

APEC 1999: Summary of Meetings

The four issues dominated APEC meeting discussions were:

1. Trade
2. Human Resources Development
3. Finance
4. Small and Medium Enterprise (SME)

Trade

1. Business opportunities expansion

In the food industry, APEC meetings focussed on the development of rural infrastructure, dissemination of technological in food production and processing, and promotion of trade in food products. The development of these three areas should be balanced.

2. Strengthen the function of markets

There is a need to improve the openness and efficiency of domestic markets in the region. This requires a strong competitive framework as a mean to support structural and regulatory reforms. Improvement in both publics and corporate governance would accelerate a reduction in business costs in all markets. It was agreed that a stronger market mechanism would quicken economic recovery.

It was noted that a sound operation of markets would improve the welfare of citizens by providing them with a better choice and better quality at lower costs. Strong markets reinforces APEC's efforts on trade and investment, provides a link to regulatory reform and capacity building. Ministers and Women Leaders highlighted the importance of cost reduction in small businesses. The ability of the financial market in aiding small businesses and improvement in management capacity are important issues.

The importance of developing a framework to strengthen the market approach was recognized. The development of non-binding principles on competition and regulatory reform was supported. Government officials were instructed to complete their recommendations by September. The critical importance of building relevant institutional capacity and human skills was noted. It was agreed that further specific proposals in these areas should be developed by September.

3. Economic and technical cooperation

It was agreed that assistance should be given to the evaluation of Ecotech project proposals and an electronic "clearing house" should be developed to enhance information on Ecotech.

4. Electronic commerce

The areas for action included the improvement in the legal environment, paperless trading which aimed to streamline transport, freight, customs and other transactions throughout the region. Benchmark policies on the best practice in electronic commerce should be encouraged. Comparable indicators in e-commerce should be developed among APEC economies. Officials were instructed to provide further progress reports by September.

5. Y2K

Effective contingency plan and cross-border cooperation among economies to reduce risks from potential disruptions was addressed. Officials were instructed to accelerate work on cross-sector and cross-economy dependencies. This included testing, information dissemination and improving systems to bolster regional contingency plans and continuity of operations.

Specifically, economies were urged to respond urgently to the questionnaire circulated by Canada, Japan and Singapore and the request for contact information from each economy on the key sectors, in order to develop a Y2K readiness and network of contact points. It was agreed that the website being developed by Canada and the US was a useful means of exchanging information and developing contingency planning. Members welcomed the US proposal for a Y2K risk assessment toolkit for cross-border issues.

6. Broadening the base of support

The critical importance of direct dialogue with business was reiterated. Ministers were urged to forward their work in five main areas: continued trade and investment liberalization, strengthening Individual Action Plans, the APEC Food System, and capacity-building, Y2K and aviation liberalization. The strong links between tourism and air services liberalization was noted in particular. It was agreed that the Chair should write to APEC Transport Ministers urging them to implement the four priority recommendations for air services liberalization that have been developed by the Transportation Working Group in the areas of air freight, multiple airline designation, and airlines cooperation arrangements.

It was agreed that women in APEC are an enormous untapped potential for improving economic and social wellbeing and it recognized the unique contribution of indigenous businesswomen in APEC. Also, It was agreed that particular attention should be given to women's access to financial matters, information, technology and their full participation in APEC. The importance of the Framework for the Integration of Women in APEC as requested by Leaders was reinforced.

Human Resources Development

The Task Force on the Human Resource and Social Impacts of the Asian Financial Crisis emphasized the importance of shared technical expertise in the development of coherent regional strategies. Three major aspects were discussed.

1. The Human Resources Development issues are considered central to the Economic Agenda

It was recognized that effective labor and employment policies could expand trade and investment flows, and result in economic growth that benefits the workforce.

In order to keep economies open and productive economies and to support trade and investment liberalization, it is a must to ensure that the benefits of economic progress and globalization are widely distributed. This calls for building a strong foundation for human resources development in the 21st century that prepares individuals and businesses to take advantage of the opportunities created by economic growth and mitigate the impacts of economic uncertainty.

