

## Annex IV: IMPLEMENTATION

### ABAC'S 1998 RECOMMENDATIONS AND APEC ACTIONS WORKING DRAFT

#### FINANCIAL CRISIS

ABAC RECOMMENDATION	WHAT APEC HAS ALREADY DONE	WHAT APEC PLANS TO DO
<b>Regional Initiatives</b>		
<ul style="list-style-type: none"><li>• 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.</li></ul>	<ul style="list-style-type: none"><li>• 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.</li></ul>	<ul style="list-style-type: none"><li>• Hong Kong-China leads a Finance Ministers initiative looking at the development of domestic bond markets (Workshop hosted by Hong Kong in 1998).</li><li>• 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.</li></ul>
<ul style="list-style-type: none"><li>• Develop mechanisms to cushion the impact of currency instability on the private sector, including multilateral currency swap structures where coordination of policies permits.</li></ul>		
<ul style="list-style-type: none"><li>• Encourage the IMF to broaden its approaches to include the social implications of its programs.</li></ul>	<ul style="list-style-type: none"><li>• 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.</li></ul>	
<ul style="list-style-type: none"><li>• Establish an ongoing regional forum to promote and coordinate cooperative responses to the financial crisis.</li></ul>	<ul style="list-style-type: none"><li>• In 1998 HRDWG set up a Task Force on the Human Resource &amp; 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 recommendations of the Task Force.</li><li>• 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.</li></ul>	<ul style="list-style-type: none"><li>• In 1999 the Task Force will survey the impacts on labor markets in affected economies for delivery to Leaders and Ministers in September.</li><li>• 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</li></ul>

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.)

## Individual Economy Initiatives

### *a. Enhance domestic capital market infrastructure*

- Restructure bank balance sheets through loan sales and financing structures.
- Encourage foreign direct investment in domestic financial institutions to strengthen the capital bases of domestic banks and enhance their global competitiveness.
- Undertake legal reforms to facilitate financial reorganization.
- Improve domestic capital markets through the development of liquid bond and asset-backed securities markets.
- 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 privatization experiences to build cooperation and strengthen institutions. A core group meeting was held in March 1999 and it proposed that the initiative be advanced through a Privatization Forum.
- 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.
- Updated report on progress of APEC member economies towards strengthening supervisory systems.
- Report to Finance Ministers on outcome of Privatization Forum (to be held November 1999 in Thailand)
- Economies, on a voluntary basis, to report on progress of measures to strengthen corporate governance at the next Finance Ministers meeting (2000).

### *b. Alleviate corporate debt*

- Establish a mechanism for restructuring

corporate debt through debt-equity swaps.

- Develop a special exchange rate mechanism to assist qualified companies in managing currency volatility.

*c. Facilitate exports*

- Encourage the use of securitization structures of trade receivables for trade finance.
- Enhance the role of export credit agencies to match the financing needs of export companies.

- Note: Finance Ministers Deputies are developing a tracking approach to monitor progress on implementing plans and principles to strengthen financial systems.

- The first step is a compendium of measures undertaken by member economies in adopting international standards/codes/best practices to strengthen financial systems.
- The IMF and World Bank, in consultation and cooperation with the relevant international organisations, are to compile an initial matrix of such key standards.

## **Global Assessment**

- 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.
- Finance Ministers Deputies have been working on initiatives aimed at strengthening the global financial system (as directed by Leaders in 1998).
- 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).

## EARLY VOLUNTARY SECTORAL LIBERALIZATION

ABAC RECOMMENDATION	WHAT APEC HAS ALREADY DONE	WHAT APEC PLANS TO DO
<p>ABAC supports conclusion of an EVSL package that is:</p> <ul style="list-style-type: none"><li>• Inclusive – all 15 sectors should move forward as a group;</li><li>• Comprehensive – as many products as possible should be included in each sector; and</li><li>• Credible – all member economies should endorse the trade liberalization work plans for each sector; flexibility should be in the form of staging of tariff cuts, not opting out of sectors or product coverage.</li></ul>	<ul style="list-style-type: none"><li>• 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 broader agreement in the WTO on the tariff elements, where informal consultations have begun, in 1999.</li><li>• 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.</li><li>• 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.</li></ul>	<ul style="list-style-type: none"><li>• Tariff elements in six other sectors referred to WTO by APEC Trade Ministers in June. Non-tariff facilitation and ecotech programmes to be developed.</li></ul>

## ECONOMIC AND TECHNICAL COOPERATION (PARTNERSHIP FOR EQUITABLE GROWTH)

ABAC RECOMMENDATION	WHAT APEC HAS ALREADY DONE	WHAT APEC PLANS TO DO
<ul style="list-style-type: none"><li>• Troika of APEC Trade Ministers should serve as ex officio members of PEG's Board of Directors to represent all APEC economies.</li><li>• Some Economic Leaders should serve on PEG's Council of Advisors</li></ul>		

## SMALL AND MEDIUM ENTERPRISES

### ABAC RECOMMENDATION

#### *a. Initiatives to create a favourable financial environment*

- Create financial institutions to support SME's.
- Develop performance-based lending practices for SME's
- 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 SME's.
- Examine the options for short-term tax relief for SME's.

