swaps as a means of speeding-up amortization of rescheduled debts.
6. Care also must be taken to avoid the destabilizing effects on the currency and financial markets caused by large portfolio adjustments triggered by the program. First, resident investors should not be allowed to buy foreign exchange to participate in the program, except under a strict quota set by the Central Bank. Second, excessive foreign investor appetite for the program should be controlled; otherwise the high demand for funds to prepay foreign debts in local currency could put stress on the local financial markets.

Proposal 7: Optional Exchange Rate Mechanisms To Cushion Currency Instability

A proposal for exchange rate mechanisms to cushion currency instability is designed to remove exchange rate risk from company balance sheets. By providing such foreign exchange rate mechanisms under restructured company debt, further FX risk is removed from the company. In some instances, this could be crucial to restoring investor confidence.

ABAC offers for consideration the option of the Chilean-style and/or the Mexican FICORCA-style exchange rate floors as a short-term emergency mechanism to protect companies against further devaluation risk. The Chilean scheme involves swapping dollar-denominated debts into local-currency-denominated debts of the same characteristics in terms of maturity, grace period and real interest rates. The FICORCA arrangement involves granting of exchange rate risk cover to those corporations that have either long-term debt obligations or manage to restructure their short-term foreign liabilities into long-term debt by a certain date so as to encourage a prompt debt restructuring.

Optional Action Plan for the Chilean Scheme:

1. Get corporation A and its bank to sign a new debt contract rescheduling the foreign currency debt on terms negotiated by the government.
2. Allow the central bank or another government agency to sell to corporation A an amount of foreign exchange equal to the principal of the rescheduled debt. This transaction is carried at the going market exchange rate.
3. Corporation A deposits with the central bank the purchased foreign exchange with the deposit having exactly the same terms (maturity and interest rates) as the rescheduled debt.
4. As a counterpart, Corporation A gets a local currency denominated loan from the central bank. The maturity of this loan exactly matches that of the rescheduled debt.
5. Thus, Corporation A will end up doubling its liabilities, holding on its books the foreign currency denominated rescheduled debt plus a local currency debt owed to the central bank of equal initial size. The former, however, will be matched with a deposit of the same amount, term, currency and rate with the central bank. Since interest rate and exchange rate risks associated with this deposit are offset by those of the foreign currency loan, Corporation A ends up facing no exchange risk.
6. As a consequence of the simultaneous issuance of a foreign currency deposit and a local currency loan, the central bank assumes full foreign exchange risk associated with any further depreciation of the local currency. This simplifies accountability and accounting – the central bank knows the exact aggregate currency-debt mismatch for the banking sector.

Optional Action Plan for the Mexican FICORCA Program:

While FICORCA is not meant to absorb the commercial risk of private debt owed to foreign creditors, it can provide local currency financing to those companies that lack cash resources to purchase the exchange risk cover. Such financing can be structured to delay the financial burden from the early to the late years.

1. Establish a reference framework for the minimum terms of debt restructuring such that the corporate debt servicing burden is made compatible with the country's long-term ability to pay.
 2. Set the FICORCA -style exchange guarantees to cover principal only or principal and interest.
 3. The debtor makes a local currency deposit at the Central Bank or at a specially created Trust Fund for the total amount of the restructured foreign debt (and interest, if covered).
 4. The local currency equivalent is calculated using either the market exchange rate and the deposit earns interest at the market rate.
 5. When the restructured debt comes due, the Central Bank/FICORCA Trust Fund makes the requisite dollar payments to creditors.
- iv. **Provision of special measures to facilitate access to capital.** ABAC recommends credit enhancements to government bonds and working capital for restructuring corporations by building on the momentum

achieved by the Asian Growth and Recovery Initiative; New Miyazawa Initiative at the 6th APEC Finance Ministers meeting at Langkawi, Malaysia in May, 1999.

(B) Beyond the crisis: Laying the basis for sustainable growth

(i) Measures to promote the development of domestic debt markets

Actions To Upgrade Market Infrastructure

1. Address problems related to the availability, quality and timely publication of macroeconomic information, which should be easily accessible to all investors.
2. Develop concrete action plans to facilitate the development of efficient and modern clearing and settlement systems to reduce settlement risks and transaction costs.

Actions To Promote Efficient Financial Market Institutions

1. Review current policies, as well as prudential and regulatory frameworks governing pension funds and develop, where needed, concrete action plans for the reform of these policies and frameworks.
2. Identify and address constraints to the development of the insurance sector.

Actions To Issue More Debt Market Instruments

International financial institutions (IFIs), especially the Asian Development Bank, to issue more bonds in Asia to act as catalyst in the development of deep and mature domestic debt markets

(ii) Financial sector capacity-building

Mobilize Financial Expertise within the Region

Develop regional or bilateral schemes to harness the experience and expertise of experts from within the region to help governments, monetary authorities, regulators and financial institutions deal with issues related to financial sector reform, corporate debt restructuring and capital market development. Existing programs involving such experts, such as the United States' Financial Services Volunteer Corps and the Canadian Executive Service Organization can be harnessed for this purpose and serve as models for designing regional and bilateral schemes.

Regional Cooperation to Develop Skills and Improve Standards

Develop regional public-private sector cooperation programs to promote skills and improve standards within the financial sector. ABAC recommends the following as key areas for consideration:

- Strengthening debt work-out expertise in banks. APEC and IFIs should consider cooperative schemes to provide financial and technical support to banks' efforts in developing such expertise, adopting applicable features of similar schemes during Poland's successful experience with corporate debt restructuring in the early 1990s.
- Promoting consistency of skills in accounting firms, to address critical differences in the level of skills from one jurisdiction to another among accounting firms, which are not merely restricted to the area of corporate restructuring, but also encompass due diligence.
- Improving standards of corporate governance, with a view to accelerating the graduation of firms in less-developed economies to

higher standards of corporate governance, and to facilitate the eventual application of a single set of corporate governance criteria to all APEC member economies in the future.

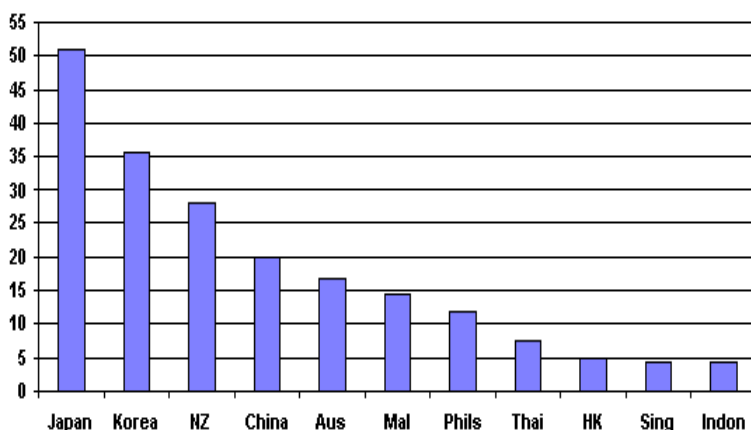
ANNEX 1

Asia's Debt Markets: The Current Situation

The debt market in developing Asian economies is relatively small in terms of size and number of instruments. The combined market size of eight major developing Asian economies, measured in terms of outstanding debt (as of end-1995/96), represented only 6% of the size of the Japanese bond market. In most developing Asian economies debt markets play only minor roles when compared to stock and money markets. [See Chart 1]

Measures to develop the debt market have been implemented by several economies over the past few years. Nevertheless, the development of local Asian debt markets has been slow due to various factors. For most of Asia except Japan, local regulatory frameworks are not conducive enough to debt issuance and secondary market trading. Given the importance of debt markets to finance Asia's future needs, economies need to address key issues and undertake cooperative actions to facilitate their growth.

Chart 1: Share of bond market in size of overall financial markets (%)
(Based on outstanding bonds at end-1995/96)



Source: Executives' Meeting of East Asia-Pacific Central Banks (EMEAP)

Outstanding bonds at end-1995/96 in US\$ Billion

Economy	US\$ Billion
Japan	5,149.73
South Korea	179.93
Australia	111.89
China	45.03
Malaysia	40.05
Hong Kong	19.66
New Zealand	16.61
Thailand	11.67
Philippines	10.63
Singapore	10.23
Indonesia	4.99

Source: EMEAP

Implementation Task Force:

ABAC Proposals for Establishing the

APEC Food System (AFS)

ABAC has placed its vision of an APEC Food System (AFS) before the APEC Leaders as an essential element in achieving APEC's Bogor goals, under the APEC principles of comprehensiveness, flexibility, WTO-consistency and non-discrimination, and as a vital step towards equitable development and stability in the region.

ABAC put before Leaders a vision of a regional food system where:

- Consumers have access to the food they desire at affordable prices.
- The productivity of the food sector is enhanced through region-wide availability of food-related technological advances and through efficient resource use.
- Supply security is improved through co-operation and interdependence.
- The prosperity and vitality of rural communities is enhanced through improved infrastructural development and through access to viable non-farm employment and industry.

The APEC Leaders at their Kuala Lumpur meeting in 1998 welcomed ABAC's recommendations and instructed Ministers to study its proposals, specifically including the APEC Food System.

To translate its vision of an APEC Food System (AFS) into reality, ABAC now calls for adoption of an integrated plan. As the basis for this plan it puts forward specific proposals under four inter-related headings:

- Strategy for Building the Rural Infrastructure.
- Food safety, Food System Technologies and SPS Issues.
- Achieving food security in an APEC Food System.
- Process of Trade and Investment Liberalisation.

Included among these proposals are measures suitable for inclusion by APEC economies in Individual and Collective Action Plans in line with the Osaka Action Agenda. There are also key proposals, particularly those under the heading of "Strategy for Building the AFS Infrastructure", which fit naturally within the six priority themes of APEC's Economic and Technical Co-operation ("Ecotech") agenda. The emphasis on these latter elements reflects a recognition that realisation of ABAC's vision of an APEC Food System depends crucially on creating the capacity within rural or, more broadly, non-metropolitan communities to become fully integrated as active participants in the mainstream of a modern market economy.

The infrastructure development elements in the AFS proposal will encourage and enable broad-based sustainable economic activity in non-metropolitan areas. Current growth of major metropolitan cities is not sustainable. It is leading to poverty and environmental degradation. Non-urban development, on the other hand, contributes to poverty reduction and food security while protecting the environment through expanded off-farm jobs, increasing agricultural productivity and sustainable management of natural resources. More balanced development will also encourage the integrated growth of regional centres and expand diversified economic participation. Expansion of economic activity in non-metropolitan areas will contribute to a higher overall standard of living and a more equitable distribution of the benefits of development.

1. **Strategy for Building the Rural Infrastructure**

ABAC views its strategy for Building the Rural Infrastructure as essential both to the balanced development of an APEC Food System and the stimulation of growth in APEC economies through broad-based sustainable economic development. Agriculture alone will not create adequate economic activity to improve the economic status of rural people, so a diversified range of economic activities needs to be developed in non-urban areas.

Building the AFS infrastructure requires simultaneous development of basic physical and financial infrastructure, human capital and institutional frameworks supporting rural enterprise and well being.

Basic Physical and Financial Infrastructure:

Co-ordinated public and private investment is needed to link non-metropolitan areas to major markets by establishing an enabling physical infrastructure, including transport, food storage and handling, communication, water, energy and other networks. Where practicable this infrastructure development should occur within the private sector and existing infrastructure should also be transferred to the private sector.

Public investment should be made to facilitate desirable private sector investment that would not occur otherwise. The planning process must identify the parts of the non-metropolitan economy where public sector investment is necessary and what specific public investments are required.

To ensure that economically sound initiatives can attract capital, policies should be tailored to attract public/private partnerships in non-metropolitan areas, leading to an expansion of financing for viable projects. The ability to attract finance will be enhanced by establishing an open process for planning priorities through public/private co-ordination, leading in turn to a clear understanding of the required sequencing of private and public investments.

Access to finance also can be enhanced through development of bonding mechanisms and other forms of securitisation to facilitate financing of viable initiatives. These innovations need to be complemented by land-use policies and administration that encourages non-metropolitan diversified economic development.

Human Capital

Access to education, health, nutrition and leadership development must be provided for non-metropolitan residents, so that they are equipped to participate in diversified economic activities.

This requires that non-metropolitan areas be provided with universal public school education of comparable quality to that in metropolitan areas, as well as adequate health care and access to safe food, water and sanitation.

Skills training, including retraining, will be needed to allow adults to participate in new jobs. Measures will also be needed to promote responsible corporate employment and human resource development practices.

Steps must be taken to promote leadership development within non-metropolitan communities and to provide for enhanced cultural and entertainment amenities.

Institutional Frameworks

The AFS infrastructure needs to be supported by land ownership and securitisation rights, reliable dispute resolution systems, adequate information flows and transparency, empowerment of local communities and an enabling public policy environment.

Secure title to land is critical for the investments needed to enhance its productivity, preserve its sustainable use and underpin financing for both capital improvements and operating loans. Commercial disputes must be resolved quickly, fairly and reliably. Contracts must be secure and enforceable. Weights, measures and grades must be determined fairly and transparently. And competition based on open markets should be assured.

Information flows and transparency can be enhanced by seeking active participation in decisions by those directly affected, to ensure their "buy in" and subsequent support. More generally, public/private sector co-ordination in planning of priorities requires that the private sector be involved in developing public policy and public decision-making regarding infrastructure development.

Dissemination of information can be facilitated by encouraging the development of trade associations, creating wholesale markets and by encouraging the development of institutional arrangements that promote open price discovery and general communication of market outcomes.

Standards for responsible corporate governance should include adequate and timely disclosure of required information. The public sector must take responsibility for provision of such research and development that the private sector cannot be expected to undertake and for ensuring effective collection of statistics and timely distribution of local and national market data.

Local communities can be empowered by devolution of decision-making and by steps to reduce urban bias in policy making.

An enabling public policy environment includes sound macroeconomic policies, a sensible exchange rate and market based prices. These are essential to enable the private, rural economy to use its resources efficiently and to eliminate the cross-subsidisation that often retards rural development to the advantage of urban areas and industries.

1.1 Recommended Action s by APEC Governments

- *Develop case studies of best practice in development of infrastructure needed for the APEC Food System.*
- *Instruct central planning and financial agencies to support the proposed process of infrastructure development and to initiate action to secure private sector participation.*
- *Develop plans, in conjunction with the private sector, and access World Bank, ADB, and IDB funding for part of the finance needed to execute the plans.*

2. Food Safety, Food Sytem Technologies and SPS Issues

A "technology culture" must be created within the food sector in APEC economies, through which targeted application of appropriate technology will promote a competitive, safe and environmentally-friendly APEC food system.

A recommended strategy is the creation of alliances between "domestic champions" (i.e., entities capable of understanding and articulating technological advances) in each economy and "intellectual property (IP) owners" in other economies, with the aim of identifying and applying best practices in technology transfer. PBEC and other local

private sector organisations and research organisations in each economy can be used to identify domestic co-ordinators or contact points as well as other suitable participants.

Local co-ordinators and other participants should work together intensively to identify suitable strategies and plans of action. "IP owners" in other economies with whom alliances are to be sought should be identified from a global database to be established by PECC, PBEC and other business organisations.

The alliances of "domestic champions" and "IP owners" established in this way would then identify and apply best practices in local projects selected as examples. The alliance partners would be responsible for arranging resources for the projects, implementing the project plans and publicising the results. An important outcome of these projects will be to familiarise governments with the new technology by presenting suitable examples benchmarked against results from other countries.

The effects of the proposed strategy could be assessed by means of an economic model developed to analyze the benefits of technology transfer and protection of intellectual property rights (IPRs), utilising support and funding from grant-making institutions and other sources. Following development of the model and the necessary supporting database, the model could be applied and the results assessed with a view to deriving policy recommendations. The results could be disseminated by various means, including use of an internet web page.

APEC governments should draw on this experience to develop legislation designed to stimulate domestic basic and applied research and to protect IPRs. Laws which might serve as models should be identified and discussion (including through electronic means) facilitated, particularly between "local champions" and governments.

