

# **ABAC 1999 – Background Papers**

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## **IMPLEMENTATION TASK FORCE**

### **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 Liberalization.

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 securitization 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 securitization 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-subsidization that often retards rural development to the advantage of urban areas and industries.

### **1.1 Recommended Action 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 SYSTEM 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 organizations and research organizations in each economy can be used to identify domestic coordinators or contact points as well as other suitable participants.

Local coordinators 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 organizations.

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 publicizing the results. An important outcome of these projects will be to familiarize 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), utilizing 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 IPR's. 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 harmonization of internationally-recognized 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 (GMO's).

## **2.1 Recommended Action by APEC Governments**

- *Develop legislation designed to stimulate domestic basic and applied research and to protect IPR's.*
- *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 (GMO's).*

## **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 liberalization in line with the Osaka Action Agenda.

### **3.1 Recommended Actions by 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 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 recognize 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 of papers 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.

It was strongly recommended that ABAC supports 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.