

ABAC 2000 - Report to APEC Economic Leaders

FACING GLOBALIZATION THE APEC WAY

**His Majesty Sultan Haji Hassanal Bolkiah Mu'izzaddin Waddaulah
Sultan and Yang Di-Pertuan of Brunei Darussalam
Chair, Asia Pacific Economic Cooperation (APEC)
Brunei Darussalam**

Your Majesty,

The APEC Business Advisory Council (ABAC) respectfully presents to Your Majesty, as Chair of APEC, the Council's Report to APEC Leaders for 2000.

This year, ABAC has focused on how APEC economies can benefit from globalization. Our view is that the APEC approach of market liberalization underpinned by capacity-building is of special relevance to the challenge of prospering from globalization.

In this regard, we respectfully present our recommendations to the APEC Leaders, which are aimed at ensuring that APEC stays on track in its liberalization agenda and also at giving focus and substance to its capacity-building agenda.

Although each recommendation is important on its own, taken together they represent an ongoing program for benefiting from globalization. Respectfully, we urge APEC Leaders to move boldly towards implementation.

Yours sincerely,

Mr. Timothy Ong Teck Mong, SMB, SNB
Chairman
ASIA Inc Investment Holding Ltd
Brunei Darussalam

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Chairman
Asia 2000 Foundation
New Zealand

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Executive Assistant President
Bank of China
China

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Hong Kong, China
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Institute for Pacific Ocean Science and Technology
Canada
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Mr. Thomas Yoshitami Arai

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Systems International Inc.
Japan
Co-Chair, Action Plan Monitoring Committee

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Asian University of Science and Technology
Thailand
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Australia
Co-Chair, Business Facilitation Task Force

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Chairman
Bakrie Group of Companies
Indonesia
Co-Chair, Business Facilitation Task Force

Mr. Manuel Fernando Sotomayor de Azambuja

President
The Sotomayor Group
Peru
Co-Chair, Business Facilitation Task Force

Mr. David Murray

Managing Director
Commonwealth Bank of Australia
Australia
Chair, Financial Architecture Task Force

Mr. Toru Kusukawa

Senior Councilor
Fuji Research Institute Corporation
Japan
Co-Chair, Financial Architecture Task Force

Mr. Jeffrey Len-Song Koo

Chairman and CEO
Chinatrust Commercial Bank
Chinese Taipei
Co-Chair, Financial Architecture Task Force

Mr. Douglast Myers

Chairman
Lion Nathan Ltd.
New Zealand
Co-Chair, Financial Architecture Task Force

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President, CEO, and Founder
ARIS Corporation
USA
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Chairman of the Board
Equitable CardNetwork, Inc.
Philippines
Co-Chair, Technology Task Force

Ms. Fran Wilde

Managing Director and CEO
New Zealand Trade Development Board
New Zealand
Co-Chair, Technology Task Force

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Mr. Malcolm Kinnaird, AO

Chairman
Adelaide Brighton Ltd.
Australia

Haji Idris B. H. Abas, SNB,SMB,PJK

Founder and Principal
Arkitek Idris
Brunei Darussalam

Dato Paduka Haji Hamdillah H.A. Wahab, DPMB, SNB

Executive Director
Brunei LNG Sdn. Bhd.
Brunei Darussalam
Chair, APEC CEO Summit 2000
Co-Chair, Small and Medium Enterprises Informal Caucus

Mrs. Andrina G. Lever

President
Lever Enterprises
Canada
Chair, Small and Medium Enterprises Informal Caucus

Mr. Pierre Lortie

President and CEO
Bombardier Capital
Canada

Mr. Andronico Luksic

Chairman and CEO
Banco de A. Edwards
Chile

Mr. Juan Villarzú

President & Chief Executive Officer
CODELCO-Chile (Chilean Copper Corporation)
Chile

Mr. Hernan Somerville

President
Chilean Association of Banks and Financial Institutions
Chile

Mr. Wu Jiangxing

Director
China National Digital Switching System Engineering and Technology Research Center
China

Mr. Zhang Lijun

Chairman
Sino-Interest Worldwide Economic Group
China

Dr. Helmut Sohmen

Chairman
World-Wide Shipping Agency Ltd
Hong Kong, China

Sir Gordon Wu Ying-Sheung, KCMG

Chairman and Managing Director
Hopewell Holdings Ltd.
Hong Kong, China

Mr. Suryo B. Sulisto

Chairman
Satmarindo Group
Indonesia

Mr. Iman Taufik

Founder and President
PT Gunanusa Utana Fabricators
Indonesia

Mr. Michio Naruto

Special Representative
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Japan

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Korea

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President and CEO
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Korea

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Chairman
Arab-Malaysian Banking Group
Malaysia