Unnecessary barriers to trade in food products within the APEC region will be reduced through promotion of mutual recognition and harmonisation of internationally-recognised science-based food safety standards.

This objective can be pursued by developing case studies of successful examples.

It is also important to establish adoption of science-based food standards as an APEC objective to be pursued by APEC economies through Individual and Collective Action Plans.

A specific recommendation is that priority funding be made available for objective research into the long-term effects of genetically modified organisms (GMOs).

2.1 Recommended Actions by APEC Governments

- *Develop legislation designed to stimulate domestic basic and applied research and to protect IPRs.*
- *Open liaison with private sector technology 'champions'.*
- *Include the establishment of science-based food standards as an objective to be pursued through Individual and Collective Actions Plans.*
- *Give priority to funding for objective research into the long-term effects of genetically modified organisms (GMOs).*

3. **Achieving Food Security in an APEC Food System**

The APEC Food System proposal envisages that as an integral element in the achievement of APEC's Bogor goals under the APEC principles of comprehensiveness, flexibility, WTO-consistency and non-discrimination, the peoples of APEC's member economies will be provided with reliable access to safe, affordable food supplies within an open, environmentally sustainable food system.

This can be achieved by adopting an inter-dependent approach in which APEC economies will produce and trade food in such a manner that trade complements domestic production and reserves as a means of assuring supply. With this approach, APEC member economies would agree not to restrict food trade through measures such as embargoes, export taxes and other restraints, except in the narrowly defined instances of war and UN Security Council resolutions.

They would also support the establishment of APEC as an Export Subsidy Free Zone. APEC Governments must also commit not to provide trade-distorting export credits.

Food security for APEC economies will also be enhanced by advancing proposals under the APEC Food System for building the AFS infrastructure, promoting technology transfer, and proceeding with trade and investment liberalisation in line with the Osaka Action Agenda.

3.1 Recommended Actions APEC Governments

Recommend to the WTO in 1999/2000 the adoption of commitments to non-discriminatory access to food supplies as a binding rule.

4. Process of Trade and Investment Liberalisation

In support of the AFS objectives to promote social and economic development and benefit all APEC member economies in recognition of the important role of the rural sector, APEC economies should facilitate building an AFS which promotes economic prosperity and food security for all APEC economies. To achieve this end, APEC economies should take specific facilitation measures to reduce costs of food trade, including by declaring APEC an export subsidy free zone and by putting AFS-related matters in Individual Action Plans in line with the the Osaka Action Agenda.

APEC economies should also assist in overcoming deficiencies identified by individual members in their own capacity to trade food, taking into full consideration the diversity which exists among all the individual member economies. For example, member economies can be assisted to establish science-based SPS standards and to adopt practices to protect intellectual property rights in the food sector.

Consideration should also be given to setting up a network system for immediate on-time access to trade-related information.

APEC economies should affirm their commitment to progressively eliminate, ahead of the Bogor goals, unnecessary impediments to trade and investment in food products.

They should also move to adopt a food investment code that encourages investment in efficient and sustainable agriculture, safeguards investors' rights and does not impose unnecessary conditions.

APEC economies should also recognise that all APEC economies should have non-discriminatory and unrestricted access to food for food security purposes. For this end, APEC economies must not limit supplies for political or economic reasons, and they must abolish prohibitions, taxes and quantitative restrictions on exports.

Consideration should be given to establishing commodity and food product exchanges to facilitate the free flow of products between APEC economies, and to establishing mechanisms to mitigate the impact of currency fluctuations on food trade.

4.1 Recommended Actions by APEC Governments

- *Create an export subsidy free zone for all agri-food trade in the APEC region.*
- *Put AFS-related matters individual action plans in line with the Osaka Action Agenda.*

- *Include among Collective Action Plans commitments, in line with the Osaka Action Agenda, to:*
 - *Investigate the feasibility of setting up a network system for immediate on-time access to trade-related Information;*
 - *Assist each other to establish science-based SPS standards;*
 - *Investigate the feasibility of establishing commodity and food exchanges to facilitate the free flow of food products between APEC economies;*
 - *Investigate the feasibility of establishing mechanisms to mitigate the impact of currency fluctuations on food trade.*
- *Recognize the social, environmental and other non-food roles of agriculture;*
 - *Distinguish the costs and benefits of food production from the costs and benefits of other roles of agriculture, because certain kind of measures supporting the multifunctional roles of agriculture may always be necessary.*
 - *APEC economies should fully comply with WTO rules with regard to export credits, public or private powers, and the use of domestic support programs that distort world prices.*
- *By the 2001 Leaders' Meeting, abolish the practices of limiting food supplies to other members for political or economic reasons and eliminate taxes and quantitative restrictions on exports as part of the commitment to implement an APEC Food System.*

RECOMMENDED FUTURE ACTIONS

BY ABAC TO SUPPORT

PROPOSALS ON THE APEC FOOD SYSTEM

The paper above was distilled from the agreement reached in Taipei in September 1998, work undertaken at the Pacific Basin Food and Agriculture Strategy Conference in Manila in March 1999, supported by ABAC. Following, the APEC previous agreement of the Bogor Declaration and the Osaka Action Agenda.

At the conference in Manila, a number were presented and then discussed by Participants, who then made a series of policy recommendations to APEC Leaders and some recommendation about future work plans/actions to both ABAC and PBEC.

ABAC was strongly recommended to support the proposals flowing from the conference and to lobby Leaders and Ministers for adoption of the recommendations. In addition, the following specific actions were recommended for consideration by ABAC :

1. Produce an APEC relevant position paper developing the infrastructure proposals and,

Prior to September 1999, seek and co-ordinate feedback from the World Bank, Asian Development Bank (ADB) and Inter-American Development Bank (IDB).

2. Confirm Support for PECC's Regional Integration for Sustainable Economies (RISE) Initiative.
3. Endorse and encourage the establishment of APEC as an Export Subsidy Free Zone.

Draft Principles for the Development of E-commerce

The development of E-Commerce should be led primarily by the private sector in response to market forces.

Business and governments must work together to expand the reach of electronic commerce and ensure that all benefit from this tool, with special focus on the needs of small and medium enterprises. Economies are disparate in terms of economic development and the Ecotech Agenda will be important in this context.

For e-commerce to meet its full potential it must be accepted and enabled worldwide. Business and governments need to assure that technological resources are available to facilitate access to the infrastructure supporting E-Commerce.

Economies working through both Officials and the business sector should agree to review existing domestic legislation and make it technology-neutral. Where there is a need for legislative or regulatory action relating to E-Commerce, it should be minimalist in nature, be technologically neutral, transparent and predictable.

APEC Economies should where appropriate, work towards harmonizing their existing laws. Governments should ensure that any new laws take E-Commerce into account.

Business needs to be involved in government deliberations on issues of E-Commerce taxation, jurisdiction, intellectual property protection, and judicial and legal infrastructures.

Minimalist approaches must be taken using E-Commerce as a source of government revenue. Taxes should be consistent with existing domestic practice for non-electronic transactions. The practice of not imposing customs duties on other charges on electronic transmissions should be continued.

For e-commerce to succeed it must be adopted by companies and consumers as a forum for trade in which they have trust and confidence. Economies should take reasonable steps to encourage this trust and confidence. Business needs to work with governments to assure credible and effective selfregulatory models.

Air Services

March 25, 1999



The Honorable Philip Burdon
Chairman
APEC Business Advisory Council
Asia 2000 Foundation
P.O. Box 10144
Wellington, New Zealand

Dear Mr. Burdon:

I was delighted to have the opportunity to meet with your team in Wellington on March 11 together with Mr. Graeme McDowall of Air New Zealand to discuss the APEC aviation industry initiative. I was sorry to have missed you at the time, but I understand that you have been fully briefed and that you are prepared to run this past other ABAC members seeking their support for the initiative. Your support and leadership, as always, is tremendous.

I understand that you wanted a brief, substantively business-oriented outline of the initiative that you could use in your communications with your ABAC colleagues in preparation for the May 21-23 ABAC meeting in Tokyo. Accordingly, I have taken the liberty of attaching a "White Paper" for your review. Please do not hesitate to get in touch with me if you need more information or clarification.

Just to recap, our goal is to give effect to APEC Transportation Ministers' directives and working group recommendations on high priority ways of enhancing aviation services in the APEC region. We are not suggesting that APEC agree on any new APEC policies, the recommendations are already there. What we do want to achieve this year as an industry, however, is for ABAC and APEC Leaders to endorse the implementation of the transportation high priority recommendations as a package of deliverables which will give an enormous boost to the region's tourism, trade, international business and small business and community-oriented networking capabilities. APEC is poised to be in a real leadership position in that regard.

Transportation Ministers will be meeting early in 2000, so the time is just right in the industry's view to get this off the ground now at the highest level. We think, and in fact our informal soundings support this, that the initiative would have broad popular appeal in APEC and thus be a substantial flagship outcome for New Zealand's APEC year.

It is my honor to work with you on this exciting initiative, and I look forward to discussing it further with you in the lead up to the May ABAC Meeting.

A handwritten signature in black ink, appearing to read "Cyril Murphy".

Cyril Murphy
Vice President
International Network Development

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Attachment
P.O. Box 92299, Worldway Postal Center, Los Angeles, CA 90009-2299

APEC99: Connecting with Communities

In today's global economy, rapidly expanding international airline alliances that connect local communities to each other and to the international marketplace provide the critical infrastructure for economic development: a strong international air services network.

Global telecommunication networks started this process by transforming the nature and pace of international business. The growing interdependence of global markets and communities now demands comparable aviation networks to facilitate business and leisure travel and enhance the flow of goods, services and people. We have opportunity to move this goal forward in APEC this year.

APEC's Commitment to Aviation

The enhancement of aviation services has been a significant goal of APEC throughout the organization's history and was the focus of the first APEC Transportation Ministerial Conference in June, 1995. At that time, APEC's ministers clearly recognized that it is in the economic interest of countries and regions around the world to develop air transportation links that support the economic development of their communities to the fullest extent. For this reason, ministers agreed to create a special "Air Services Group" to develop options for "more competitive air services with fair and equitable opportunity" for all APEC member economies.

On February 26 1998, the Air Services group completed this task with the submission of its "Comprehensive Report on Options" to APEC's Transportation Working Group, which subsequently endorsed the Comprehensive Report's recommendations in April 1998 and further recommended that member economies provide voluntary "progress reports" on implementation of the options. Following the Working Group's endorsement, the Singapore Transport Minister, as minister of the "lead shepherd economy," invited his colleagues "to endorse the recommendations made" by the two groups.

Consensus "High Priority" Aviation Recommendations

The "Comprehensive Report" now pending before the APEC Transport Ministers recommends treating three of the endorsed options as "high priority": 1) facilitating cooperative arrangements or code-sharing between air carriers, 2) minimizing discriminatory "doing business" practices, and 3) including multiple carries in bilateral agreements. In addition, the Report list a fourth option as deserving of high priority consideration: liberalizing air freight operations.

1. Facilitating Cooperative Arrangements or Code-Sharing

Code-sharing is a mechanism that enables air carriers to work together to expand their international route networks without the risk and expense of operating new or additional services themselves. As such, code-sharing forms the basis of comprehensive international airline alliances that allow carriers from various countries to link their existing individual networks together to create one integrated international network.

Through global alliances, passengers are now able to fly to virtually any point on the globe while enjoying a travel experience that is the equivalent of traveling on the same airline. En route, they can enjoy the benefits of coordinated schedules and closer connections; more convenient gate locations; integrated "through" baggage handling; joint ticketing; seat selection; one-stop check-in; common use lounges and joint frequent flyer programs. They also benefit from the fact that international alliance fares are generally considerably lower than those charged by non-allied carriers carrying passengers on connecting journeys.

Global alliances also offer real benefits for cities and communities, not just air travelers and passengers. For communities attempting to attract foreign investment, trade and tourism, convenient air services - with a wide range of flight and schedules options - is critical: companies prefer to locate in communities that are connected to destinations around the world; business travelers prefer to do business in locations that offer flight, flexibility and frequency; and leisure passengers prefer to travel to destinations that are easy to reach.

Communities that enjoy the benefits of international alliances are in the best position to stimulate tourism, create jobs and attract investment in the global economy. Consequently, exposure to the globalizing effects of code-sharing networks will give every APEC community, including more remote and less developed cities, an equal opportunity to access the international marketplace and strengthen opportunities for economic development. Moreover, it will do so without the prohibitive investment and risk inherent in a carrier expanding its own direct service.

2. Minimizing Discriminatory "Doing Business" Practices

The Comprehensive Report also identifies removing "doing business" impediments that impose unproductive cost and delay in aviation operations, giving specific examples of discriminatory practices. The Report recommends using as guidance internationally-endorsed ICAO "model" provisions that provide for: 1) authorizing broader options for air carriers to perform or obtain ground handling services, 2) allowing prompt and non-discriminatory currency conversion and remittance of earnings, 3) allowing expense payments in local or freely convertible currency, 4) permitting the use of non-national employees in specialist duties, and 5) permitting unrestricted sales and marketing of international air services. Provisions regarding these "doing business" issues represent a set of specific recommended actions that APEC members can take to ensure a maximally efficient regional aviation system.

3. Including Multiple Carriers in Bilateral Agreements

In addition, the Comprehensive Report recommends that APEC economies should not limit the opportunities provided to the carrier of a foreign country to a single foreign "flag" carrier. Many APEC economies already provide for "multiple" airline designations or have eliminated limitations altogether. Nevertheless, region-wide adoption of multiple designation provisions would remove government restrictions to market entry and provide APEC consumers with enhanced competition and choice.

4. Liberalizing Air Freight Operations

Finally, the Comprehensive Report recommends that the APEC economies "progressively remove restrictions in the operations of air freight services while ensuring fair and equitable opportunities for the economies involved." This recommendation underscores the importance of maintaining momentum toward further liberalization of this important segment of international aviation and applying the other priorities to air freight. Moreover, it also recognizes the importance of free and flexible air freight services in expanding and promoting trade within the APEC member economies.

Conclusion

The economic downturn of the last two years has placed severe hardship on individuals and communities throughout the APEC region. To enable APEC economies to recover and develop to their full potential, APEC ministers are faced with the task of implementing economic policies to foster economic growth and prosperity. APEC 1999 must be remembered as the APEC year that promoted concrete, deliverable initiatives that bring significant economic and social benefits to consumers and communities throughout the region.

APEC's success over the last three years in developing and prioritizing "consensus options" for aviation provides a sound and realistic foundation for moving forward with progressive, practical aviation initiatives that will further these goals. Because of the extensive consideration and consensus- building that has already occurred within APEC, there is little need for further debate on the substance and importance of "high priority" recommendations. Moreover, the relative specificity of these recommendations should improve the likelihood of their implementation.

Widespread and contemporaneous implementation of " high priority" recommendations would provide APEC with an extraordinary and concrete opportunity this year to demonstrate world leadership in opening services markets generally and in adapting to the new global reality of the aviation industry, in particular. In just a few short years, global airline alliances have become the model for international aviation. With specific consensus recommendations for liberalization and facilitation of alliances in place, APEC is in a position to lead the way in implementing improvements in aviation trade that will bring immediate, tangible and recognizable benefits to the economies and people of the APEC region.



07 April 1999
The Honourable Philip Burdon
Chairman
APEC Business Advisory Council
Asia 2000 Foundation
PO Box 10144

WELLINGTON Facsimile: 04 471 2330

Dear Mr. Burdon,

You will be aware of the efforts being made by Mr. Cyril Murphy of United Airlines to have APEC address certain issues relating to aviation services.

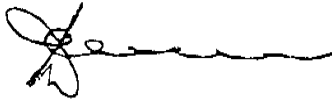
Mr. Murphy has set out his proposals in a paper titled "APEC 1999 – Connecting with Communities" which he sent to you under cover of a letter dated March 25. In essence he is advocating that the next APEC Leaders Summit endorse the high priority options contained in the "Comprehensive Report on Options" which was endorsed by the APEC Transportation Working Group in April 1998.