Such foundation must be rooted in the pursuit of quality education and training, effective and inclusive labor market policies, employment-oriented social safety nets, and innovative workplace practices. The importance of efficient, effective, and inclusive labor market systems was emphasized. It also recognized that the formulation of policies on labor, employment, training, social safety nets and workplace practices are the responsibilities of individual economies.

Lasting improvements in these areas require sustainable economic growth, which could be enhanced by regional cooperation in an increasingly integrated global economy.

2. Implementation of an effective, efficient and inclusive labor market system and social safety net.

Members called on the improvement in labor market information, the strengthening on the role of the private sector and the full utilization of expertise from international organizations. An effective delivery and monitoring system should be established, and improvement in education and training could provide a strong social safety network.

The role of small and medium enterprises should be given equal importance in development program and policy. The contribution on informal sector should not be overlooked.

It is believed that an effective social safety net should be developed as that would lessen the downside impact should a crisis emerges. Members are urged to design such a social safety net. Attention is directed to the need of the most vulnerable group of population, including women, youth, the elderly, the disabled, migrant workers and indigenous people. Recognition should be given to particular cultural, economic, and institutional situations in different economies. Care must be taken to balance the equity component of social safety nets with the need for labor market efficiency, adaptability, and individual empowerment. In addition, as a priority the dignity of work, and the need to avoid dependency was recognized.

Members noted the desirability of economies working closely with international organizations to establish labor market frameworks and strong safety nets to enhance growth, employment and social cohesion.

A closer cooperation between the international financial institutions and the International Labor Organization was encouraged.

A more productive partnership among governments, business, labor, educators and training institutions, and community groups in addressing human resource development issues are encouraged. Dialogue with private sector stakeholders to receive their input should be promoted.

Thailand has an initiative to explore the possibility of establishing among APEC members a social infrastructure facility in cooperation with the World Bank to provide the necessary resources for addressing immediate social safety net problems.

3. Developing the Workplace of the 21st Century

It was recognized that a more integrated and support approach to be adopted between international organizations on issues that have impacts on workplace performance and long-term economic growth. Governments, workers and employers should assist in the improvement of workplace performance.

The Human Resources Development Working Group should be a forum to promote educational opportunities for youth in the region. Child labor should be eliminated

It was agreed that improvement in workplace could promote economic benefits. New forms of work organization are vital in building the workplace of the 21st century.

4. Follow-up

The following objectives were endorsed:

- ◆ Human resources development and other employment policies is central to economic policy and cooperation, including the sharing of experiences and best practices in this era of increasing globalization.
- ◆ Increase in information collaboration and exchange with and among other regional and international organizations and through enhanced cooperation among government, business, labor and civil society.
- ◆ Use the diversity of APEC experiences to build upon existing knowledge and share lessons.

Finance

1. Macroeconomic developments: economic and financial situation

The improvements in economic conditions and prospects in Asia underscore the importance of continued policy adjustment and structural reforms, particularly in the financial and corporate sectors.

While fiscal and monetary policies should focus on supporting economic recovery and financial stability, it is important that economies remain committed to structural reforms that will strengthen their longer-term growth prospects. In Russia, economic activity has been recovering from a low point in September. Nevertheless, vigorous actions are needed to tackle the fiscal and structural causes of the crisis.

The commitment and effort China is making on the reform the financial sector and state-owned enterprise for sustainable development was welcomed.

Economies must continue with policies that support the recovery now underway in the region.

It was believed that Europe should play its part in maintaining a sustained global growth. It is also important that open markets are maintained around the world.

2. A Cooperative Growth Strategy

Member economies were urged to keep markets open. This is consistent with the commitment made by Leaders at the same meeting and continued efforts are given towards free and open trade and investment.

A supportive environment is provided by the major economies to the cooperative growth strategy endorsed by Leaders. The recent crisis has demonstrated the importance of addressing the issues related to exchange rate regimes.