Tan Sri Dato' Francis Yeoh Sock Ping
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YTL Corporation Bhd.
Malaysia

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Vice Chairman and CEO
Grupo Modelo S.A. de C.V.
Mexico

Mr. Javier Prieto de la Fuente
Vice President, External Affairs
CEMEX
Mexico

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Papua New Guinea

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Peru

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Republic of the Philippines

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Russian Federation

Mr. Sergei A. Veremeenko
Chairman
International Industrial Bank
Russian Federation

Dr. Alexander S. Vyshlov
Vice President
Rostelecom
Russian Federation

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Chairman and Managing Director
Wing Tai Holdings Limited
Singapore

Mr. Koh Poh Tiong
CEO and Director
Asia-Pacific Breweries Limited
Singapore

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Singapore

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I-Mei Foods Co. Ltd.
Chinese Taipei

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Thai Bankers' Association
Thailand

Dr. Vachara Phanchet
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Thailand

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Cargill Incorporated
USA

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Chairman, President and CEO
New York Life Insurance Company
USA

Mr. Lam Hoang Loc
First Vice Chairman
Asia Commercial Bank
Vietnam

Mr. Dao Duy Chu
Vice Chairman and EVP
Vietnam Chamber of Commerce & Industry
Vietnam

Dr. Do Trung Ta
Chairman of the Board of Management
Vietnam Post and Telecommunications Corp.
Vietnam

Facing Globalization the APEC Way: An Overview

What is APEC's relevance to the challenge of globalization? How can the economies of APEC benefit from the opportunities presented by globalization? We, the members of the APEC Business Advisory Council (ABAC), have sought to address these basic questions in our deliberations this year.

Globalization is a large and complex subject with economic, political, and cultural dimensions. ABAC has focused on the economic challenge, which we would describe as follows: On the one hand, globalization provides tremendous opportunities for creating prosperity. The economies of the Asia Pacific are some of the best examples of prosperity through participation in the global economy. International trade and investment are critical to recovery in many of the economies afflicted by the Asian Financial Crisis. On the other hand, the opportunities arising from globalization cannot be taken for granted. Differences in economic performance across the Asia Pacific indicate that benefiting from globalization requires effective responses from both government and business.

ABAC believes that APEC has special relevance in responding to this challenge.

When all is said and done, APEC is essentially about two things:

Firstly, APEC is about building prosperity through trade and investment liberalization and facilitation. APEC's liberalization and facilitation agenda is about growth through globalization. It recognizes the reality of Asia-Pacific economic interdependence and the rising living standards that are the result of expanding trade and investment.

Secondly, APEC is about broadening access to prosperity through capacity-building. APEC's capacity-building agenda is about the sharing of experiences and resources among APEC members aimed at enhancing the ability of all sections of society to benefit from effective participation in the global economy. It recognizes the reality of the enormous disparities that exist within the Asia Pacific in terms of the capacity to benefit from globalization.

APEC's special relevance lies in the recognition that both market liberalization and capacity-building are necessary and inextricably linked.

ABAC's Two Key Messages in 2000

Within this context, we respectfully present two key messages to APEC Leaders.

Firstly, APEC must stay on track in its trade and investment liberalization and facilitation agenda because trade and investment are central to the prosperity of the region and the world.

At the global level, APEC must continue to be a strong voice for a healthy multilateral trading system underpinned by the World Trade Organization (WTO). Regionally, APEC must not falter in its progress towards APEC's Bogor Goals of open trade and investment for developed APEC economies by 2010 and for all APEC economies by 2020. ABAC urges APEC Leaders to reiterate their position that openness to trade and investment are critical for growth and development in the region.

To support progress towards APEC's Bogor Goals, we recommend initiatives to strengthen APEC's Individual Action Plan (IAP) process. We also emphasize the need to make the conduct of business easier by addressing the issue of non-tariff barriers, to remove impediments arising from differing domestic standards and to promote business mobility within the region.

Secondly, APEC must go beyond acknowledging the need for capacity- building to giving substance to it. Here we recommend that APEC can make a difference by focusing on two key priorities. APEC should focus on initiatives to promote financial stability at domestic, regional, and global levels. The other priority is to improve access to the opportunities from technological progress for all APEC economies, which is particularly important for small and medium enterprises (SMEs).

Outreach is Important

Beyond these two key messages, ABAC would like to place the challenge of outreach squarely in the APEC program. Outreach involves two dimensions.

The first is substantive and concerns the relevance of the APEC Agenda. ABAC believes that APEC's holistic approach of market liberalization underpinned by capacity-building, outlined above, passes the test of relevance.

The second dimension has to do with how the message is communicated. At a time when there is growing anxiety and ambivalence towards globalization, the benefits of globalization and the relevance of APEC need to be more clearly articulated and better understood by a much larger part of our communities.