As you know the aviation industry is presently going through a period of rapid and fundamental change. Many airlines, including some of the world's largest, are forming alliances in order that they can offer their customers access to a global network and improved service levels without the impossibly high level of cost that traditionally would have been necessary.

Air New Zealand is a partner with United Airlines and six other major airlines in the STAR Alliance. We recognise the increased opportunities and customer benefits, which would become available if these options were accepted by transport regulators in the APEC economies.

Air New Zealand therefore supports this initiative and we look forward to working with you and others involved in the APEC process to give it effect.

Yours sincerely,



GRAEME McDOWALL
General Manager International Affairs



Air New Zealand Limited, Quay Tower, 29 Customs Street West, Private Bag 92007, Auckland 1, New Zealand
Telephone 64-9-336 2400 Facsimile 64-9-336 2764 or 309 4134

PROGRESS REPORT ON THE PARTNERSHIP FOR EQUITABLE GROWTH
Written for the PEG Board of Directors

1. Formal Incorporation of the PEG

Since the formal incorporation of the PEG, a first Director's Circular Resolution (DCR) has been approved pursuant to article 52(1) of the Company's Articles of Association. The DCR addressed the following matters:

- Certificate of Incorporation and Memorandum & Article of Association
- First Members of the Company
- First Council of Patrons
- Appointment of Chairman of the Board
- First Secretariat
- Registered Office
- Common Seal
- Filing of Documents
- Appointment of Dato Seri Rafidah Aziz as Ex-officio Director
- Appointment of Chief Executive Officer
- Opening of Bank Account
- Admission of New Member and Appointment of Working Director from Seoul, Republic of Korea

2. Operation: Transparent and Cost Efficient Nature/Budget of PEG

As agreed, the total budget for all fixed costs for the PEG support office including salaries and rental for all personnel is RM 30,000 (US\$7895). All item procedures and manner in which the bank account will be operated (including limits for Signatories, approval process etc) will be highlighted.

3. APEC IT Education Initiative

A proposal is being finalized to work with leading IT companies in APEC to provide a regional education initiative involving smart partnerships between governments and the private sector in APEC member economies. The objective is to fulfill the ECOTECH promise of APEC in facilitating better education and training/apprenticeship in the lesser developed member economies. The pilot programme will be implemented initially in the Philippines, Thailand, Indonesia, Peru and Malaysia, followed by Chile, China, Vietnam and the remaining APEC member economies. The initiative will link via the internet all 21 APEC member economies and their respective chosen educational constituencies.

4. APEC SME Ministerial - facilitating Private Sector Awareness & Participation

As part of the drive to ensure that the small & medium - sized enterprises benefit from the many programmes outlined by the APEC SME Ministerial, a PEG-led SME-priority implementation work programme (SPIWP) is being drawn up for the consideration of the

Board. This programme will be implemented in close collaboration with several Chambers of Commerce in APEC member economies.

5. Clean Energy & the Asian Gas Grid

Discussions have been held with relevant government agencies and private sector companies ensuring that Clean Energy is promoted as an immediate, pragmatic and implementable ECOTECH objective. In line with this objective, the long-term goal of developing functionalist-driven regional energy -based projects (along the lines of the development of the European Steel & Coal Community) is currently being explored in the form of long-term projects such as the Asian Gas Grid and other possibilities.

6. Outreach Programme

An updated version of the CD-rom and VCD-based Outreach Programme has been completed and will be launched in stages in the APEC member economies. The objective is to promote the spirit of APEC community based upon ECOTECH objectives both on a generic basis and economy-specific information. This programme will be continuously updated, monitored and managed by PEG in accordance with developments in APEC.

7. Annual PEG Report to ABAC and the Economic Leaders

In line with the practice of ABAC, PEG will submit an annual report for the Leaders' Summit in Auckland (September 1999) and will work with ABAC to include a brief progress report on PEG in the ABAC Annual Report under the Implementation Task Force Section. Apart from outlining the progress made in the initial term, this report will highlight the transparent and cost efficient nature of the project support office set up in Malaysia which is operating on a total budget RM 30,000 per month.

Dr. Shafiq for PEG (Contact: dssa@pd.jaring.my)
File APEC/peg@1st(Tokyo)

Annex I: Letters to APEC Chair and Ministers, dated 8 June 1999

EVSL

Hon. Philip Burdon
New Zealand

8 June 1999

ABAC Chair

Tan Sri Dato' Tajudin Ramli
Malaysia

Mr. Timothy Ong
Brunei Darussalam

Dr the Hon Lockwood Smith
Minister for International Trade
Chair, APEC Trade Ministers
Parliament Buildings
Wellington
New Zealand

Dear Minister

ABAC Co-Chairs

Committee and Task Force Co-Chairs

Finance Task Force
Dr. Jeffrey Koo, Chinese Taipei
Mr. J. Gary Burkhead, USA
Mr. Timothy Ong, Brunei Darussalam

Capacity-Building Task Force
Mr. Michael J. Crouch, Australia
Mr. Javier Prieto dela Fuente, Mexico
Dr. Viphandh Reongpithya, Thailand

Implementation Task Force

Mr. Aburizal Bakrie, Indonesia
Mr. John F. Smith Jr., USA
Ms. Fran Wilde, New Zealand

Action Plan Monitoring Committee

Dr. Victor Fung, Hong Kong, China
Dr. John MacDonald, Canada
Ms. Belinda Brown

Senior Advisor to the ABAC Chair

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Mr. Juan Miguel M. Luz

ABAC wrote to you in March this year about progress with APEC's initiative for early voluntary sectoral liberalization (EVSL). We welcomed the call by Leaders in Kuala Lumpur for implementation of EVSL tariff reductions in the front eight sectors by the end of 1999, through referral to the World Trade Organization (WTO) as the Accelerated Trade Liberalization (ATL) initiative. We continue to look forward to completion of the non-tariff and economic and technical cooperation (ecotech) aspects of the eight sectors, and completion of detailed work plans for liberalising trade in the remaining six sectors, including referral to the WTO where necessary, by the time of your meeting with Trade Ministers in June 1999.

We are writing to you again to reaffirm our support for liberalisation of goods and services markets through the elimination of tariffs and non-tariff barriers. Real progress towards this objective must be made at all levels – national, regional, and global – to ensure economic recovery and growth in our region.

We call on APEC Trade Ministers and Leaders to work together as a force for comprehensive progress in the WTO, particularly in the event of a new round of world trade negotiations, and to secure implementation of the ATL package in that forum by the end of the year. A significant share of APEC's credibility rests on a successful conclusion to the EVSL initiative.

At the same time, we urge APEC economies to continue to pursue collective and unilateral liberalisation within APEC. APEC has led the world in ambitions for regional trade liberalisation, and has set an international precedent with its uniquely flexible approach and its balance between liberalisation and capacity building. APEC Leaders are committed to free and open trade and investment by 2010 and 2020. We, as representatives of APEC's business community, are equally committed to this goal. We call on all APEC economies, big and small, to work towards its achievement in good faith and through every available means.

Yours sincerely



Director of Operations

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HON PHILIP BURDON

ABAC Chair 1999

cc.: APEC Trade Ministers

ABAC Members

IAPs

Hon. Philip Burdon
New Zealand

8 June 1999

ABAC Chair

Tan Sri Dato' Tajudin Ramli
Malaysia
Mr. Timothy Ong
Brunei Darussalam

Rt Hon Jenny Shipley
Prime Minister
APEC Chair 1999
Parliament Buildings
Wellington
New Zealand

ABAC Co-Chairs

Dear Prime Minister

Committee and Task Force Co-Chairs

Finance Task Force

Dr. Jeffrey Koo, *Chinese Taipei*
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Mr. Juan Miguel M. Luz

At its recent meeting in Tokyo, the APEC Business Advisory Council, as mandated by Leaders, assessed the 1998 Action Plans. ABAC recognizes the Action Plans are the principal way for APEC economies to identify how they will achieve free and open trade and investment by 2010 and 2020. It is imperative that all APEC member economies - large and small - continue to take concerted and comprehensive action to liberalize their economies through the IAPs. The are the measures by which APEC's effectiveness will be judged. Having reviewed the 1998 Action Plans, ABAC notes that many of their previous concerns remain valid. These include:

Transparency - Information in the Action Plans needs to be presented in a format accessible to business. The sheer volume of information and the way it is presented seriously limits the ability of companies to use IAPs as a business tool.

Specificity - Action Plans need to contain clear objectives, measures taken and measures planned, and timetables for implementation. Only then can commitments made in the Action Plans be used by the private sector in taking business decisions.

Comprehensiveness - All liberalization measures by member economies must be contained in the IAPs, including those taken in response to the recent economic crisis. Without this, the credibility of the IAPs is compromised.

In addition to these general comments on the IAP's, ABAC wishes to draw the following three priority areas to your attention for immediate action:

Investment

There is a window of opportunity for APEC members to further liberalize investment. Foreign direct investment has dropped in 1998, particularly in developing economies. Attracting investment back to the region is crucial to recovery. To achieve this, business needs a transparent and stable investment environment. ABAC endorses the menu of options developed by the Investment Expert Group (IEG) and strongly urges APEC members to include as many of these options as possible in their 1999 IAPs, and to bind themselves to implementing them.

Goods

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Although APEC is taking steps to reduce tariffs, business still sees them as a significant impediment to trade. APEC needs to further reduce tariffs, including in the areas of agriculture and automobiles.

ABAC considers non-tariff measures an even more significant barrier to trade. Despite continued efforts in the areas of customs procedures, business continues to tell us there are still serious barriers in this area. Further steps to eliminate NTMs in the areas of standards and conformance, and efforts to improve transparency in government procurement, are also business priorities.

Services

ABAC notes the efforts of some APEC economies to liberalize their services markets but considerable impediments to trade in services remain. To be able to compete effectively on a global basis, services providers or partnerships must be free to establish themselves in other economies and compete on a level playing field. An important step would therefore be to extend the principle of national treatment to all service sectors. This would allow companies in previously restricted domestic services sectors to be subject to global competition and thereby improve their competitiveness. Liberalization in trade in services must be accompanied by capacity building in the local economy so proper competition policy can be implemented.

We look forward to your favourable response to these proposals.

Yours sincerely



HON PHILIP BURDON

ABAC Chair 1999

cc: APEC Trade Ministers
ABAC Members

APEC Food System

Hon. Philip Burdon
New Zealand

8 June 1999

ABAC Chair

Tan Sri Dato' Tajudin Ramli
Malaysia
Mr. Timothy Ong
Brunei Darussalam

Dr the Hon Lockwood Smith
Minister for International Trade
Chair, APEC Trade Ministers
Parliament Buildings
Wellington
New Zealand

ABAC Co-Chairs

Dear Minister

Committee and Task Force Co-Chairs

At its meeting in Tokyo 21 -23 May, ABAC discussed an integrated plan to translate its vision for an APEC Food System (AFS) into reality. As the basis for this plan it sets out specific proposals for action by APEC governments under the four inter-related headings:

Finance Task Force

Dr. Jeffrey Koo, *Chinese Taipei*
Mr. J. Gary Burkhead, *USA*
Mr. Timothy Ong, *Brunei Darussalam*

1. A strategy for building the rural infrastructure
2. Food safety, food system technologies and SPS issues
3. Achieving food security in an APEC Food System
4. A process of trade and investment liberalisation

Capacity-Building Task Force

Mr. Michael J. Crouch, *Australia*
Mr. Javier Prieto dela Fuente, *Mexico*
Dr. Viphandh Reongpithya, *Thailand*

1. A Strategy for Building the Rural Infrastructure Objectives:

- To realise the potential of the APEC Food System to stimulate growth in APEC economies through broad-based sustainable economic activity in non-metropolitan areas.
- To foster the growth and strengthening of well-functioning markets in the non-metropolitan areas of APEC member economies, thereby ensuring that these areas benefit from closer integration with both the remainder of the domestic economy and with the international economy.
- To encourage infrastructure development to support the growth of alternative economic activity in rural areas to complement efficient and sustainable food production.
- These objectives will be pursued by developing basic physical and financial infrastructure, human capital and institutional frameworks that promote rural enterprise and well being.

Implementation Task Force

Mr. Aburizal Bakrie, *Indonesia*
Mr. John F. Smith Jr., *USA*
Ms. Fran Wilde, *New Zealand*

Action Plan Monitoring Committee

Dr. Victor Fung, *Hong Kong, China*
Dr. John MacDonald, *Canada*

Ms. Belinda Brown

Senior Advisor to the ABAC Chair

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2. Food Safety, Food System Technologies and SPS Issues Objective s:

- To create a "technology culture" within the food sector in APEC economies which is welcoming to an inward flow of technology, and through which targeted application of appropriate technology will promote a competitive, safe and environmentally friendly APEC food system.
- To promote mutual recognition and harmonisation of

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Director of Operations

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internationally-recognised science-based food safety standards, and in doing so, to facilitate the reduction of unnecessary barriers to trade in food products within the APEC region.

3. Achieving Food Security in an APEC Food System

Objectives:

- To provide the peoples of APEC's member economies with reliable access to safe affordable food supplies within an open, environmentally sustainable food system. This objective is to be pursued by:
- Adopting an inter-dependent approach in which APEC economies will produce and trade food in a manner that complements other means of assuring supply
- Supporting proposals for building the AFS infrastructure and for facilitating technology transfer, and supporting the process of trade and investment liberalisation as well as ensuring sustainable agricultural production.

4. Process of Trade and Investment Liberalisation

Objectives:

- To promote social and economic development and benefit all APEC member economies in recognition of the important role of rural sectors, and thereby facilitate building an APEC Food System which promotes economic prosperity and food security for all APEC economies.

In pursuit of this objective APEC economies are urged to:

- Adopt further measures to facilitate trade in food products
- Establish APEC as an "export subsidy free zone"
- Assist in overcoming deficiencies identified by individual members in their own capacity to trade food
- Eliminate unnecessary impediments to trade and investment in food products in a progressive manner, and ahead of Bogor goals
- Assure all APEC economies of non-discriminatory and unrestricted access to the food supply of other APEC economies
- Recognise the social, environmental and other non-food roles of agriculture.

I have pleasure in attaching ABAC's report on the AFS which details the issues and recommendations summarised above.

Yours sincerely



HON PHILIP BURDON

ABAC Chair 1999

Cc.: APEC Trade Ministers
ABAC Members

E-Commerce

Hon. Philip Burdon
New Zealand

8 June 1999

ABAC Chair

Tan Sri Dato' Tajudin Ramli
Malaysia
Mr. Timothy Ong
Brunei Darussalam

Dr the Hon Lockwood Smith
Minister for International Trade
Chair, APEC Trade Ministers
Parliament Buildings
Wellington
New Zealand

ABAC Co-Chairs

Dear Minister

Committee and Task Force Co-Chairs

Finance Task Force

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Mr. J. Gary Burkhead, *USA*
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Mr. Juan Miguel M. Luz
Director of Operations

ABAC commends the work of the APEC E-Commerce steering group in examining the issues facing Government and the private sector in the area of E-Commerce. In particular, the proposed experts group meeting at the trade ministers meeting in Auckland in June on legal issues is an excellent first step in working on this complicated issue.

ABAC has set up a website (www.abac-ecom.org.nz) for ABAC to examine and comment upon several aspects of E-Commerce including framework principles for handling the E-Commerce debate (attached), specific discussions of privacy and encryption, and other issues. ABAC will coordinate its work with other bodies in the area (e.g., PBEC and PECC) and international organizations working on E-Commerce issues such as the OECD. We hope this process can be useful to the APEC E-Commerce steering group in integrating private sector leadership into the APEC process.