It was also noted that exchange rate arrangements may vary across economies, but consistent policies and robust financial systems must support arrangements so adopted.

Taking into account recent experiences, it was encouraging for the IMF to consider further the issue of appropriate exchange rate arrangements.

3. Migrating the Impact of the Crisis on the Poor

Unemployment and hardship among the poor and the vulnerable as a result of the crisis remained a concern.

Country-specific assistance, both technical and financial, provided by the World Bank and the Asian Development Bank was used to finance the internal social safety nets, taking into account the cultural, economic, institutional and social situation of the individual economies.

The establishment of the Asia Recovery Information Center to facilitate the collaborative exchange of information and analyses was welcomed.

4. Restructuring Financial and Corporate Sectors

Efforts were taken by Indonesia, Korea, Malaysia and Thailand to establish a framework to recapitalize viable financial institutions and resolve non-viable ones were commended. A continuing effort by these countries and the Philippines in further improving prudential regulation and supervision was also commended.

It was recognized that on the corporate side, voluntary restructuring frameworks have been adopted and many legal impediments to corporate restructuring have been removed.

Combined with sound macroeconomic management, measures to strengthen the financial system and efforts to enhance corporate governance that could create an environment conducive to foreign direct investment would contribute to a return of capital flows to the region.

5. Strength the Foundation of Sustainable Growth

Economies were encouraged to undertake early and comprehensive implementation of the recommendations, taking into account their specific circumstances.

The importance of education and training to strengthen the body of skilled professionals working as accountants, auditors, company directors, regulators, and in the judicial system as highlighted in the Report was endorsed.

Members welcomed Australia's provision of a compendium on corporate governance training facilities open to participants from the APEC region.

Member economies were urged to strengthen, where relevant, the quality of existing auditing and accounting standards, and move towards the adoption of practices that meet or exceed international standards. In this regard, the work of the International Accounting Standards Committee on the development of a full range of accounting standards was encouraged.

With regard to the development of sound domestic bond markets in the region, it recognized the need to develop and improve securities clearing and settlement systems. The issues of lack of liquidity and inadequate risk assessment were addressed. The compendium of sound practices and the establishment of a web site to facilitate information sharing among member economies were welcomed. It acknowledged the support of the private sector on the bond market.

6. Revitalizing Infrastructure

It was recommended that governments should concentrate on planning, policy and regulation, and to involve the private sector in the development and operation of infrastructure facilities. Competition should be introduced in the provision of infrastructure. Domestic capital markets, in particular the bond market, in order to avoid currency and maturity mismatches. It recognized the need to introduce independent, transparent and consistent legal and regulatory regimes.

In the Y2K problem, APEC economies need to continue to upgrade and test their computers in preparation for the year 2000 to enhance public confidence and reduce the risk of economic and financial disruptions. It was further agreed that efforts in the months remaining to the year 2000 should be increasingly directed toward planning for possible contingencies that may arise at the time of the century date change.

Small and Medium Enterprise (SME)

Efforts on the strengthening of markets in the region are needed. If SMEs are to contribute to the economic recovery and sustainable growth in the region, there is a need for economies to put in place open and transparent regulatory environments that are supportive of competitive markets, and to invest in the development of human capital.

The growth of SMEs can be promoted in four priority areas:

- i) Enhance management performance through education;
- ii) Reduce barriers to trade and compliance costs;
- iii) Improve capital markets and access;
- iv) Strengthen linkages to assist business within the region (e.g. the importance of electronic commerce).

There are five educational issues for the development of SMEs:

- i) Promote effective education-business linkages to support knowledge based enterprises;
- ii) Develop the capabilities of the current pool of managers;
- ii) Develop future SME managers;
- iii) Facilitate the transfer of skills between economies;
- iv) Develop skills for entrepreneurs and consumers to enhance consumer protection and confidence.

It was agreed that an enterprise culture should be developed. The integration of business skills through school curricula should be promoted.