ABAC applauds APEC's increasing outreach to the business community in government-to-business dialogues as well as private-public partnerships in capacity-building efforts. The cooperation between APEC's Energy Working Group and the Energy Business Network, and the progress in the APEC Food System initiative are excellent examples of this outreach. These efforts have brought tangible benefits and have deepened the understanding of both parties of the benefits of APEC's trade liberalization, facilitation, and capacity-building initiatives.

APEC's future effectiveness requires that understanding of what APEC is about be extended beyond officialdom and the business community to society at large. The challenge before APEC is to reach out to all of society, so that the benefits of globalization, and of APEC itself, can be better understood and more effectively delivered to all our communities.

ABAC Recommendations

Stay on Track with Trade and Investment Liberalization and Facilitation

Proceed with Liberalization

Support the WTO and the New WTO Round

ABAC strongly supports the World Trade Organization (WTO) and the launching of a new round of multilateral trade negotiations. ABAC welcomes the communiqué issued by G8 Leaders in July 2000 in which they agreed to work with other WTO members to launch a new round "during the course of this year."

ABAC believes, however, that for all APEC member economies to have a stake in starting up a new round of negotiations, the benefits of liberalization of trade and investment should be attainable by both developing and developed economies.

To this end, ABAC strongly endorses the outcome of the June 2000 meeting of the APEC Ministers Responsible for Trade, which included a proposal for a new strategic plan to build capacity to implement WTO agreements and enhance benefits from WTO membership. ABAC encourages further capacity-building initiatives that would enhance member economies' ability to benefit from the liberalization of trade and investment.

Improve the Form, Substance, and Accessibility of the Individual Action Plan Process

The Individual Action Plan (IAP) process is APEC's primary mechanism for measuring and encouraging progress towards the Bogor Goals. ABAC believes it should be strengthened. Priority should be given to improving its effectiveness through continuous enhancements in the form, substance, and accessibility of IAPs, and through more thorough and timely reporting.

This year, ABAC undertook an assessment of three key areas within the IAPs, namely customs procedures, standards, and conformance and mobility of business people. This evaluation found that in many cases, the IAPs of member economies contained incomplete information on what measures they were planning to undertake to fulfill their commitments to collective action in these areas.

ABAC encourages member economies to ensure that all measures being undertaken in fulfillment of their commitments to the Osaka Action Agenda be listed in the IAPs. Only then can a complete picture of members' actions in these policy areas be revealed.

Encourage Implementation of Electronic IAPs

ABAC warmly welcomes the development of a web-based electronic IAP (eIAP) system. The eIAPs will greatly improve the comparability and transparency of the Action Plans, making them more accessible to the region's business community. It should also encourage greater specificity and commitment to action and assist ABAC in tracking APEC's progress toward the Bogor goals.

APEC's proposed chapter templates should provide a clear guide for the reporting and presentation of actions taken in each policy area. This new standardized reporting format will make it easier to track what each APEC economy intends to do to achieve free and open trade and investment by 2010/2020. ABAC looks forward to member economies adopting these templates for their 2001 IAPs and, if possible, their 2000 IAPs.

The View from Business is Different

ABAC commissioned a survey of business people in the APEC region to determine the actual impact of APEC's progress in the three key trade facilitation areas of customs procedures, standards, and conformance and mobility of business people.

The results of ABAC's survey revealed a fundamental inconsistency between the progress listed in the IAPs and the implementation of these measures as assessed by business. For example, while APEC members report significant progress in the area of customs procedures, over half of the business people surveyed ranked them as still the most serious trade impediment — even more so than tariffs and restrictive administrative regulations. Complex customs procedures represent especially costly impediments for SMEs.

Business needs to know that the commitments made at the policy level will be translated into concrete improvement in their day-to-day operations. This may require APEC to strengthen its economic and technical cooperation programs in support of trade facilitation.

ABAC's survey also found that awareness of APEC's efforts in the area of trade facilitation is very low. This underscores the importance of APEC outreach emphasized earlier. With ABAC's support, APEC must strengthen its efforts to communicate to the region's business community what it is doing to facilitate trade through simplified customs procedures, more transparent standards regimes, and faster procedures for business travelers.

Tackle the Growing Issue of Non-Tariff Measures within the IAPs

The use of non-tariff measures (NTMs) is a growing trade problem within the APEC region. Many of these are hard to define and their impact is difficult to measure. This is compounded by a move away from more traditional NTMs, like quotas, to the use of regulatory and anti-dumping measures by APEC members.

ABAC believes that the first step in tackling this challenge is to develop some generally agreed principles on what constitutes NTMs. The more detailed reporting requirements in the revised IAP templates will be an important first step in this process. APEC may also wish to examine other existing classification systems for NTMs, such as the model developed by the Organization for Economic Cooperation and Development (OECD).