We further offer the following specific recommendations to Ministers:

- i. ABAC recommends that APEC work in partnership with the private sector to develop principles governing the E-Commerce debate (draft principles are attached).
- ii. ABAC recommends that at their meeting in Auckland in June, APEC Trade Ministers endorse the conclusion of a binding agreement in the WTO not to impose any new customs duties on electronic transmissions over the Internet.
- iii. ABAC recommends that APEC governments agree to come forward with a description of the extent to which each uses electronic means of communication and transactions with each other and with the private sector (e.g. customs clearances, government procurement, regulatory notification).
- iv. In cooperation with the broader private sector, ABAC offers to work with the APEC E-Commerce steering group, as appropriate, to establish an APEC E-Commerce public/private sector partnership to examine the policy/legal/regulatory and self-regulatory issues relevant to E-Commerce.

We look forward to your favourable response on these matters.

Yours sincerely

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HON PHILIP BURDON

ABAC Chair 1999
cc.: APEC Trade Ministers
ABAC Members

Attachment

Draft Principles

The development of E-Commerce should be led primarily by the private sector in response to market forces.

Business and governments must work together to expand the reach of electronic commerce and ensure that all benefit from this tool, with special focus on the needs of small and medium enterprises.

Business and governments need to assure that technological resources are available to facilitate access to the infrastructure supporting E-Commerce.

Where there is a need for legislative or regulatory action relating to E-Commerce, it should be minimalist in nature, designed to ensure greater certainty and consistency, and be technologically neutral.

Governments should ensure that current and new legislation takes E-Commerce into account.

Business needs to be involved in government deliberations on issues of E-Commerce taxation, jurisdiction, intellectual property protection, and judicial and legal infrastructures.

Minimalist approaches must be taken to using E-Commerce as a source of government revenue. Taxes should be consistent with existing domestic practice for non-electronic transactions. The practice of not imposing customs duties or other charges on electronic transmissions should be continued.

Business should cooperate with governments to assure effective consumer protections consistent with effective and appropriate E-Commerce development.

Business needs to work with governments to assure credible and effective self-regulatory models.

Y2K

Hon. Philip Burdon
New Zealand

8 June 1999

ABAC Chair

Rt Hon Jenny Shipley
Prime Minister
APEC Chair 1999
Parliament Buildings
Wellington
New Zealand

Tan Sri Dato' Tajudin Ramli
Malaysia
Mr. Timothy Ong
Brunei Darussalam

ABAC Co-Chairs

Dear Prime Minister

Committee and Task Force Co-Chairs

At their sixth meeting in Langkawi, Malaysia, the APEC Finance Ministers agreed that efforts in the remaining months of this year should be increasingly directed towards preparing for possible Y2K-related contingencies.

Finance Task Force

Dr. Jeffrey Koo, *Chinese Taipei*
Mr. J. Gary Burkhead, *USA*
Mr. Timothy Ong, *Brunei Darussalam*

During their recent meeting in Tokyo, ABAC members noted that there is presently no common framework within APEC for regional cooperation in dealing with this issue. They agreed that immediate attention be given to contingency arrangements for Y2K issues by APEC.

Capacity-Building Task Force

Mr. Michael J. Crouch, *Australia*
Mr. Javier Prieto dela Fuente, *Mexico*
Dr. Viphandh Reongpithya, *Thailand*

To minimize disruptions resulting from the Y2K date change, ABAC would recommend the urgent dissemination of best practice measures to assist:

Implementation Task Force

Mr. Aburizal Bakrie, *Indonesia*
Mr. John F. Smith Jr., *USA*
Ms. Fran Wilde, *New Zealand*

- Inter-organisational and international testing of systems;
- Development of business contingency plans;
- Central banks' plans for payments system stability; and
- Dispute resolution through special legislative arrangements.

Action Plan Monitoring Committee

Dr. Victor Fung, *Hong Kong, China*
Dr. John MacDonald, *Canada*

ABAC notes that existing proposals do not appear to include international preparedness for serious potential disruptions in member economies. ABAC therefore suggests examination of international plans for short-term liquidity support and emergency aid programs, including provision of experts to repair systems.

Yours sincerely

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HON PHILIP BURDON
ABAC Chair 1999

cc: APEC Trade Ministers
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Annex II: APMC Attachments



From the Desk of Chairman APEC-IEG

Date: 9 April, 1999

The Honourable Philip Burdon
Chairman
ABAC
Asia 2000 Foundation
109, Featherston Street
P.O. Box 10-144
Wellington
New Zealand

Dear Mr. Burdon,

Re: Assessment and Implication of Implementing The Menu of Options

I would like to inform you that I have been appointed as the new chair to the APEC Investment Expert Group (IEG) replacing Dato' J. Jegathesen the Deputy Director General I of MIDA who will be retiring from government service very soon. I would also like to take this opportunity to congratulate you on your appointment as the new Chairman to the APEC Business Advisory Council 1999.

As you are aware, the IEG's main deliverable for 1998 was the Options for Investment Liberalization and Business Facilitation to Strengthen the APEC Economies – for Voluntary Inclusion in Individual Action Plans. This was done through a series of deliberations among the group taking into account the diverse economies of the APEC economies and the need to progressively implement the Non-Binding Investment Principles as emphasised by ABAC in the proposals to the leaders. The option paper was approved by the Trade Ministers at their last meeting in Kuala Lumpur 1998.

At the last meeting of the IEG in Wellington, New Zealand, the group has agreed to seek the views of ABAC and other business sectors on their assessments of the menu of options and its implication on implementation. In view of this and on behalf of the IEG, I am pleased to extend a copy of the Menu of Options for the consideration of ABAC.

I hope that the Menu of Options will be one of the topics for discussion at your next meeting in Tokyo. I look forward to receiving ABAC's views and suggestion so that we can incorporate them in our implementing programmes.

Thank you,

(Chua Eng Seng)
Deputy Direction – General II,
Malaysia Industrial Development Authority
Chairman
APEC – IEG

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Options for Investment Liberalization and Business Facilitation to Strengthen the APEC Economies - for Voluntary inclusion in Individual Action Plans

APEC leaders and ministers at Bogor, Osaka, Subic and Vancouver have committed their economies to create free and open investment by 2010 and 2020. They endorse Individual Action Plans (IAPs) as a core instrument in this process. They have called for transparency in, and the annual improvement of IAPs. ABAC has also called on APEC economies to make the progress in the investment area.

In response to both government and business, the Investment Experts Group, at St. Johns, Canada, undertook to compile a "menu of options" for helping economies to identify policy measures that member economies may include unilaterally in their IAPs for implementation of this objective. There was a consensus that the project should focus on concrete measures, rather than on continued philosophical debate. APEC ministers endorsed the "menu" initiative at Vancouver.

With these instructions in mind, the following document is a non-exhaustive "master menu" of investment-liberalizing and business-facilitating measures from which economies may voluntarily select any of a number of options to make progress toward creating a free and open investment regime. It is intended as a reference tool that economies may refer to when updating their IAPs.

The APEC approach to liberalization and facilitation of trade and investment, as reiterated by APEC Leaders at Vancouver, recognizes the diversity that exists among APEC economies. This "menu of options" is consistent with this recognition of diversity, providing members with a broad range of choices suitable for different circumstances. The items are not prescriptive and, where

chosen, may be modified to suit particular circumstances. The menu is not designed to set out the steps in the liberalization process and will evolve over time.

The IEG intends to update this menu on a regular basis, starting in 1999, so as to capture the benefit of APEC economies' increasing experience and changing views.

GENERAL

- Broaden definitions of investment and foreign investment in existing legislation, regulations and administrative procedures to permit the widest variety of forms of investment and allow for newly emerging forms to be covered, without a need for future changes in domestic legislation/ regulations.
- The definition might include – illustratively - not just new ("green field") investments, but also acquisition of shares of domestic enterprises, management contracts, long-term leases, all forms of business organization (e.g. wholly owned, subsidiaries, partnerships, branches, joint ventures, smart partnerships, strategic alliances), certain kinds of debt instruments, intellectual property, etc.
- Permit and promote all forms of investment through means other than, or additional to, broadening the definitions of investment and foreign investment in existing legislation, regulations and administrative procedures.
- Commit to locking in current treatment for investors in specific sectors (i.e. standstill on restrictions).

On prior authorization requirements:

- Eliminate or phase out prior authorization requirements. If appropriate, replace them with post-establishment notification.
- Make approval within any existing prior-authorization mechanism automatic except in limited specified situations.
- Raise the threshold (value of an investment) above which prior authorization is required. If appropriate, announce progressive raising of the threshold, according to a schedule with a certain date to eliminate most or all prior authorization requirements.
- Limit the requirement for prior authorization to selected sectors. If appropriate, replace it with post-establishment notification

Involving other economies

- Sign or establish (or, as appropriate, sign or establish additional) bilateral, regional, and/or multilateral agreements or arrangements for the protection of investment that provide commitments to the current level of protection and openness for investors/ investment.
- Sign or establish (or, as appropriate, sign or establish additional) bilateral, regional and/or multilateral agreements or arrangements for the protection of investment with enhanced protection and openness for investors/ investments (e.g. fewer restricted sectors of an economy, fewer restrictions within sectors, stronger mechanisms for resolving disputes).

TRANSPARENCY

- Make available to investors timely updates of changes to investment regimes, including via the APEC Secretariat (who will use it for the APEC investment guidebook).

- Publish and/or make widely available through other means, on a timely basis, information on an economy's investment code, investment laws and regulations, and procurement procedures, with an eye to ensuring transparency in the administration of investment laws, regulations and procedures at federal/central, provincial/state and local authority levels.
- If screening is used, publish and/or make widely available through other means the guidelines for evaluating and scoring projects for their approval.
- Conduct briefings (in appropriate fora) on the current investment policies and future directions to be undertaken by the government.
- Give advance notice of proposed regulations and laws, and provide an opportunity for public comment.
- Clarify procedures and practices regarding application, registration, government licensing and procurement by:
 - Publishing (and widely disseminating) clear and simple instructions, and an explanation of the process (the steps) involved in applying/bidding/registering;
 - Publishing (and widely disseminating) definitions of criteria for assessment of investment proposals;
 - Publishing (and widely disseminating) contact points for inquiries on standards, technical regulations, and conformity requirements;
 - Conduct periodic reviews of prior authorization requirement procedures to ensure they are simplified and transparent;
 - Make available to investors all rules and information relating to investment promotion schemes.

NON-DISCRIMINATION

Related to MFN

- Commit to MFN treatment economy-wide, except in a few limited cases as may be specified by individual member economies, immediately or over a publicly announced period of time.
- For economies that have already committed to MFN treatment, review where MFN exceptions to it taken in the past can be eliminated or reduced (in other words, review whether the "few limited cases" of exceptions to MFN can be narrowed even further).

Related to National Treatment or both MFN and National Treatment

Sectors

- Extend national treatment now (or starting on a particular date) in one or more sectors.
- Extend national treatment economy-wide except in a few limited cases now, or starting on a certain date; or
- Progressively extend national treatment to one more sectors.
- Open additional sectors to participation by foreign investors, or permit foreign investment economy-wide with only limited exceptions. In other words, reduce the size of the list of sectors that are closed or partially restricted to foreign investment.

- Eliminate or phase out sectoral restrictions on a foreign investment.
- Review existing agreements, treaties, and laws to see if any exceptions to national treatment can be eliminated.

Ownership

- Allow all investors to choose their form of establishment within legislative and legal frameworks.
 - Update regulations to eliminate joint venture requirements for establishment.
 - Permit greater foreign equity ownership in sectors partially opened to foreign investment, or permit greater foreign equity ownership economy-wide.
- Prepare a schedule now for future increases in foreign equity ownership.
- Accelerate implementation of dates for liberalizing sectors where possible.
- Eliminate or phase out conditions for foreign ownership in relation with export ratios or domestic sales.
 - Reduce areas with joint-venture criteria under investment promotion schemes to allow greater foreign participation.
 - Implement (and announce) a policy of not requiring the divestiture or dilution of the ownership of investments on the basis of nationality. Eliminate or phase out requirements to transfer ownership to local firms over a period of time.
 - Eliminate or phase out restrictions for foreign investors on the establishment of local branches.
 - Eliminate or phase out restrictions for foreign investors to diversity operations.
 - Eliminate or phase out restrictions on foreigners with respect to operational permits and licenses.
 - Where a time period for foreign investors to find local partners is specified, extend the period of time.

Financial and Capitalization

- Update regulations to reduce or eliminate restrictions on foreign borrowing by corporations.
- Liberalize foreigners' access to domestic financial instruments (e.g. money market instruments, corporate bond markets).
- With respect to the entry of foreign investment, eliminate or phase out requirements to deposit certain guarantees for foreign investors.
- Reduce, reduce progressively, or eliminate minimum capitalization requirements in sectors where such capitalization requirements are not needed for prudential reasons.
- Eliminate or phase out subsequent additional investment or reinvestment requirements for foreign investors.
- Open existing investment incentive programs to participation by foreign investors, so they are equally available to domestic as well as foreign investors.

Other Measures

- Eliminate or ease discriminatory restrictions on imports needed to support foreign investment.
- Change policies, guidance, regulations, or laws to eliminate pricing by state-designated monopolies that is discriminatory on the basis of nationality.
- Change policies, guidance, regulations or laws to eliminate discriminatory access to local raw materials and inputs.

EXPROPRIATION AND COMPENSATION

- Consistent with international law standards/principles, limit permissible expropriation to cases involving a public purpose where expropriation is undertaken in a non-discriminatory manner, under due process of law, and accompanied by payment of prompt, adequate and effective compensation.
- Take steps to amend expropriation laws and regulations based on the above-mentioned standards/principles of international law with respect to expropriation.
- Included in bilateral, regional or multilateral investment treaties, agreements, and/or arrangements a commitment on compensation in cases of expropriation.
 - To improve transparency, define, publish and disseminate to investors the relevant investment treaties and arrangements.

PROTECTION FROM STRIFE AND SIMILAR EVENTS

- Decide - and, as possible, commit in investment agreements/arrangements between governments and private investors and in bilateral/multilateral government-to-government treaties, agreements, and/or arrangements - that the government will accord treatment that is non-discriminatory on the basis of nationality to investments with respect to losses that investments may suffer in the government's territory that are due to war, other armed conflict, revolution, national emergency, insurrection, civil disturbance, or other similar events.

TRANSFERS OF CAPITAL RELATED TO INVESTMENTS

- Remove or reduce restrictions on the transfer of funds related to foreign investment, such as profits, dividends, royalties, loan payments, interest, infusions of additional financial resources after the initial investment has been made, and proceeds from liquidations - all in a freely convertible or a freely usable currency.
- Eliminate or phase out restrictions that impede recovery of profit, such as ceilings on royalties, technical assistance fees or special taxes, restrictions on access to foreign exchange, and control over the allocation of foreign currencies.
- Make a binding commitment, in treaties, agreements or arrangements, to eliminate or progressively reduce restrictions on the transfers of funds related to foreign investment, such as profits, dividends, royalties, loan payments, interest, infusions of additional financial resources after the initial investment has been made, and proceeds from liquidation - all in freely convertible or freely usable currencies.
 - Guarantee the right to transfer capital related to an investment in and out of an economy, without delay and at market rates of exchange, with only limited exceptions.

PERFORMANCE REQUIREMENTS

- Publish and implement a phase-out plan for WTO TRIMs-inconsistent programs identified on TRIMs illustrative list.

- Reach consistency with WTO TRIMs' illustrative list by 2000. Take steps to accelerate implementation of phase-out plans where possible.
- Eliminate, phase out, or relax unilaterally and/or through government-to-government agreements and treaties, on an economy-wide or sectoral basis, requirements such as:
 - local hiring requirements,
 - local training requirements,
 - requirements to manufacture locally,
 - local sales requirements,
 - required technology transfer,
 - required local research and development,
 - export requirements(e.g. those expressed as requirements to generate foreign exchange or achieve a particular export target).