#### *b. Initiatives to stimulate business and employment opportunities*

- Encourage large corporations to consider sub-contracting to SME's.
- Use SME's in governments' procurement of goods and services.
- Accelerate infrastructure project implementation using SME's.
- Unbundle components of infrastructure projects to allow greater opportunities for SME participation.
- Centralize sales opportunities through electronic networking.
- Encourage micro business development by enhancing consumer protection regulations.

### WHAT APEC HAS ALREADY DONE

- A project that links up leading companies from developed economies with SME's 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 markets in the APEC region, including how to secure government procurement contracts, was held in November 1997.

### WHAT APEC PLANS TO DO

- (Recommendations have been forwarded to the APEC Finance Technical Working Group for advice and input.)
- 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 SME's 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 SME's, especially with respect to the marshalling of capital and the creation of venture capital funds.
- Ministers will identify, in consultation with SME's, the major barriers and compliance costs to SME's. Ministers agreed to report back directly on progress on these issues next year for later voluntary inclusion in IAP's.

## ELECTRONIC COMMERCE AND Y2K

### ABAC RECOMMENDATION

- The private sector should lead in development of e-commerce.
- Training in e-commerce should be provided to SMEs.
- 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

### WHAT APEC HAS ALREADY DONE

- 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.apec](http://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.
- TEL WG E-commerce Awareness Seminars will be held to help SMEs understand the benefits of doing business electronically. 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

### WHAT APEC PLANS TO DO

- 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 hold further E-commerce Awareness Seminars in 1999 in Singapore, Thailand and Vietnam.
- The SCCP project will be completed by December 1999.

sector, promote technical standards to ensure interoperability, 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.
- 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.
- 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.
- 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.

# APEC FOOD SYSTEM

## ABAC RECOMMENDATION

APEC should build an APEC Food System, a long-term project to achieve a more robust 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:

### *a. Rural Infrastructure Development*

- Improve the availability of rural education.
- Promote increased investment in physical rural infrastructure, through (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.

### *b. Promotion of Trade in Food Products*

- 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/ equivalency of regulation and control systems on consumer requirements.
- Progressively eliminate, ahead of Bogor targets, unnecessary impediments to food trade, including

## WHAT APEC HAS ALREADY DONE

- An ad hoc Task Force established by SOM has 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.

## WHAT APEC PLANS TO DO

- The Task Force aims to finalize the study and recommendations to SOM for responding to the ABAC proposals by August.



tariffs, WTO-inconsistent NTMs, and export subsidies.

- Pursue cooperation to assure nondiscriminatory access to food products.

*c. Dissemination of Technological Advances in Food Production and Processing*

- 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.

- The "APEC Post Harvest Network project" has established a website at <http://cape.uwaterloo.ca:80/postharvest/> 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.

- 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

### ABAC RECOMMENDATION

*a. Tariffs*

- Specify in IAPs the final average tariff levels targeted by 2010 to 2020.
- Be more specific on member economy plans to reach Bogor goals.

*b. Non-Tariff Measures*

- Publish an APEC NTM inventory, including investment and services.
- Include more details on removing NTMs, covering also services and investment.
- Reduce or eliminate

### WHAT APEC HAS ALREADY DONE

- Seven economies so specified in their 1998 IAPs.

- The Market Access Group (MAG) is compiling information on members' NTMs.

- One economy specified plans beyond

### WHAT APEC PLANS TO DO

- Once the information on NTMs is collected, MAG will discuss how to disseminate it, including possible electronic publication.

NTMs beyond WTO commitments.

its WTO commitments in its 1998 IAP.

*c. Services*

- 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.

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*d. Investment*

- Implement the 1994 Non-Binding Investment Principles.
- Include commitments and targets for removing impediments to the development of domestic and regional capital markets

- 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.

The Investment Experts Group will:

- 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.

*e. Small and Medium Enterprises*

- Show in IAPs how commitments made can contribute to the recovery of SMEs, including action taken on previous ABAC recommendations on SMEs.

- Two economies made SME-related commitments in their 1998 IAPs.