Use the IAP Process to Encourage E-Commerce Readiness

Information technology is transforming the way in which business is conducted in the APEC region. Given its importance to the future of all APEC economies, ABAC proposes that a new policy area be included within the IAP structure to monitor and encourage e-commerce readiness. This new chapter would be based on the framework and indicators provided by the E-

Commerce Readiness Initiative. This will enable members to draw together in one place all the actions they are taking to facilitate ecommerce and electronic trade. This will be particularly important to developing member economies who have the most to gain by developments in this area.

Ensure Free Trade Areas Complement the Multilateral Trading System

ABAC is conscious of the growing interest in establishing Free Trade Areas (FTAs) within the APEC region. ABAC recognizes that FTAs can make an important contribution to the liberalization of trade and investment within APEC and thus build momentum towards the achievement of APEC's Bogor Goals.

ABAC believes, however, that the strengthening of the multilateral trading system, underpinned by the WTO, should remain APEC's top priority and that FTAs should not detract political or business attention from the task of establishing the consensus necessary to launch a new WTO Round. FTAs can be a complement to multilateral efforts; they are not a substitute.

In this respect, ABAC welcomes the initial examination of this issue by APEC Ministers Responsible for Trade in Darwin. ABAC believes that the negotiation of FTAs within APEC must take account of APEC's Bogor Goals and the Osaka Action Agenda. Those Goals call for open trade and investment for all APEC economies by 2010/2020. Further consideration needs to be given by APEC economies to the implications of the Bogor Goals for such sub regional trade agreements.

Implement the APEC Food System

The APEC Food System, which Leaders approved last year, is a large undertaking with far-reaching benefits. Robust, high-level attention is necessary to mark it for success.

ABAC articulated eight milestones for achievement in 2000 and 2001 in a letter to APEC Ministers Responsible for Trade. They are in accordance with the APEC principles of comprehensiveness, flexibility, WTO-consistency, and non-discrimination, and also recognize the social, environmental, and other non-food roles of agriculture. ABAC urges Leaders to direct their implementation.

STEPS FOR IMPLEMENTATION

- Support rural economic opportunity, especially the APEC-PECC project Regional Integration for Sustainable Economies (RISE).
- Invite representatives of the World Bank, ADB, and the IADB to attend APEC Leaders' meetings in 2000 and 2001 to discuss rural infrastructure development.
- Create a network of "domestic champions" (i.e., entities in each economy capable of understanding and articulating technological advances in the food industry).
- Declare APEC to be an "agricultural export-subsidy-free zone."
- Require that each economy carry out a self-assessment of all the impediments it faces in increasing its capacity to import and export food products by 2001.
- Increase the number of economies signing on to the APEC Food Mutual Recognition

Agreement to at least fifteen by 2001.

- Include, by 2001, a specific section in the Individual Action Plans on what is being done to achieve the APEC Food System.
- Abolish, by the 2001 Leaders meeting in Shanghai, all practices regarding the limiting of food supplies to other members for political or economic reasons and eliminate taxes and quantitative restrictions on food exports.

Facilitate Business

Remove the Impediments Associated with Standards and Conformance

ABAC believes that removing impediments to international business associated with standards and conformance-testing problems is an important step for business facilitation. ABAC recommends that member economies commit to aligning their own domestic standards with recognized international standards and within agreed deadlines.

APEC economies should make a greater number of explicit commitments in their IAPs to contribute to standards and conformance objectives. They should also report more of their work in their IAPs, including participation in APEC Collective Action Plan activities, the adoption of mutual recognition agreements on conformance testing, and progress on the implementation of WTO agreements relevant to standards.

APEC members have established a number of agreements related to standards, but in many cases implementation includes only information exchange, and even then the commitment by members is still not always universal. APEC members should do this and go further to extend commitments in relevant agreements to accept the results of testing processes or certification.

APEC members must be more active in international standards organizations. In that context, ABAC applauds the progress of the four ad hoc technical working groups (i.e., on loading and structural design standards, performance-based housing standards, timber standards, and hazardous area equipment standards) established under the APEC Subcommittee on Standards and Conformance (SCSC). ABAC strongly recommends that well-resourced programs be established to support these groups, so as to produce practical solutions. This work should later lead to mutual recognition arrangements for tackling trade barriers related to product testing and standards, including building codes.

The cost of standards conformance and testing remains a significant issue for business, particularly SMEs. The application of the suppliers declaration of conformity approach to testing can reduce these costs. ABAC endorses the SCSC project on suppliers declaration of conformity to international standards for safety and electromagnetic interference regulations covering information technology products.

The adoption of international standards will require capacity-building to support implementation. ABAC recommends that APEC members put in place programs to improve and maintain the standards development and conformance infrastructure of relevant member economies, including staff exchanges, information sharing and infrastructure sharing on a contract basis, and partnerships with the private sector.