ENTRY AND STAY OF PERSONNEL

- Consistent with an economy's visa laws regarding the entry and stay of personnel, allow the temporary entry and stay of personnel needed to establish, develop, administer or advise on the operation of an investment of theirs (i.e. investor and key managerial or technical personnel and advisers).
- Offer visas for investors that facilitate entry and reentry (or identify other ways, consistent with domestic laws and policy, to facilitate investors' ability to enter and reenter for investment purposes).
- Take steps to permit investors/project sponsors to hire the top managerial advisory talent of their choice, regardless of nationality.
- Take steps to permit investors/project sponsors to hire the top technical. and/or advisory talent of their choice, regardless of nationality.

SETTLEMENT OF DISPUTES

- Develop effective mechanisms for resolving disputes and mechanisms for enforcing the solutions found to those disputes.
- Take steps to become a member of the International Convention on the Settlement of Investment Disputes (ICSID) and/or other widely recognized international arbitration bodies.

Note: We defer to the APEC Dispute Mediation Experts Group for specific menu options for IAPs related to improvements in dispute mediation.

INTELLECTUAL PROPERTY

- Develop adequate protection for intellectual property.

Note: We defer to the APEC Intellectual Property Rights(IPR) Group for specific menu options for IAPs related to IPR improvements.

AVOIDANCE OF DOUBLE TAXATION

- Sign, where appropriate, bilateral avoidance of double taxation agreements that are in conformity with international norms. Expand coverage of such agreements as appropriate.

COMPETITION POLICY AND REGULATION REFORM

- Ensure consistency between investment policies and competition and regulatory reform policy.

Note: We defer to the APEC Competition Policy Group for specific menu options for IAPs related to improving competition.

BUSINESS FACILITATING MEASURES TO IMPROVE THE DOMESTIC BUSINESS ENVIRONMENT

- Reduce discriminatory use of bureaucratic discretion, by means such as:
 - preparing and distributing written in-house guidelines for administrative practices related to the handling of applications, registrations, licensing, etc.
 - establishing in-house decision appeal mechanisms, as well as appeal mechanisms available to the public.
- Streamline application, registration, government licensing and government procurement procedures by:
 - simplifying forms;
 - simplifying the submission (e.g. permitting electronic submission, or centralizing approval offices in a "one-stop shop");
 - shortening processing time of such applications/registrations, and
 - reducing unnecessary steps.
- Take positive steps to assist investors by measures such as:
 - establishing an office to serve as a clearinghouse (one-stop agency/unit) for interested investors to learn market opportunities and potential investment partners;
 - providing a network of all the government agencies that the investors or businesspersons have contact with in doing investments;
 - establishing/designating one government agency to handle investors' complaints (e.g. investment ombudsman).
- Examine the role and effects of investment incentives at all levels of government: federal/central, state/provincial and local.
- Offer incentives which are voluntary, non-discriminatory, and limited in duration, such as:
 - tax breaks,
 - loans guarantees,
 - grants, subsidies and industrial development bonds,
 - employment training programs,
 - programs aimed at helping companies achieve greater efficiency,
 - WTO-consistent export promotion programs,
 - small business development,
 - high technology development programs,
 - measures to support development of new industries,
 - industrial linkage programs,
 - mobilization of domestic resources.
- Introduce measures to assist companies seeking to achieve greater efficiency such as:
 - zero inventory
 - just in time program
 - other related programs

Annex III: FCTF attachments

Asian Bankers' Association

POSITION PAPER ON CORPORATE DEBT RESTRUCTURING

1. One of the major consequences of the current financial crisis is the corporate debt problem being faced by several economies in the region. High levels of corporate debt prevent recovery in various ways. The rolling over of loans by banks to distressed debtors crowd out credit to other firms, especially small and medium enterprises. Increased costs of debt servicing threaten the solvency of corporations. High debt levels threaten to prolong the recession, with firms unable to de-leverage by way of retaining earnings and issuing equity. Faced with these problems, several economies have decided to undertake comprehensive corporate debt restructuring.

A set of principles for corporate debt restructuring

2. The Asian Bankers' Association (ABA) recognizes the importance of these efforts in the overall context of promoting economic recovery in the region. We also see the importance of these efforts in strengthening the region's capability to avoid and weather similar systemic banking crises in the future. To achieve success in pursuing these goals, it is important to apply the lessons from the various debt restructuring efforts undertaken in the past. Drawing from studies of these experiences, we consider adherence to the following principles as crucial to the success of current and future debt restructuring efforts.

a) Objectives: Comprehensive debt restructuring should aim to transform and reduce debt in a timely manner to restore solvency, reduce leverage, and restore credit to viable firms, as well as to improve the banking system's capacity to provide financial intermediation. It should also aim to restore profitability of corporations and banks through operational restructuring that includes improved business strategy, management, accounting systems, credit assessment and approval techniques.

b) Choice of debt restructuring framework: Specific situations and circumstances call for specific debt restructuring frameworks that may range from government mediation, the use of government schemes, bank re-capitalization, and the use of asset management corporations. Economies should establish appropriate frameworks suited to their own needs and circumstances, in order to effectively achieve the objectives mentioned above. However, we believe that within these options, maximum private sector participation and minimum direct management by government should be ensured. A description of various frameworks is presented in Annex 1.

c) Linking government assistance to necessary measures Where government plays a major role, it should link its assistance to concrete measures that promote the objectives of comprehensive corporate debt restructuring. Examples are providing incentives for banks to separate viable from non-viable enterprises and addressing bank recapitalization and corporate debt restructuring in an integrated and transparent plan.

d) Macroeconomic stability. A stable macroeconomic environment is needed to provide debtors and creditors, as well as potential investors, with the required level of certainty to value and close transactions. Whenever needed and appropriate, governments can also establish schemes to create a stable environment for debt negotiations, reduce foreign exchange risks for debtors, and allow for lower interest rates on foreign debt than debtors could get on their own.

e) Tax and regulatory regimes Tax and regulatory disincentives to debt restructuring, such as taxes that penalize debt forgiveness and loan-loss provisioning and obstacles to the use of debt-

equity swaps, should be removed. However, governments should ensure the consistency of the overall tax and regulatory framework when introducing these changes.

f) Procedures for creditors' decision making. Past experiences of countries that have undertaken debt restructuring show that less than unanimous creditor approval of reorganization plans is important in speeding up the process. Governments and monetary authorities should review the legal framework to see where appropriate reforms can be undertaken in relation to this. They can use moral suasion to effect creditors' agreement on a set of principles governing such procedures. Workable frameworks for rational and equitable creditor decisions in the region should also be studied for ideas on how key principles could be applied. Examples of such principles are the following:

- i) collaboration among creditor banks to act in the interest of all stakeholders;
- ii) creation and use of comprehensive, accurate and up-to-date information (e.g., through credit bureaus) shared among all parties as basis for decisions on the corporation's future; and
- iii) combining the recognition of seniority of claims with an element of shared pain.

g) Bankruptcy procedures. Workable bankruptcy procedures represent a very important aspect of the process of resource reallocation to more efficient enterprises. They ensure the timely liquidation of nonviable enterprises and that credit is not absorbed by such firms. They also provide incentives to work out debt outside a formal restructuring framework.

Within Asia, there are wide disparities and differences in the quality and procedures of the bankruptcy system. In general, Asia lags behind the US and Europe in the quality and efficiency of bankruptcy procedures. Among the institutional factors accounting for this situation in one or more Asian economies are antiquated bankruptcy laws, corrupt legal systems, the lack of expert lawyers and judges in the area of bankruptcy law, and subsequent lengthy and costly legal procedures. These problems must be addressed through reforms to speed up the process of restructuring and recovery.

h) Corporate governance. This is an area requiring immediate attention. Effective corporate governance is necessary both in encouraging managers to restructure debt and in promoting profitable operations, which will help in avoiding the need for future debt re-scheduling. Director liability laws are important to promote good corporate governance. Such laws need to place the burden of responsibility of corporate governance on both executive and non-executive directors in a way that ensures decision-making in the interest of all stakeholders.

An essential element of good corporate governance is the disclosure of timely and accurate information on all material matters regarding the financial situation, performance, ownership, governance of the company, level of top management compensation, as well as the release of properly-audited statements. It is important for the accounting fraternity to accept a greater degree of responsibility with regard to these matters, and for audit firms to exercise their proper roles and responsibilities in promoting good corporate governance.

However, large differences in levels of development preclude the immediate application of a single set of corporate governance criteria to all APEC members at this point in time. Within the short term, more than one set of criteria could be used to take this reality into account, while measures are undertaken to facilitate the accelerated graduation of less developed economies to higher standards of corporate governance, and the eventual use of only a single set of criteria.

i) Financial sector reforms. To facilitate corporate debt restructuring, appropriate financial sector reforms should also be put in place. These reforms should have the following objectives:

- i) to ensure that banks have adequate capital in accordance with international standards so as to have the leverage to write off debt without a consequent widening of spreads and to deal with large creditors on equal terms;

ii) to ensure that banks have incentives to work out debt; and

iii) to ensure an arms-length relationship between banks and their borrowers.

j) Market liberalization. External resources can be harnessed to speed up the debt restructuring process and to strengthen the financial and corporate sector against the recurrence of systemic banking crises. Liberalization of laws and regulations governing foreign ownership to widen possibilities for foreign investors to acquire equity positions in domestic corporations and banks that are undergoing restructuring could be beneficial.

k) Capital market development. Inadequate debt and equity market infrastructures contributed to the outbreak and spread of the financial crisis in Asia. They also pose significant obstacles to financial sector recovery. It will be difficult for banks to lend as they rebuild their capital bases, and securitization of bank portfolios will grow as banks shed their assets. Capital market reform is therefore important for banking sector reform to take root and to create transparent and deep capital markets to complement bank lending as a source of capital.

A role for regional cooperation

3. Corporate debt restructuring efforts of individual economies can be greatly strengthened through regional cooperation, especially given the huge costs of re-capitalizing domestic financial institutions. We believe that collaboration within the Asia-Pacific Economic Cooperation forum (APEC) and other multilateral frameworks can provide valuable capital and expertise to promote debt restructuring and recovery. Among various possibilities, we endorse the following:

a) Regional or multilateral schemes to promote bank re-capitalization. Such schemes could combine the resources of government agencies, international financial institutions, and the private sector to provide funds for injecting equity into banks and for various programs to take loans off their books. Government agencies and international institutions could take up various roles in these schemes, such as providing equity investment and loan guarantee programs. Funds can be raised from international capital markets with the issue of new debt securities collateralized by underlying assets such as government bonds, bank loans, and commercial papers. Among these schemes are ABAC's proposal of using collateralized bond obligations (CBOs) and the proposed Asian Financial Market Recovery Fund.

b) Mobilizing financial expertise within the region. The frequent incidence of corporate debt restructuring and financial sector reform efforts in Asia, Latin America and Eastern Europe over past decades has created a pool of experts from within the region who have been directly involved in these efforts. Many of these experts have retired from government or private sector employment and form part of volunteer groups that provide assistance to developing countries. Through regional (APEC) or bilateral schemes, their experience and expertise can be harnessed to help governments, monetary authorities, regulators and financial institutions deal with the challenges of corporate debt restructuring.

c) Regional cooperation for strengthening debt work-out expertise . The use of technical assistance for bank work-out departments can enhance the quality and timeliness of debt restructuring, as shown by Poland's successful experience with corporate debt restructuring in the early 1990s. APEC should consider cooperative schemes to provide financial and technical support to banks' efforts in developing such expertise.

d) Regional cooperation for improving standards of corporate governance and promoting consistency of skills in accounting firms. There is a need for firms and financial institutions in developing economies to move up to higher standards of corporate governance. Experience of banks in the region has also shown that critical differences exist in the level of competencies from one jurisdiction to another among the major accounting firms. The competency differentials are not merely restricted to the area of corporate restructuring but also encompass due diligence. Consistency of skills is essential for these firms, which have an obligation to the business and

investor community at large. Technical and financial assistance at the regional level should be made available for programs that promote these goals.

ANNEX 1

DEBT RESTRUCTURING FRAMEWORKS

Scheme	Operation	Usefulness	Major Pitfalls
Government mediation	Impartial government mediator plays the role of honest broker to promote agreements between corporations and banks or between banks. The mediator can establish guidelines for financial engineering and triage, facilitate information sharing, and provide expertise.	<ul style="list-style-type: none"> • When debt restructuring is limited in scope. • When there is a favorable environment characterized by a credible government mediator, macro-economic stability and appropriate regulatory setting. 	
Government schemes	The government provides financial incentives to facilitate debt restructuring. These may come in the form of insurance or subsidy incentives for creditors and debtors, including compensation to creditors for lengthening debt maturities and grace periods; interest rate and exchange rate guarantees; and equity injections.	<ul style="list-style-type: none"> • When extremely high levels of debt impose externalities, such as a credit squeeze and a cut-off of external financing. • When market or regulatory failures, such as exchange rate risk in an uncertain macro-economic environment, are slowing down the debt restructuring process. 	<ul style="list-style-type: none"> • Politicization • Overly generous and long-lasting incentives, which could lead to large government losses.
Direct bank re-capitalization	The government uses public funds to restore	<ul style="list-style-type: none"> • When extremely 	<ul style="list-style-type: none"> • Moral hazard

	<p>bank capital that has been reduced by widespread interruption of corporate loan payments. Although re-capitalization takes many forms, the cleanest way for governments to re-capitalize banks is by buying new equity shares.</p>	<p>high levels of debt impose externalities.</p> <ul style="list-style-type: none"> • When market or regulatory failures are slowing down the debt restructuring process. • When banks are better qualified to work out debt. • When accompanied by measures improving bank supervision and governance, as well as specific corporate debt restructuring measures. 	<p>problem: banks may gamble the new capital on risky loan expecting a new re-capitalization if the loans do not pay off.</p>
<p>Government asset management corporation</p>	<p>A government-financed asset management corporation buys bad loans, provides equity to banks and corporations, negotiates with debtors and takes an active role in restructuring. It can also serve as an out-of-court bankruptcy mechanism.</p>	<ul style="list-style-type: none"> • When extremely high levels of debt impose externalities. • When market or regulatory failures are slowing down the debt restructuring process. • When bank-led debt restructuring is not feasible due to poor management of banks, lack of expertise in banks to work out bad debt, a large number of debtors, and lack of corporate capacity and 	<ul style="list-style-type: none"> • Multiple inconsistent goals. • Politicization. • Re-capitalizing banks through the asset management corporation by paying above-market prices for bad loans.

		<p>willingness to provide reliable financial information.</p> <ul style="list-style-type: none">• When accompanied by supporting policies in the areas of corporate governance and financial sector reform.	
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Source: Mark Stone, *Corporate Debt Restructuring in East Asia: Some Lessons from International Experience* [IMF Paper on Policy Analysis and Assessment, October 1998]

Annex IV: ITF Attachments

PARTNERSHIP FOR EQUITABLE GROWTH ASIAN GAS GRID PROJECT

Progress of Starting Plan:

Completed:

- Agreement has been received from H.E. B.J. Habibie to be a patron of PEG Inc.
- Establishment of Indonesia consortium of companies which will take part in the PEG Inc., consisting of:
 - Bakrie Group of Companies
 - PT Catur Yasa
 - PT PGN
 - PT Guna Nusa Utama Fabricators
 - PT Lirik Petroleum
- Appointment of Mr. Aburizal Bakrie as a Director.
- Nomination of Mr. Suharno Rusdi as staff professional for projects office.

To be followed up:

- Indonesian consortium's contribution commitment of USD 126, 000(USD 45.000/ Year for 3 years) will be realized.