A proposal to enhance skill development for new entrepreneurs and to expand consumer confidence by undertaking an initiative on consumer education and protection was endorsed.

The need for better internet-based access to SME management training programs, like Canada's Virtual University for SMEs (VUSME), and other tools designed to enhance SME management and financial performance, and enhancing access by SMEs to the technical knowledge and expertise that is in higher and vocational institutions was noted.

SMEs established two initiatives to facilitate access to information and advice on regulatory and administrative requirement:

- i) The feasibility of electronically linking existing and new SME related information services across APEC economies. It was noted that such services have already been established in most APEC economies and can provide information on general regulations and administrative requirements, as well as other information relevant to SMEs.
- ii) To undertake a feasibility study on linking databases required by exporters on tariff, non-tariff and other requirements. The objective is to make information available through a single entry point in a form that is SME-friendly.

It was acknowledged that other key issues for SMEs include:

- i) Overcoming the costs associated with different technical and administrative standards e.g. through mutual recognition arrangements.
- ii) Protection of property rights and facilitation of processes to register patents.
- iii) The enforcement of contracts to improve the certainty of doing business in the APEC region.
- iv) Facilitate business mobility through improved visa arrangements.

Access to capital is critical for SME growth. The difficulties for SMEs in raising capital include:

- i) Risk adverse banking and finance sectors.
- ii) Lack of venture capital (in some economies).
- iii) Many SMEs lack the management skills to attract investors.
- iv) Lack of transparency in the operation of capital markets (in some economies).

The concerns of private sector were recognized. Ministers are urged to advance international best practice in the areas of:

- ◆ transparency;
- ◆ sound monetary and fiscal policy;
- ◆ good corporate governance; and
- ◆ financial reporting and accounting standards.

The following new initiatives aimed to develop electronic commerce and linkages were endorsed:

- i) APEC Business Matching and Advice: This initiative provides a place where SMEs can directly register on the Internet and advertise the kinds of linkages they are seeking with other SMEs;
- ii) Workshop on Electronic Commerce: This initiative aims to identify impediments to the more rapid adoption of electronic commerce.

Appendix: APEC Trade Facilitation Achievements

Customs Clearances:

Faster customs clearances through direct electronic communication.

Consistent Customs Valuations:

Standard procedures for consistent and transparent customs valuations of traded goods.

Expansion in E-Commerce and Paperless Trading:

Improved electronic access to markets for business and commitment to a goal of paperless trading by 2005 for developed and 2010 for developing economies, or as soon as possible thereafter.

Simplified Business Travel:

Simpler business travels with multiple entry visas, Internet visa information and visa-free short-term entry via the APEC Business Travel Card.

Alignment of Standards for Food, Electrical, Machinery and Rubber Products:

Alignment of domestic standards with international standards for goods such as radios, televisions, videos, refrigerators, air-conditioners, rubber gloves and food labeling, by 2005.

Trade in Electrical Equipment:

Lower cost of trade in electrical goods such as computers, toasters, televisions, radios and power-tools through a single test for conformity assessments.

Trade in Telecommunications Equipment:

Lower cost of trade in telecommunications goods such as phones, faxes, modems, PABXs and radio transmitters, worth an estimated \$US 50 billion per year, through a single test for conformity assessments.

Sales of Telecommunications Services:

Simplified negotiation of telecommunications contracts and easier commercial access to telecommunication networks.

Investment in Energy Infrastructure:

Better informed investment decisions in energy infrastructure through the Manual of Best Practice Principles for Independent Power Producers and the Natural Gas Initiative.

Market Access Information for Architects, Engineers and Accountants:

Instant markets access information for architects, engineers and accountants.

Fresh Seafood Trade:

Less wastage and shorter transport times for fresh seafood.

Y2K Preparedness:

Transparent Y2K preparedness, risk assessment and contingency planning.

Market Access Information:

Internet access to information on tariffs, investment, e-commerce, intellectual property, business travel, government procurement, business opportunities, marine ports and labor markets.