Support Sectoral Government-Business Dialogues to Promote APEC's Facilitation Agenda

Setting priorities in business facilitation depends on contact between government and business, for example, as in the APEC Auto-Dialogue. ABAC endorses the development of sectoral government-business dialogues in APEC to promote APEC's facilitation agenda.

Promote Business Mobility

APEC members have to make it easier for business people to move around the region. The APEC Business Travel Card (ABTC) facilitates business travel without prejudicing the immigration policies of participating economies. ABAC recommends that APEC Leaders encourage participation in the ABTC scheme. As of July 2000, eight economies were members. At least twelve economies should sign on by the end of 2000.

APEC's work on business mobility benefits from a government-business dialogue on these issues, and ABAC welcomes the efforts of APEC's Business Mobility Group to engage the private sector.

ABAC strongly supports the implementation of automated travel clearance systems, such as pre-clearance procedures to expedite the movement of travelers. It is also very important to streamline visa processing to enable business and professional people to move to work temporarily in the economies of the region.

ABAC welcomes the progress by member economies on ABAC's 1999 recommendations on air services, and applauds the work done this year by some economies towards achieving an agreement on air services liberalization for members to adopt voluntarily. This will facilitate trade, tourism, investment, and business mobility throughout the region.

Give Substance to Capacity Building

APEC's ecotech agenda aimed at capacity-building can be more effective if efforts are more focused. ABAC recommends that APEC focus on two areas of priority. First, efforts should concentrate on building stronger and more stable financial systems. One of the key lessons from the Asian Financial Crisis is that trade and investment liberalization require financial stability. Second, APEC should focus on improving access to new opportunities from technological progress.

Build Stronger Financial Systems

Economies can derive significant economic benefit from the adoption of international standards and practices, including decreased cost of capital, stability in financial markets, and expanded investment in the region. To this effect, the centrality of the Rule of Law to the efficient functioning and development of financial markets cannot be overemphasized. Moreover, adoption of international standards will help reduce vulnerability to future crises.

Undertake Benchmarking

ABAC recommends that APEC Leaders instruct Finance Ministers to promote a benchmarking exercise in which member economies' financial institutional frameworks and organizations are assessed against internationally recognized standards so as to create a momentum toward structural improvement of the region's financial markets.

The benchmarking exercise should contain the following elements:

(a) Adoption of Standards

ABAC notes that numerous international institutions and groupings have made substantial progress in identifying standards relevant to the strengthening of financial markets. In recognition of the value of internationally consistent standards, ABAC believes that APEC should not seek to draft its own standards and principles. Rather, it should adopt appropriate standards from those being advanced by international efforts.

For the purposes of benchmarking, ABAC endorses the internationally accepted standards and codes of good practices identified by the Financial Stability Forum (FSF) in the report *Issues Paper of the Task Force on Implementation of the Standards* released in March 2000.

However, further work is needed. Insolvency standards need to be developed to create an appropriate incentive structure for the making and endorsement of contracts.

(b) Development of Action Plans

ABAC recommends that APEC Leaders support the development of Action Plans for the implementation of international standards. The Action Plans of each member economy should include priorities, timelines, intermediate targets, responsible entities, necessary legislative and regulatory changes, as well as identify capacity-building efforts that would assist in the implementation of standards.

(c) Monitoring Progress of Action Plans

A mechanism is needed for monitoring the implementation of standards against Action Plans. To assist transparency, APEC should prepare an annual progress report on the implementation of standards. For the purpose of supervising the monitoring process, a private sector consultative mechanism, such as ABAC, could be utilized.

To avoid duplication of data collection and to reduce monitoring costs, where appropriate, ABAC recommends that APEC economies participate in and undertake completion of the International Monetary Fund's (IMF) and World Bank's Report on Observance of Standards and Codes (ROSCs) and Financial Sector Assessment Program (FSAP) processes. Alternatively, member economies should be encouraged to undertake self-reporting in line with the ROSCs and FSAP framework.

Financial Stability Forum's Categories of Standards

- Transparency in Monetary and Financial Policies
- Transparency in Fiscal Policy

- Data Dissemination
- Insolvency Regimes
- Corporate Governance
- Accounting
- Auditing
- Payment and Settlement
- Money Laundering
- Banking Supervision
- Securities Regulation
- Insurance Supervision

(d) Guidance on Developing Action Plans

ABAC has identified a number of standards that are fundamental to fostering growth and improving resilience against financial crises.

Given the important role banks play in the economy, a two-pronged approach is needed. Firstly, banking supervision in accordance with international banking standards — with particular emphasis on those pertaining to liquidity and solvency issues — are needed to reduce the risk of crises to economies. Secondly, a strong banking culture needs to be fostered through the development of sound self-regulatory organizations and practices.