Asian Gas Grid (AGG)

- Identified Indonesian Gas Resources (Proved)
 - Natuna Alpha-D (tributary supply)
 - Consortium of PSC Natuna (committed for Singapore)
 - Identified Other Gas Resources:
 - Joint Development Authority Malaysia/ Thailand
 - Nam Con Son Fields Offshore Vietnam
 - Identified Consuming Economies:
- Thailand
- People's Republic of China
- Chinese Taipei
- Indonesia
 - Addition Critical Factors to be included in Pre- Feasibility Study:
- Gas Resources Base beside those three identified sources
- Development & Processing Costs
- Gas Pricing
- Domestic Gas policy of Gas resources Rich Economies
- National gas grids in Thailand, Vietnam and Indonesia
 - Indonesia's Long Term Vision of the Gas Industry:
- Efficient both in investment and operation throughout the entire natural gas chain, supporting industrial and commercial growth;

- Dynamic, producing natural gas for the domestic and export markets;
- Contributing significantly to Indonesia's balance of payments through the displacement of imported and exportable oil products by natural gas supplies;
- Provides maximum benefits from the country's gas resources for the prosperity of the people;
- Provides an environment for the growth of national capability in the domestic gas sector;
- Sells natural gas to many consumers, either directly or through intermediaries, with the gas being delivered through a regulated natural gas transportation infrastructure.

ABAC's 1998 RECOMMENDATIONS AND APEC ACTIONS

WORKING DRAFT

ABAC RECOMMENDATION	WHAT APEC HAS ALRE ADY DONE	WHAT APEC PLANS TO DO
<i>Financial Crisis</i>		
<p>Regional Initiatives</p> <ul style="list-style-type: none"> • 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. • Develop mechanisms to cushion the impact of currency instability on the private sector, including multilateral currency swap structures where coordination of policies permits. • Encourage the IMF to broaden its approaches to include the social implications of its programs. • Establish an ongoing regional forum to promote and coordinate 	<p>According to Leaders instructions (1998) Finance Ministers are working on an initiative to develop domestic bond markets to promote more efficient financial intermediation within APEC economies and the global financial system. In May 1998 Finance Ministers highlighted the need for further work, to be conducted in conjunction with the private sector.</p> <ul style="list-style-type: none"> • Finance Ministers have supported the World Bank's work on principles and good practice in social policy. They called for strengthened collaboration between the IMF and World Bank on public expenditure work that analyses the impact of fiscal choices. • In 1998 HRDWG set up a Task Force on the Human Resource & Social Impacts of the Financial Crisis. A Symposium was held in Taipei in June 1998 and a report was published in November 1998 outlining preliminary 	<ul style="list-style-type: none"> • Hong Kong-China leads a Finance Ministers initiative looking at the development of domestic bond markets (Workshop hosted by Hong Kong in 1998). • Members to draft a compendium of sound practice and a website to serve as a resource centre and to facilitate information sharing. A further workshop will be held in 1999 to follow up on the implementation of the projects. • In 1999 the Task Force will survey the impacts on labor markets in affected economies for delivery to Leaders and Ministers in September.

<p>cooperative responses to the financial crisis.</p>	<p>recommendations of the Task Force.</p> <ul style="list-style-type: none"> Chief Human Resources Officer Network (Phase III) met in Bangkok in March 1999 to discuss practical steps to mitigate the impact of the current economic crisis and recovery plan. 	<ul style="list-style-type: none"> The Economic Committee has launched a two-year research project on "APEC economies beyond the Asian crisis" focusing on the challenges of restoring stability and growth from a long-term perspective. EC will deliver a progress report to Leaders and Ministers in September 1999. (Recommendations have been forwarded to the APEC Finance Technical Working Group for advice and input. ABAC representatives met with Finance Deputies in April and with Finance Ministers in May.)
ABAC RECOMMENDATION	WHAT APEC HAS ALREADY DONE	WHAT APEC PLANS TO DO
<p>Individual Economy Initiatives</p> <p><i>a. Enhance domestic capital market infrastructure</i></p> <ul style="list-style-type: none"> Restructure bank balance sheets through loan sales and financing structures. Encourage foreign direct investment in domestic financial institutions to strengthen the capital 	<ul style="list-style-type: none"> In recognition of the importance of adequate banking supervisory regimes (Leaders, 1998) a survey was undertaken to identify gaps/shortcomings in the supervisory framework. Findings indicated a high degree of compliance with the Basic Core Principles for Effective Banking Supervision. Thailand leads an initiative (through the Finance Ministers) on sharing privatisation experiences to build cooperation and 	<ul style="list-style-type: none"> Updated report on progress of APEC member economies towards strengthening supervisory systems Report to Finance Ministers on outcome of Privatisation Forum (to be held November 1989 in Thailand)

<p>bases of domestic banks and enhance their global competitiveness.</p> <ul style="list-style-type: none"> • Undertake legal reforms to facilitate financial reorganization. • Improve domestic capital markets through the development of liquid bond and asset-backed securities markets. <p><i>b. Alleviate corporate debt</i></p> <ul style="list-style-type: none"> • 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. <p><i>c. Facilitate exports</i></p> <ul style="list-style-type: none"> • Encourage the use of securitization 	<p>strengthen institutions. A core group meeting was held in March 1999 and it proposed that the initiative be advanced through a Privatisation Forum.</p> <ul style="list-style-type: none"> • Malaysia, in collaboration with Australia, the US, the World Bank and ADB leads a strengthening corporate governance initiative (endorsed by Finance Ministers in 1999). Report "Strengthening Corporate Governance in the APEC Region" tabled at Finance Ministers in Langkawi. Australia has produced a compendium on its corporate governance training facilities that will be available to participants in the APEC region. • See bond market initiative above. 	<ul style="list-style-type: none"> • Economies, on a voluntary basis, to report on progress of measures to strengthen corporate governance at the next Finance Ministers meeting (2000). • The first step is a compendium of measures undertaken by member economies in adopting international standards/codes/best practices to strengthen financial systems.
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<p>structures of trade receivables for trade finance.</p> <ul style="list-style-type: none"> Enhance the role of export credit agencies to match the financing needs of export companies. <p>Global Assessment</p> <ul style="list-style-type: none"> Conduct an assessment of the market framework within which international capital flows take place and evaluate the adequacy of current governance structures and management of the global financial system. 	<ul style="list-style-type: none"> Note: Finance Ministers Deputies are developing a tracking approach to monitor progress on implementing plans and principles to strengthen financial systems. Finance Ministers Deputies have been working on initiatives aimed at strengthening the global financial system (as directed by Leaders in 1998). 	<ul style="list-style-type: none"> The IMF and World Bank, in consultation and cooperation with the relevant international organisations, are to compile an initial matrix of such key standards. Finance Ministers Deputies to report to Leaders in 1999, including the work of the Global Stability Forum (highly leveraged institutions, offshore centres, short term capital flows, and involving the private sector in crisis prevention and resolution).
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ABAC RECOMMENDATION	WHAT APEC HAS ALREADY DONE	WHAT APEC PLANS TO DO
EARLY VOLUNTARY SECTORAL LIBERALIZATION		
<p>ABAC supports conclusion of an EVSL package that is:</p> <ul style="list-style-type: none"> Inclusive – all 15 sectors should move forward as a group; Comprehensive – as many products as possible should be included in each sector; and Credible – all member economies should endorse the trade liberalization work plans for each sector; flexibility should be in 	<ul style="list-style-type: none"> 16 economies participated in the EVSL process and agreed on a framework for addressing tariffs (end-rates, end-dates, product coverage and flexibility provisions), facilitation and ecotech. Ministers agreed to begin implementation of facilitation, ecotech and other initiatives according to the agreed schedule in the initial 9 sectors. They also agreed to improve and build on this progress by trying to conclude a 	<ul style="list-style-type: none"> Tariff elements in six other sectors referred to WTO by APEC Trade Ministers in June. Non-tariff, facilitation and ecotech programmes to be developed.

<p>the form of staging of tariff cuts, not opting out of sectors or product coverage.</p>	<p>broader agreement in the WTO on the tariff elements, where informal consultations have begun, in 1999.</p> <ul style="list-style-type: none"> • Work programs have been put in place to implement the non-tariff measures, facilitation and ecotech elements of the first nine sectors. Economies have begun identifying NTMs as a basis for further action to reduce or remove them. • APEC Telecommunications Ministers finalized agreement in one other sector, on an MRA for telecommunications equipment, in June 1998. Eight economies are beginning implementation in 1999. An implementation project is now underway with TILF funding. 	
<p>ECONOMIC AND TECHNICAL COOPERATION (PARTNERSHIP FOR EQUITABLE GROWTH)</p>		
<ul style="list-style-type: none"> • Troika of APEC Trade Ministers should serve as ex officio members of PEG's Board of Directors to represent all APEC economies. • Some Economic Leaders should serve on PEG's Council of Advisors. 		
<p>SMALL AND MEDIUM ENTERPRISES</p>		
<p>a. <i>Initiatives to create a favorable financial environment</i></p> <ul style="list-style-type: none"> • Create financial institutions to support 		<ul style="list-style-type: none"> • (Recommendations have been forwarded to the APEC Finance Technical Working Group for advice

<p>SMEs.</p> <ul style="list-style-type: none"> • Develop performance-based lending practices for SMEs • Encourage banks to allow loan restructuring. • Provide credit on an equal and open basis. • Provide micro-lending. • Provide export credit. • Allocate funds from IMF Structural Adjustment Loans to provide low-interest loans to SMEs. • Examine the options for short-term tax relief for SMEs. 		<p>and input.)</p> <ul style="list-style-type: none"> • The Economic Committee is examining, as part of its "APEC economies beyond the Asian crisis" project, a section on the conditions for the healthy, sustainable development of SMEs for delivery in September 1999. • The SME Ministers is to raise with APEC Finance Ministers the urgency of removing barriers to competitive provision of financial services to SMEs, especially with respect to the marshalling of capital and the creation of venture capital funds.
<p><i>b. Initiatives to stimulate business and employment opportunities</i></p> <ul style="list-style-type: none"> • Encourage large corporations to consider sub-contracting to SMEs. • Use SMEs in governments' procurement of goods and services. • Accelerate 	<ul style="list-style-type: none"> • A project that links up leading companies from developed economies with SMEs of APEC developing economies for production and supply of parts, technological collaboration and joint R&D is underway and will be completed by December 1999. • The APEC SME Network of Networks and APECNet business-matching service are fully operational. • A seminar to promote SMEs' understanding on future directions of 	<ul style="list-style-type: none"> • Ministers will identify, in consultation with SMEs, the major barriers and compliance costs to SMEs. Ministers agreed to report back directly on progress on these issues next year for later voluntary inclusion in IAPs.

<p>infrastructure project implementation using SMEs.</p> <ul style="list-style-type: none"> • Unbundle components of infrastructure projects to allow greater opportunities for SME participation. • Centralize sales opportunities through electronic networking. • Encourage microbusiness development by enhancing consumer protection regulations. 	<p>markets in the APEC region, including how to secure government procurement contracts, was held in November 1997.</p>	
<p>ELECTRONIC COMMERCE AND Y2K</p>		
<ul style="list-style-type: none"> • The private sector should lead in development of e-commerce. • Training in e-commerce should be provided to SMEs. 	<ul style="list-style-type: none"> • APEC Ministers have endorsed this principle. • HRD WG has conducted a project on Internet and Electronic Commerce: Training on Java-based Technology. Website now operational: www.edu.au/commerce.ap ec • TEL WG survey of the uptake of electronic commerce by SMEs underway. Final report to be delivered in mid-year 1999. • TEL WG survey of legal and regulatory barriers to conducting Electronic Commerce completed and posted to the internet, with regular updates planned. • TEL WG E-commerce Awareness Seminars will be held to help SMEs understand the benefits of doing business electronically. 	<ul style="list-style-type: none"> • A study on the impact of e-commerce on SMEs and how they can benefit from it will be conducted 1999-2000. • The TPT WG will conduct a training program to provide a sound base of knowledge and skills in e-commerce to enable firms to install e-commerce systems and prepare them for the trialing of messages. • TPT-WG 15 will seek approval for a pilot project to provide electronic commerce training in maritime transport. • TEL WG plans to

<ul style="list-style-type: none"> • New laws should not be introduced if existing laws can apply. • Laws and regulation should not commit business to specific technology and standards. • Policies and regulation should be compatible with existing multilateral agreements, such as in the WTO and ITU. • Governments should deregulate the telecommunications sector, promote technical standards to ensure inter-operability, ensure that regulation is transparent and flexible, and involve financial institutions in resolving payment and credit documentation issues. • Governments should lead by example by maximizing use of e-commerce in, for example, government procurement. 	<ul style="list-style-type: none"> • As directed by Ministers, the APEC Secretariat is compiling a list of e-commerce hub and network service providers available in the economies. • Transport WG (TPT) held an E-commerce Seminar in April 1999 in Santiago, focusing on practical applications for transport and trade. • Transport WG and SCCP have conducted separate EDI Commerce Messages projects to identify, through pilot projects, the processes and preparation required to enable business involved in international trade, transport and customs to trial and use harmonized EDIFACT messages in the trading chain between organizations in APEC economies. • APEC Ministers responsible for Telecommunications and Information Industries adopted a Framework for Action on Electronic Commerce consistent with these points in June 1998 and directed TELWG to implement. • TEL WG participated in an OECD-business workshop on Electronic Authentication in June 1999 	<p>hold further E-commerce Awareness Seminars in 1999 in Singapore, Thailand and Vietnam.</p> <ul style="list-style-type: none"> • The SCCP project will be completed by December 1999.
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<ul style="list-style-type: none"> • Responsibility for e-commerce in each economy should be placed in one central agency. • Public-private partnerships will be vital to realizing the potential benefits of e-commerce. • A mechanism should be established to ensure consumer protection across borders. • Private and public sectors must make efforts to build confidence in electronic payment systems. • Governments should conduct programs to ensure Y2K compliance, with priority on the financial, transportation, utilities and medical services sectors. 	<ul style="list-style-type: none"> • GP Experts Group held a seminar in February 1999 partly on the topic of electronic tendering in government procurement. The GPEG Home Page is linked to 11 members' electronic GP sites. • APEC economies cooperated in a major symposium in April in Singapore on Y2K cross-border impacts and contingency planning, focused on the telecomms, energy, customs, transportation and financial services sectors, and with special focus on SMEs' preparedness. It was part of an APEC Y2K Week of activities. • Transport WG has conducted a project to raise awareness of the Y2K problem through a survey on air traffic control and airport systems. Result: all economies are either assessing the problem or taking compliance measures. 	<ul style="list-style-type: none"> • Under direction of APEC Energy Ministers, the Energy Regulators' Forum of the EWG is surveying economies' Y2K preparedness in the energy sector. The report will include case studies of actions being undertaken that other economies could consider duplicating.
<p>APEC FOOD SYSTEM</p>		
<p>APEC should build an APEC Food System, a long-term project to achieve a more robust</p>	<ul style="list-style-type: none"> • An ad hoc Task Force established by SOM has 	<ul style="list-style-type: none"> • The Task Force aims to finalize the

<p>regional food system that efficiently links together food producers, processors and consumers and more securely meets the region's future food needs. The work program should involve close public-private collaboration and parallel cooperative action in three areas:</p> <p><i>a. Rural Infrastructure Development</i></p> <ul style="list-style-type: none"> • Improve the availability of rural education. • Promote increased investment in physical rural infra-structure, through <ul style="list-style-type: none"> (i) ensuring sound macroeconomic and domestic regulatory environments and (ii) development of funding mechanisms to facilitate and reduce the cost of private sector investment in infrastructure. <p><i>b. Promotion of Trade in Food Products</i></p> <ul style="list-style-type: none"> • Reduce the cost of trade in food products through trade facilitation measures. • Provide technical assistance to upgrade SPS procedures where these inhibit food exports. • Cooperate on harmonization/equivalence of regulation and control systems on consumer requirements. • Progressively eliminate, ahead of Bogor targets, unnecessary 	<p>prepared the first draft of a study on the food system that will take up all major issues raised by ABAC. It discussed the report at the Task Force's first meeting in May in Christchurch, which an ABAC representative attended.</p>	<p>study and recommendations to SOM for responding to the ABAC proposals by August.</p>
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<p>impediments to food trade, including tariffs, WTO-inconsistent NTMs, and export subsidies.</p> <ul style="list-style-type: none"> • Pursue cooperation to assure nondiscriminatory access to food products. 		
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ABAC RECOMMENDATION	WHAT APEC HAS ALREADY DONE	WHAT APEC PLANS TO DO
<p><i>c. Dissemination of Technological Advances in Food Production and Processing</i></p> <ul style="list-style-type: none"> • Promote regional food technology transfer • Harmonize food safety-related regulations as they apply to technology. • Conduct research, development and marketing of food-related technology. • Ensure dissemination of new technologies is consistent with market principles and intellectual property rights. • Distribute information on environmentally sound food production and processing techniques. 	<ul style="list-style-type: none"> • The "APEC Post Harvest Network project" has established a website at http://cape.uwaterloo.ca:80/post_harvest/ to provide a comprehensive listing of all post harvest related products and services, people and organisations, and research activities and facilities worldwide. The site is at an early stage of development. • HRD WG is implementing the Human Resources Management for Cleaner Production project that focuses on the food industry. 	<ul style="list-style-type: none"> • IST WG will conduct a feasibility study for developing a post-harvest network in the APEC region aimed at reducing grain, fruit and vegetable losses and increasing trade through use of appropriate technologies.
IMPROVING FUTURE ACTION PLANS		
<i>a. Tariffs</i>		

<ul style="list-style-type: none"> Specify in IAPs the final average tariff levels targeted by 2010 to 2020. Be more specific on member economy plans to reach Bogor goals. 	<ul style="list-style-type: none"> Seven economies so specified in their 1998 IAPs. 	
<p><i>b. Non-Tariff Measures</i></p> <ul style="list-style-type: none"> Publish an APEC NTM inventory, including investment and services. Include more details on removing NTMs, covering also services and investment. Reduce or eliminate NTMs beyond WTO commitments. 	<ul style="list-style-type: none"> The Market Access Group (MAG) is compiling information on members' NTMs. One economy specified plans beyond its WTO commitments in its 1998 IAP. 	<ul style="list-style-type: none"> Once the information on NTMs is collected, MAG will discuss how to disseminate it, including possible electronic publication.
<p><i>c. Services</i></p> <ul style="list-style-type: none"> Identify priority service sectors for early liberalization, in addition to financial services. Provide five-year specific plan to reduce barriers and more broadly based medium- and long-term plans for services Develop principles and guidelines on liberalization of trade and investment in services. 		