Intermediaries and direct investors need reliable financial information on which to base credit assessments and investment decisions. The development and application of international accounting standards would provide the information necessary for providers of finance to accurately assess and price for risk. Reliable information, together with the legal certainty that robust bankruptcy laws provide, help to avoid major confidence crises that can lead to dramatic reversals of capital flows.

It is also generally accepted that developing economies need to increase and diversify sources of long-term capital to improve their resilience to crises. Good standards of securities regulation provide important underpinning for the development of bond and equity markets.

Effective insurance supervision is essential to developing robust insurance markets, which are a vital source of stable capital investment for economic development.

ABAC applauds current capacity-building activities and recommends the development of further measures as a matter of priority to facilitate the adoption of these standards. It will be critical for industry experts to initiate and participate in education and skills training projects to build this capacity within APEC economies.

Support Development of an Institute of Directors Network

Corporate governance has an important bearing, both directly and indirectly, on the effectiveness of financial systems, although the beneficiaries of improved governance extend far beyond the financial sector. ABAC recommends that APEC support the development of a network of Institutes of Directors to promote and facilitate the adoption of best practices and international

standards in transparency and corporate governance. To assist in this aim, ABAC endorses the establishment of Institute of Directors Forum in APEC economies.

Facilitate Development of Bond Markets

The over-reliance of the region's economies on short-term finance, especially on debt, was one key factor that increased economies' vulnerability to financial crisis.

- APEC member economies where bond markets need to be further developed should commit to implementing the APEC Compendium of Sound Practices for the Development of Domestic Bond Markets, especially the initial step of establishing high-level domestic coordinating bodies to oversee efforts toward bond market development.
- APEC Leaders should initiate a capacity-building initiative to assist developing member economies in promoting robust legal and regulatory frameworks and market infrastructure that will facilitate cross-border investment in bonds.

Strengthen the World Financial Architecture

The APEC report *APEC Economies Beyond the Asian Crisis* identifies short-term capital flows, especially those aimed at capitalizing on short-term exchange-rate movements, as contributing to the financial turmoil experienced during the Asian Financial Crisis. ABAC supports ongoing efforts to enhance transparency in the world financial system to provide a more stable international context for the region's financial development. In particular, ABAC encourages APEC leaders to

- welcome the declaration by G8 Finance Ministers at the Kyushu Meeting in July this year to review the IMF's contingent credit lines (CCL) with a view to enhancing its effectiveness. This makes the IMF more responsive to potential crises in the international financial system. Current discussions to reform the IMF and other international institutions should be watched closely by APEC and, when appropriate, regional concerns should be expressed based on lessons from the Asian Crisis.
- welcome the recent Financial Stability Forum's Report on *the Working Group on Highly Leveraged Institutions* recommending indirect regulation of hedge funds and other highly leveraged institutions (HLI) through enhanced supervision of bank's lending practices to these institutions. APEC should, where possible, support further international initiatives to enhance the transparency of HLI activities.

ABAC notes the recent efforts to secure greater private sector involvement in resolving financial crises. Private lenders and investors can play a critical role — through rigorous credit analysis — in limiting excessive dependence by borrowers on debt, thereby helping reduce the potential for crisis. Private investors and creditors ought to be expected to bear the consequences of their decisions. "Bail out" of the private sector by official sources ought not to be seen as normal recourse, since this would be contrary to market efficiency and risk taking.

ABAC urges the APEC Leaders to caution multilateral financial agencies to give greater weight to reliance on market discipline in developing the operational issues associated with implementing the framework for securing private sector involvement in crisis resolution.

Facilitate Development of Second Board Markets

Increasingly second board equity markets are playing a critical role in fostering the development of the high technology sector and SMEs, both of which are driving forces for future prosperity in the New Economy.

- In recognition of the early stage of development of second board markets in many economies, ABAC recommends APEC members establish and adopt best practices in this sector.
- ABAC welcomes strengthened dialogue and cooperation among regulatory authorities in the region and encourages information exchange between regulators and potential issuers.
- APEC leaders should initiate capacity-building projects in member economies to facilitate the establishment and adoption of best practices in second board equity markets.

Improve Access to New Opportunities through Technological Progress

Technological advances in information technology and biotechnology hold enormous benefits for APEC economies, but the capacity to benefit from these advances varies greatly within APEC. ABAC believes that there are important measures each APEC economy can undertake to ensure that it is better placed to derive maximum benefit from these technological advances.

Undertake E-Commerce Readiness Assessment Initiative

ABAC believes that e-commerce presents a "digital opportunity" as well as a potential competitive challenge to APEC members. To seize this opportunity, ABAC urges all APEC economies to undertake the E-Commerce Readiness Assessment Initiative. This Initiative allows economies to self-assess how well they are positioned to enjoy the benefits of the digital economy, and to cooperate with business to develop effective strategies to move forward based on relevant local circumstances.

APEC economies will only be able to benefit fully from the information revolution when governments, the private sector, and other stakeholders cooperate to implement measures identified in the Readiness Assessments and work to create the legal, regulatory, and pro-competition policy environment required.

An effective public-private partnership is the key to making progress. ABAC applauds efforts by economies such as Peru and Chinese Taipei in effectively engaging the business community to review the assessment findings as part of a strategy for improvement. ABAC urges APEC economies to share the results of their assessments and action through participation in regional and international fora. The E-Commerce Convention held in Japan in May 2000 provided an excellent opportunity for economies to share their assessment results and enabled public and private sector participants to develop recommendations in the Co-Chairs Summary Report to advance e-commerce in the region.

Develop Action Plans for E-Commerce

ABAC recommends that member economies draw from their experiences of the Initiative as a basis to develop action plans to improve on e-commerce readiness and for inclusion in the proposed new IAP chapter on e-commerce.

The assessments can also form the basis for developing capacity-building programs targeted at securing technical assistance from multilateral development banks and bilateral donors to implement those action plans.

ABAC recommends that APEC draw on the experiences of individual economies, the ongoing work in other fora, particularly private sector groups, and the lessons learned from the Readiness Initiative to develop a Plan of Action to achieve a seamless ecommerce friendly environment in APEC that would benefit all members.

Implement “Government Online” as a Catalyst for E-Commerce

ABAC urges APEC Leaders to stimulate the development of e-commerce within their economies by including a clear timetable for putting government services online in their action plans, and will look for significant progress in this area. As a guide, economies could draw on experiences of economies that have established government online systems.

"Government Online" should be a matter of priority for all APEC economies, regardless of the current level of use of information technology. Steps can include the posting of government information, regulations, and compliance (licenses, permits, forms, tariff schedules, etc.) online. Extending government services online into interactive services (e.g., applications for passports, licenses, permits, and filing tax returns) and government procurement will further improve productivity, transparency, and cost efficiency in government services and enhance business opportunities. When paperless trading becomes reality in areas such as customs processing and shipping, arrangement trade can be conducted more easily in both domestic and international markets.

SMEs stand to gain the most from dependable and easily accessible government services. By purchasing electronically, governments can draw their suppliers online and consequently stimulate the local electronic commerce environment for the suppliers. These clear and demonstrable benefits are powerful stimulus for SMEs to invest more confidently in technology.

Adopt a Regulatory Framework Conducive to the Development of E-Commerce

One of the most obvious benefits of electronic commerce is the ability to access a global market. Hence, an international environment that shares a consistent and complementary framework in which the information society can flourish is critical for e-commerce. ABAC recommends that, at least at the current stage, APEC economies adopt a minimalist approach to regulating e-commerce. The regulatory framework should be technology neutral and based on international norms.

ABAC would like to stress the importance of interoperability of the infrastructure and regulatory frameworks and the need for international cooperation. ABAC recommends that these critical

areas, including digital signatures, authentication, and payment systems, be based on standards driven by the private sector.

Again, an effective public-private sector partnership is central. Through ABAC, APEC should draw on the business outreach and technical expertise of regional and global groups such as Pacific Basin Economic Cooperation Council (PBEC), Pacific Economic Cooperation Council (PECC), Global Business Dialogue on e-commerce (GBDe), and Global Information Infrastructure Commission (GIIC) to examine the legal and regulatory issues involved in the development of e-commerce policies that facilitate e-commerce growth and access to the technology.

Harness the Internet for Human Resource Development

ABAC would like to emphasize the Internet's potential to facilitate and broaden access to learning. The Internet provides a low cost vehicle to deliver up-to-date, world-class quality education and training. The Internet's ability to allow flexibility in both the learning format and content has particular relevance for SME development because this facilitates life-long learning that is essential for building the skills required of the New Economy.

ABAC urges APEC member economies to take full advantage of Internet technology in their capacity-building efforts. APEC could, as a project, establish a central online repository for all resources that can be found on the Internet relating to APEC capacity-building initiatives so that economies can benefit from others' efforts and experiences.

ABAC recommends that APEC work with the private sector, educational institutions, and foundations to develop a Collective Action Plan to facilitate the use of and access to education and training opportunities delivered over the Internet. ABAC also recommends that, as a matter of institutional policy and where appropriate, Internet technology form an integral element of capacity-building projects developed in all APEC forums.