ABAC RECOMMENDATION	WHAT APEC HAS ALREADY DONE	WHAT APEC PLANS TO DO
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<p><i>d. Investment</i></p> <ul style="list-style-type: none"> • Implement the 1994 Non-Binding Investment Principles. • Include commitments and targets for removing impediments to the development of domestic and regional capital markets 	<ul style="list-style-type: none"> • Based on the non-exhaustive "master menu" of investment-liberalizing and business-facilitating measures, members have voluntarily selected a number of options to make progress toward creating a free and open investment regime. (The menu of options is available on the APEC website.) • 13 economies include such commitments in their 1998 IAPs. 	<p>The Investment Experts Group will:</p> <ul style="list-style-type: none"> • Continue to conduct symposia and update the Investment Guidebook; • Use the APEC FDI Mart to brief business people on economies' investment policies; • Hold a dialogue in August 1999 on business facilitation and the role of investment incentives; • Encourage economies to report their progress in implementing the menu of options in their IAPs; • Seek ABAC and other business assessments of the menu approach and the implications of implementing it.
<p><i>e. Small and Medium Enterprises</i></p> <ul style="list-style-type: none"> • Show in IAPs how commitments made can contribute to the recovery of SMEs, including action taken on previous ABAC recommendations on SMEs. 	<ul style="list-style-type: none"> • Two economies made SME-related commitments in their 1998 IAPs. 	

ABAC RECOMMENDATION	WHAT APEC HAS ALREADY DONE	WHAT APEC PLANS TO DO
BUSINESS MOBILITY		

<ul style="list-style-type: none"> APEC economies should collectively commit to make available to all business travelers from APEC economies one of the following visa arrangements (in order of preference) for short-term visits by the end of 1998: <ol style="list-style-type: none"> 1. Visa-free entry; 2. The APEC Business Travel Card; or 3. Five-year multiple-entry visas. 	<ul style="list-style-type: none"> Visa-free entry is available in about 40 percent of the 420 possible travel permutations (21 x 20 economies). Six economies participate in the Business Travel Card scheme. Trade Ministers in June 1998 endorsed economies' collective commitment to grant multiple-entry visas to regular business travelers. 	
<ul style="list-style-type: none"> APEC economies should establish special immigration lanes at major ports of entry by the end of 1998 for high-frequency business travelers from the region, including holders of five-year multiple entry visas. APEC economies should commit to the following service standards for the issuance of business residency permits by 1998: Applications processed within one month of 	<ul style="list-style-type: none"> Economies participating in the Business Travel Card program provide special lanes for cardholders. Members have agreed in principle to raise service standards for residency permits for executives, managers and specialists transferred within companies as follows by end-1999: Applications processed with a view to finalizing within 30 days of receipt; Extensions processed with a view to finalizing within 30 days and the applicant should not be required to leave the economy. 	

<p>receipt;</p> <ul style="list-style-type: none"> • Extensions processed within one week of receipt of application; and • Automatic renewal for a period of up to three years 		
<ul style="list-style-type: none"> • The APEC Business Travel Handbook should be regularly updated and widely publicized in member economies. • APEC should expand its cooperation in visa processing and border entry management systems and technology beyond information-sharing exercises, and include identification of world best practice systems and technologies, and should give priority to training and technical infrastructure development. 	<ul style="list-style-type: none"> • Members have published on the Internet information on existing regulations and procedures for obtaining short-term business visas and business residency permits. • Members have established a "mentoring" system to provide training and technical infrastructure development. 	<ul style="list-style-type: none"> • A 1999 project will focus on prevention of travel document fraud as a means to streamline border processing of legitimate business travelers.
INTELLECTUAL PROPERTY RIGHTS		
<ul style="list-style-type: none"> • APEC should set deadlines for achieving the key elements of the IPR Experts' Group's work 		<ul style="list-style-type: none"> • Central Registry is a long-term objective to be pursued stepwise. Information exchange on the protection of well-known

<p>program that builds towards the creation of a Central Registry for Trademarks and Patents.</p>		<p>trademarks and IPR administrative systems could be a step forward.</p>
<ul style="list-style-type: none"> • APEC should establish an IPR Education Cooperation Program and a Private Sector Participation Initiative to assist all APEC economies in developing and implementing effective IPR protection regimes. • APEC economies should implement TRIPS, or equivalent obligations in the case of non-WTO signatories, in the shortest possible time before 2000, with enforcement principles based on world best practice. 	<ul style="list-style-type: none"> • Extensive cooperation program is underway including Partner for Progress (PFP) training programs on industrial property rights in 1996-98 and various symposium on IPR. An APEC/ABAC Joint Symposium on IPR was held in February 1999 in Fukuoka. • Some members have already implemented TRIPS and others are in the final stage of doing so. Members have agreed to a framework proposed by Korea for additional bilateral technical cooperation to implement TRIPS (which supplements existing collective efforts). 	<ul style="list-style-type: none"> • Cooperation will continue with a PFP training program on Industrial Property Rights. • All members are expected to implement TRIPS by 2000. Members will implement the framework for additional technical cooperation, and Korea will hold a technical cooperation symposium in June 1999 to assist TRIPS implementation, taking the replies to the checklist on the TRIPs Agreement into consideration. Members will also examine the possibility of further improving IPR systems after full TRIPS implementation.
<p>STANDARDS AND CONFORMANCE</p>		
<ul style="list-style-type: none"> • APEC economies should align their national standards with international standards in the priority sectors identified by APEC. 	<ul style="list-style-type: none"> • Identified priority areas for alignment work: electrical and electronic appliances (air-conditioner, TV, refrigerator, radio and its parts, and video apparatus), food labeling, rubber gloves and condoms, and machinery. 	<ul style="list-style-type: none"> • Alignment is to be achieved in the priority areas by 2000/2005, though economies have committed to try to accelerate this timetable.

	<ul style="list-style-type: none"> • Agreed to align members' standards on electrical and electronic equipment with international standards in respect of safety and electromagnetic compatibility by 2004/2008. • Published a guide for alignment of APEC member economies' standards with international standards. • Published a progress report (Voluntary Action Plan Report) on implementation of alignment with international standards in priority areas. • Submitted through PASC, the proposed draft revision of ISO/IEC Guides 3 and 21 on method of indicating equivalence of standards with international standards to ISO for consideration. • Cooperated in international standardization activities (ISO/IEC) and established ad hoc technical groups in the areas of: <ul style="list-style-type: none"> • Loading and structural design standards • Timber standards • Performance-based housing standards • Hazardous area equipment • Transport WG held an International Vehicle Standards Harmonization Seminar, April 1998 in Mexico City, which was well attended by business representatives. • The Marine Resources Conservation WG is conducting a project to establish the scientific and regulatory infrastructure 	<ul style="list-style-type: none"> • Interested member economies are participating in ad hoc technical groups that will prepare input into the ISO/IEC international standards development process . • Transport WG will promote adoption of ICAO and IMO standards, regulations and safety measures. • The MRC WG will continue the MRT/HAB project to make recommendations to APEC economies on the testing of seafood safety and certification programs
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	<p>sufficient to certify that seafood products are safe with respect to algal toxins, using procedures and standards acceptable to all economies in the region.</p>	<p>in regard to algal toxin.</p>
<ul style="list-style-type: none"> • APEC should establish an internationally-recognized testing accreditation mechanism by 1998. • APEC economies should adopt mutual recognition agreements in the priority areas identified by APEC within the regulated sectors by 1998. 	<ul style="list-style-type: none"> • Accreditation bodies in six member economies were the initial signatories to the Asia-Pacific Laboratory Accreditation Cooperation Mutual Recognition Arrangement in November 1997. APEC Ministers have encouraged participation by additional member economies in APLAC-MRA. • APEC Food MRA became operational August 1997; five economies now participate. Twelve economies participate in the APEC Arrangement for the Exchange of Information on Toy Safety. • Telecommunications Ministers in 1998 endorsed an MRA for telecommunications equipment to take effect in July 1999. Ten economies have indicated their readiness to begin implementation in late 1999. • SCSC has begun work on an MRA for Electrical and Electronic Equipment and agreed on the part dealing with information exchange. • Energy Ministers endorsed a standards notification procedure for energy efficiency testing procedures in October 1998. • Transport Ministers adopted a model MRA on automotive products in 1997. 	<ul style="list-style-type: none"> • As directed by Energy Ministers, EWG is developing common or comparable energy performance test standards and a common framework for recognition of laboratory test results. • SCSC will continue to identify additional priority areas for MRAs in the regulated sector. • SCSC will develop the full text of the MRA for Electrical and Electronic Equipment in 1999. • In 1999 EWG's Steering Group on Energy Standards will implement the standards notification procedures. It will establish links to a dedicated subdirectory of the EWG website and those of participating member economies.

PROFESSIONAL STANDARDS		
<ul style="list-style-type: none"> APEC should convene in 1998 a regional conference on mutual recognition of professional credentials within APEC economies. 	<ul style="list-style-type: none"> No direct action to date. However, HRD WG is implementing a project called Towards Mutual Recognition of Qualifications that aims to facilitate mutual recognition of selected professional qualifications. Phase 1 collected information on members' professional recognition requirements in accountancy, engineering and surveying. Phase 2 developed criteria for recognition of an APEC engineer (using a best practices approach), a mutual agreement framework and student exchange programs. 	<ul style="list-style-type: none"> Proposed Phase 3 of the HRD project would seek to establish an APEC Engineer Register and encourage licensing authorities to allow mutual exemption for engineers on it. A workshop for regulatory authorities will be held in February 2000. The TPT-WG STCW training for seafarers project aims to increase the harmonization (and therefore mutual recognition) of professional credentials by ensuring adherence to internationally accepted norms, such as those of the IMO. TPT-WG will seek funding for a project aimed at increasing the mutual recognition of professional qualifications in the transport industry.
SERVICES		
<ul style="list-style-type: none"> APEC should formulate collective action plans addressing major issues concerning trade in services that apply across all service industries, such as: the relaxation of foreign ownership 	<ul style="list-style-type: none"> GOS adopted a services CAP in 1997 that includes actions to identify measures affecting trade and investment in all services sectors. GOS held a training seminar in May 1998 in China to raise understanding of trade in services and needed facilitation work in line with business priorities. 	<ul style="list-style-type: none"> GOS will develop an APEC Directory of Professional Services detailing member economies' requirements for provision of such services. Phase I covers accountancy, engineering and architecture.

<p>restrictions on service firms; and the removal of restrictions on commercial presence of foreign service firms.</p>		
COMPETITION POLICY AND DEREGULATION		
<ul style="list-style-type: none"> • APEC should consider the views of business in its approach to competition policy and deregulation. In particular, ABAC will want to provide input on the following issues: • the forms of private sector conduct which should be prohibited on the grounds that they work against the competitive process and have no redeeming features; • the treatment of utilities and natural monopolies; • the relationship between competition policy and anti-dumping; • the constitution of adequate and effective competition law; and • the identification of key regulatory 	<ul style="list-style-type: none"> • Four workshops have been held since 1995 on diverse competition policy issues, including the objectives of and mechanisms for implementing CP, the relationship between CP and deregulation, legal aspects, natural monopolies, anti-dumping, and trade policy linkages. • The APEC Competition Policy and Law Database was completed in February 1998. • Annual APEC/PFP Competition Policy Training Courses raise officials' expertise in competition law and policy. • A public/private sector symposium on regulatory reform was held in September 1998 in Malaysia that drew together themes and principles of regulatory reform in APEC. 	<ul style="list-style-type: none"> • Priority work for 1999 includes: development of principles for competition and regulatory reform, in association with PECC; strategies for capacity building and institutional development; and completion of a study on the advantages and disadvantages of competition law for developing economies.

and other barriers to effective competition.		
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ABAC RECOMMENDATION	WHAT APEC HAS ALREADY DONE	WHAT APEC PLANS TO DO
INFRASTRUCTURE INVESTMENT		
<ul style="list-style-type: none"> APEC economies should make possible a sectoral approach to investment liberalization for infrastructure through an Infrastructure Investment Initiative (III), which applies certain investment protection principles on a sectoral basis to infrastructure projects. 	<ul style="list-style-type: none"> APEC Finance Ministers agreed in 1997 on Voluntary Principles for Facilitating Private Sector Participation in Infrastructure in which member economies undertook "to introduce necessary steps, where appropriate, to put in place a framework to provide a high level of investor protection..." The November 1997 Vancouver Framework for Enhanced Public-Private Partnerships in Infrastructure Development reaffirmed these principles and called for action to improve capacities in various areas. APEC Energy Ministers endorsed in 1997 the principles in the <i>Manual of Best Practice Principles for Independent Power Producers (IPPs)</i> aimed at facilitating private investment in power infrastructure. Energy Ministers in October 1998 adopted a series of recommendations aimed at establishing a low-risk environment to encourage private investment in natural gas infrastructure, supplies and trading systems. EWG held an energy 	<ul style="list-style-type: none"> The Economic Committee's Infrastructure Workshop encourages regulatory transparency and best practice in the development of infrastructure projects. EWG will progress the Natural Gas Initiative in 1999, with input from the EWG Business Network and the Energy Regulators' Forum, to develop an action strategy to help economies implement the recommendations.

	<p>infrastructure investment workshop in the USA in April 1999. Business people helped EWG examine the initiatives on natural gas, best practice principles for IPPs, and environmentally sound infrastructure in terms of practical action.</p> <ul style="list-style-type: none"> • Energy Ministers in 1998 endorsed a work program to advance EWG recommendations to promote the uptake of environmentally sound infrastructure. • TEL WG has finalized the APEC Interconnection Framework (for Telecommunications Networks), which aims to support secure and competitive supply of services to users in an environment of certainty that gives investors confidence in the development of existing and new networks. 	
TAXATION ISSUES		
<ul style="list-style-type: none"> • APEC should set the goal of 2010 as a target date when consistent bilateral treaties should be executed and effective between 153 pairs of APEC economies. APEC economies should announce their individual targets for arriving at bilateral tax treaties in their IAPs. 	<ul style="list-style-type: none"> • Finance Ministers in May 1998 encouraged officials to expand coverage of bilateral tax treaties in conformity with international norms. 	

Business/Private Sector Involvement in the APEC Process

Stocktaking by the APEC Secretariat

Other than ABAC's consultation with Economic Leaders, business/private sector involvement in activities of the 28 or so sector-specific and other operational APEC fora has hitherto ranged from substantial to non-existent.

By decisions in 1998 and 1999, Senior Officials have sought to encourage more such involvement. The forum/meeting concerned is now authorized to decide (by consensus) on a case-by-case basis.

It is entirely open to ABAC members (and staffers) to seek participation in any APEC meeting that may be of special interest or relevance to ABAC's agenda and objectives. The APEC Secretariat stands ready to facilitate such participation.

The attached matrix records the current status and plans (if known) of business/private sector representatives' participation in APEC for a as informally assessed by the APEC Secretariat.

APEC Forum	Business Involvement to Date	Future Plans	Remarks/Assessment
Senior Officials Meeting	ABAC Chair provides occasional briefings, and PECC observes meetings.	Continuation of past practice.	Actual dialogue with business has rare, though the May 1999 session with the ABAC Chair was a productive exception. SOM approved new guidance in September 1998 and February 1999 to facilitate business/private sector contacts by working-level fora.
SOM Ecotech Subcommittee	None at meetings to date. ESC Chair and ABAC Chair exchanged letters in 1998 on ESC's role and APEC's hope to increase business involvement in ecotech activities.		SOM approved guidance in September 1998 authorizing ESC to invite ABAC reps for policy dialogue on how APEC can advance its ecotech agenda.
Budget and Management Committee	None		

Committee on Trade and Investment	PECC observes meetings and sometimes brings a business perspective to its analytical support for CTI work, e.g. discussion papers prepared for the Trade Policy Dialogue. CTI conducts regular outreach to business via speeches, Internet, publications, and media relations. Business representatives provided extensive inputs to EVSL experts groups.	Continuation of past practice. Some EVSL experts groups will continue independent existence, e.g. the APEC Automotive Dialogue.	Business involvement has been limited at plenary level. SOM approved guidance in September 1998 authorizing CTI to invite ABAC reps to plenary meetings for policy dialogue on how APEC can further promote TILF. Attendance by ABAC and other business reps is authorized for CTI sub-groups.
CTI – Dispute Mediation Experts Group	Business people and private legal experts occasionally attend meetings as members of economy delegations. They have attended seminars on the WTO Dispute Settlement Understanding and a symposium on alternative dispute settlement. A 1997 DEMG project received private sector funds in the form of a law firm's donating a consultant's time to write a guidebook on dispute mechanisms in APEC.	Continuation of past practice.	Business involvement to date has been moderate.
CTI – Government Procurement Experts Group	Some business people have attended educational programs either as expert speakers or members of economy delegations.	Continuation of past practice.	Business involvement to date has been limited.
CTI – Group on Services	Business representatives were invited to participate in and give presentations to the APEC Training Program in Services, May 1998 in China.		
CTI - Intellectual Property Rights Experts Group	Business people participated in IPR symposia in 1996 and	Each member economy will contact its domestic business	Business involvement to date has been moderate.

	<p>1997, and an ABAC rep attended the August 1998 meeting to explain ABAC's 1997 recommendations on IPR. A contact point list of business/private sector experts on IPR has been developed and put on the APEC Homepage for public use. A Joint APEC-ABAC Symposium on IPR was held in February 1999 in Japan.</p>	<p>sector, including its ABAC representatives, and inform the Experts Group about their concerns and suggestions.</p>	
<p>CTI – Investment Experts Group</p>	<p>Past practice was for IEG members to invite three business people from each economy to the annual Investment Symposium, but business attendance has been uneven and not high. Tentative efforts to engage ABAC at IEG meetings have not borne fruit.</p>	<p>IEG decided in June 1998 that there should be no limit on the number of participants from each economy at future symposia and to invite business/private sector representatives, in particular ABAC, to provide input on symposium topics.</p>	<p>The symposia have allowed policy dialogue. Business has had significant influence on IEG plans and programs, mainly via economy positions.</p>
<p>CTI – Subcommittee on Customs Procedures</p>	<p>Customs brokers, importers, exporters, and freight forwarders attend the annual APEC Customs/Industry Symposium. The business/private sector partly funded the 1998 APEC Customs-Industry Dialogue in Kuala Lumpur through sponsorship and fees. SCCP also continues to explore further partnership with the private sector to organize and conduct activities for its members as part of its comprehensive technical assistance program, including on the UN/EDIFACT, risk management and temporary importation.</p>	<p>SCCP will continue to explore potential partnerships with the business/private sector to progress its work program.</p>	<p>Business involvement has been extensive. The symposia provide useful public-private exchanges. SOM has endorsed SCCP's Guidelines for SCCP and Business Strategic Partnerships (on accepting financial support).</p>

<p>CTI - Subcommittee on Standards and Conformance</p>	<p>Business people have attended some meetings as part of economy delegations and seminars and conferences. An ABAC rep attended the June 1998 meeting to explain ABAC's 1997 recommendations. SCSC members agreed in 1997 to pursue closer links with business and to solicit increased business input into SCSC's work.</p>	<p>Under its revised terms of reference, SCSC will encourage business involvement and private sector participation in standards and conformance activities.</p>	<p>Business involvement has been moderate to date. SCSC Chair has informed the ABAC Chair about SCSC initiatives and solicited ABAC's support and input.</p>
<p>CTI – Informal Experts Group on Business Mobility</p>	<p>Chair has briefed ABAC on the group's progress via letters to the ABAC Chair. Efforts to invite ABAC rep to a meeting have been unsuccessful so far due to scheduling conflicts.</p>	<p>Will continue to invite ABAC to send a rep to meetings.</p>	<p>The group's work program has flowed from ABAC and other business recommendations on business mobility.</p>
<p>CTI – Competition Policy and Deregulation</p>	<p>A symposium on regulatory reform was held in 1998 specifically to get business input on APEC's work on deregulation. The group works very closely with PECC, whose principles for competition policy form the basis of APEC's work. PECC has briefed CPD Workshops on them.</p>	<p>Continuation of past practice.</p>	<p>Business involvement has been moderate to date.</p>
<p>Economic Committee</p>	<p>No business participation at plenary level. Business has attended the Public/Private Sector Roundtables on Infrastructure and the FEEEP Symposium in September 1997 and has extended direct financial support to them, including through sponsorship of the event or of associated social functions.</p>	<p>Continuation of past practice.</p>	<p>SOM approved guidance in September 1998 authorizing EC to invite ABAC reps to plenary. Attendance by ABAC and other business reps is authorized for sub-groups. The invitation to the business/private sector to provide financial and/or in-kind support is at the discretion of the economy hosting a</p>

			particular event.
EC – Infrastructure Workshop	Business people do not attend meetings but do participate as part of economy delegations in the annual Public-Business/Private Sector Dialogue. Both small and large firms are represented.	Continuation of past practice.	Business representatives have a significant influence on the outcomes of the Infrastructure Dialogue.
Agricultural Technical Cooperation Experts Group	An ABAC representative gave a briefing on the proposed APEC Food System to the July 1998 meeting in Portland. Private sector reps made significant contributions to seminars on agricultural finance held in 1997 and 1998, as well as the third biotechnology workshop held in 1998. ATC EG has worked closely with PECC, especially in the area of marketing, processing and distribution of agricultural products. In cooperation with PECC, the contact list of agricultural experts has been prepared and recently updated and the Trade Facilitation Manual, which outlines each economy's regulations on standards and conformance, has been prepared.	ATC EG will explore possibilities for expanding contacts with the business/private sector.	Business involvement is on the rise.
Energy Working Group	Business representatives attend meetings of both the WG and its Expert Groups as part of economy delegations. Business is also represented at EWG meetings by the PECC Energy Forum. Acting on Energy Ministers' instructions to sustain and improve business contacts, EWG in March	Continuation and improvement of past practice. EWG Business Network will meet twice a year back-to-back with EWG meetings.	EWG terms of reference call for business/private sector involvement, which has been extensive and had significant influence on EWG plans and programs.

	<p>1998 set up the EWG Business Network, which replaced the Ad Hoc Business Forum on Power Infrastructure. The latter had been set up in 1996 and fulfilled its mandate. The Network comprises two business reps from each member economy. It held its first meeting in April 1999 and had dialogue with EWG. Business participates in and supports EWG seminars, training programs and technology demonstrations. A business sector-Ministerial dialogue has been held in conjunction with each Energy Ministers' meeting held to date.</p>		
<p>Fisheries Working Group</p>	<p>The PECC Fisheries Task Force has been involved with FWG since 1991, and business people have attended some meetings, usually as members of economy delegations. Some projects relating to seafood trade have had private sector participation or input into project design. Private sector reps took part in the Aquaculture Forum held in conjunction with FWG-9 in June 1998.</p>	<p>FWG plans to develop procedures to improve business involvement in its activities.</p>	<p>Business involvement to date has been limited.</p>
<p>Human Resources Development Working Group</p>	<p>A small number of firms and trade associations attend meetings, including those of subsidiary Networks, as part of economy delegations. However, active participation is limited to discussion of projects, usually at Network-level, and policy dialogue with governments is rare.</p>	<p>Continuation of past practice.</p>	<p>Business involvement to date has been limited.</p>

	<p>Business has been involved in HRD events such as seminars and training programs and has provided funding for some. ABAC members briefed HRD Ministers at their 1997 meeting in Seoul.</p>		
<p>Industrial Science and Technology Working Group</p>	<p>Business representatives have participated in IST WG meetings as members of many economies' delegations. Business/private sector has also been actively involved in individual projects such as Technomarts I and II, the Technology Transfer Workshop, the APEC S&T Industrial Parks Network, and the APEC Youth Science Festival. The Virtual Center for Environmental Technology Exchange is supported by a committee including 60 private companies, and many business people attended a symposium held by the Center in 1997.</p>	<p>The Mexico Declaration, a key element of IST WG's 1999 work program, calls for action to engage the private sector in public policy dialogue and promote linkages among universities, public science agencies and industries to enhance the development of technologies and research training capacities.</p> <p>IST WG is actively trying to increase business/private sector participation in its ecotech activities, including the implementation of the Cleaner Production Strategy. Technomart III, to be held in Australia in November 1999, will be the first APEC technomart will be managed and primarily funded by the private sector.</p> <p>A business conference will be held in advance of the 17th IST WG meeting in Seattle in August 1999. Government delegates, business leaders, trade association executives and academic experts will discuss biotechnology,</p>	<p>Business involvement in IST WG is rising rapidly.</p>

		<p>environment and health issues.</p> <p>The APEC Conference on the Contribution of Science, Engineering and Technology to Sustainable Economic Development in the APEC Region will be held in October 1999 with strong participation from the private sector.</p>	
<p>Marine Resource Conservation Working Group</p>	<p>Business representatives do not normally participate in MRC WG meetings. However, business participated in a workshop on Cyanide Fishing and Live Reef Fish to develop guidelines for toxin-free fish.</p> <p>Draft guidelines for involvement of the business/private sector in MRC deliberations have been discussed. They identify more than 10 points of reference to steer the WG in strengthening its links with the business/private sector and lay out six possible options to initiate the process.</p>	<p>The draft guidelines have been amended based on the comments and will be considered and endorsed at the next WG meeting in May for implementation.</p>	<p>Business involvement to date has been limited.</p>
<p>Telecommunications Working Group</p>	<p>Both individual firms and trade associations attend meetings, including those of subsidiary Steering Groups, as part of economy delegations. PECC observes meetings and encourages private sector collaboration by organizing a twice-yearly business roundtable to share information on TEL and its plans. An issue-specific APEC-PECC dialogue is held at each</p>	<p>Continuation of past practice.</p>	<p>Business involvement has been extensive. Its active participation provides the business sector with opportunities to exert considerable influence on TEL programs and policy initiatives. The invitation to the business/private sector to provide financial and/or in-</p>

	<p>TEL meeting, allowing business attendees to exchange views with TEL delegates. Business representatives met with Ministers in 1996 and attended a Government - Industry Dialogue with Ministers in 1998. Business also participates in and gives substantial financial support to TEL seminars, training programs and technology demonstrations (e.g. on electronic commerce), including hospitality/social functions associated with these events.</p>		<p>kind support is at the discretion of the economy hosting a particular event.</p>
Tourism Working Group	<p>Business participation has been through international organizations such as WTO, PATA, and WTTC.</p>	<p>TWG hopes to work more closely with PECC and ABAC, involving them in its activities and soliciting their members' input on areas TWG should address, especially business views on barriers to tourism growth. TWG is considering a program of workshops with industry across the APEC region to review the level of cooperation with business and identify possible joint activities.</p>	<p>Business involvement to date has been limited.</p>
Trade Promotion Working Group	<p>Since 1994, business delegates have met separately during annual WGTP meetings. The chair of this Business/Private Sector Meeting reports its deliberations to the WGTP meeting. Business has also participated in WGTP activities such as APEC Trade Fairs and the 1995 Venture Capital Workshop.</p>	<p>Continuation of past practice.</p>	<p>Business involvement has been extensive and has influenced WGTP plans and programs.</p>

<p>Transportation Working Group</p>	<p>Some economies regularly include business people in their delegations. TPT meetings are preceded by seminars on transportation topics to which business representatives are usually invited. A Transport Minister - Industry Symposium and a separate Industry Forum were held along with the 1997 Ministerial in Victoria. The symposium featured industry presentations and roundtable discussions with Ministers. ABAC members also briefed Ministers. In April 1998 a Seminar on International Vehicle Harmonization was held, and was attended by about 100 participants from the private sector.</p>	<p>SOM has authorized TPT-WG to invite three international industry organizations (IMMA, OICA and FIA) to attend meetings of the Road Transport Harmonization Project Group as guests. Proposed EVSL plans for the automotive sector also envision increased business participation in APEC activities. Approval has also been granted for participation by the Airport Council International – Pacific Region.</p>	<p>Business involvement has been extensive to date.</p>
<p>Policy-Level Group on SMEs</p>	<p>Delegations seldom include business representatives. However, Business Forums have been held back-to-back with annual SME Ministerials. Conclusions of the Forum are submitted to Ministers at a special session with both policy makers and business people. ABAC representatives also brief SME Ministerial meetings. Private sector recommendations have been considered in shaping the 1998 APEC SME agenda.</p>	<p>The Integrated Plan of Action for SME Development (SPAN) endorsed by Leaders in Kuala Lumpur was prepared with input from SMEs and SME support organizations. It calls for public-private sector dialogue and cooperation in the design of APEC SME-related activities by all fora. PLG will also increase the involvement of support organizations in the planning and delivery of the APEC SME Agenda.</p>	<p>Business involvement has been moderate to date, but communication of APEC activities to SMEs and business intermediaries has been increased through publication of the report, <i>Helping Your Business Grow: Guide for SMEs in the APEC Region</i>.</p>
<p>Finance Ministers process</p>	<p>PECC observes Ministerial meetings, and representatives of ABAC</p>	<p>The APEC Financiers Group is considering a consultant's</p>	<p>Business involvement has been moderate to</p>

	and the APEC Financiers Group have made presentations with policy recommendations to the Ministerials. Private firms have been involved in the initiative to promote asset-backed securitization.	recommendation for a higher degree of institutionalization and management of a new "knowledge engine" on APEC and other international financial initiatives and economies' performance with respect to them.	date.
Ad hoc Task Force on the APEC Food System	The Task Force was established to study ABAC's proposal for an APEC Food System. The group discussed the first draft of a paper on the study in May 1999 at a meeting attended by an ABAC rep.	Work will continue on the Task Force's study, with recommendations for responding to ABAC due to SOM by August.	There has so far been minimal direct dialogue between the Task Force and ABAC on ABAC's proposal.