Adopt a Science-Based Approach to Biotechnology

ABAC believes genetic science offers great potential to the economies of the APEC region, especially those struggling to overcome the pressure on land use from both population growth and prosperity. It will make a substantial contribution to building capacity in food and pharmaceutical production, environmental remediation, and harnessing the biomass to new uses. All of these benefits can improve the quality of life within APEC economies but only if public regulation and knowledge reach levels where consumers and producers better understand the risks and benefits of the technologies, and regulators make judgments about their safety and efficacy based on scientific consensus.

ABAC believes that for the full potential of agricultural biotechnology to be realized, further progress is needed in two areas:

Firstly, the development of standards and procedures by national and international organizations for approving any food products for commercial use in order to ensure safety. This involves regulation, which should focus on science-based risk assessment and on worldwide harmonization of standards.

Secondly, public awareness, understanding, and acceptance of biotechnology, taking into account consumers' concerns, thus providing them with better knowledge to choose. This involves communication, which should be aimed at supplying factual information that meets consumers' needs and will enable objective analysis of risks and benefits.

ABAC recommends that APEC make a serious commitment to ensure community-wide understanding, exchange of information, policy, and regulation coordination, and objectively evaluating the risks and benefits of genetically-modified foods to our economies' futures. Leadership will be necessary to ensure open debate, wide involvement, and sensible outcomes.

ABAC in Brief

ABAC's Mandate

ABAC is the official voice of the private sector within APEC. ABAC was established by APEC Leaders at the APEC Summit in Osaka in November 1995 to formalize private sector participation in APEC.

ABAC's mandate is as follows:

- To provide APEC Leaders with advice on the implementation of APEC's Agenda and other specific business sector priorities.
- To respond when various APEC fora request information about business related issues or the business perspective on specific areas of cooperation.

ABAC Membership

ABAC comprises up to three senior business representatives from each APEC economy appointed by their respective Leaders. The Chair of ABAC is appointed by the APEC Chair to a term that runs parallel with that of the APEC Chair. The ABAC Chair is supported by two Co-Chairs — the immediate past Chair and the incoming Chair — and by the Committee and Task Force Chairs and Co-Chairs.

ABAC's Chair in 2000 is Mr. Timothy Ong of Brunei Darussalam.

What ABAC Does

Each year, ABAC presents an annual Report to APEC Leaders providing advice and feedback on the APEC Agenda in line with its mandate. In addition, ABAC also participates in key Meetings of APEC Ministers and Senior Officials to provide business input in the work of APEC.

ABAC meets three to four times each year in different APEC economies. The purpose of these meetings is to discuss and agree on ABAC's priorities and recommendations to the APEC Leaders as well as other areas of common concern.

ABAC's focus and priorities each year are determined by ABAC members meeting in Plenary. Work on specific recommendations is undertaken by specific Task Forces established each year to reflect ABAC's focus and priorities and by ABAC's Action Plan Monitoring Committee (APMC).

In 2000, ABAC focused on APEC's relevance to the challenges of globalization. ABAC's Task Forces in 2000 worked on building stronger financial systems, broadening access to the benefits of technology and business facilitation. The role of the APMC, a permanent Committee of ABAC, is to monitor and encourage APEC's progress towards APEC's goals of free and open trade and investment within the APEC region by 2010 for the developed economies and 2020 for developing economies. An informal caucus of ABAC members focusing on the specific

interests of Small and Medium Enterprises (SMEs) convenes at each ABAC Meeting, and its views are fed into the work of the Task Forces and the APMC.

The highlight of the ABAC year is the Annual ABAC Dialogue with APEC Leaders, which takes place during the APEC Summit towards the end of the APEC Year. This Annual Dialogue provides a unique opportunity for APEC Leaders and business leaders to discuss issues of common concern.

Administrative support for ABAC's Work Program is provided by the ABAC Executive Director and the ABAC Director of Operations, who heads the ABAC International Secretariat currently based in Manila, Philippines.

ABAC Meetings in 2000

- February 25 to 27 Bangkok, Thailand
- May 26 to 28 Beijing, China
- August 25 to 27 Lima, Peru
- November 13 to 15 Bandar Seri Begawan, Brunei Darussalam

ABAC Participation in Official Meetings in 2000

- 19 to 20 April, APEC Finance Deputies Meeting Washington D.C., United States
- 6 to 7 June, APEC Trade Ministers Meeting Darwin, Australia
- 18 to 25 June, APEC SME Ministerial Meeting Bandar Seri Begawan, Brunei Darussalam
- 6 to 10 September, APEC Finance Ministers Meeting Bandar Seri Begawan, Brunei Darussalam
- 12 to 13 November APEC Trade Ministers Meeting Bandar Seri Begawan, Brunei Darussalam

Senior Official Meetings (SOM)

- 12 to 21 February, SOM I
- 26 May to 3 June, SOM II
- 15 to 23 September, SOM III

More information on ABAC and its activities is available from ABAC's website:
www.abaonline.org