



FIFTEENTH APEC MINISTERIAL MEETING

JOINT STATEMENT SUMMARY OF KEY ISSUES

APEC Ministers reviewed the achievements of the 2003 APEC year hosted by the Kingdom of Thailand and agreed on initiatives for the 2004 APEC year to be hosted by the Republic of Chile.

Under Thailand's theme for APEC 2003, "A World of Differences: Partnership for the Future," Ministers discussed how to reinvigorate the World Trade Organization (WTO) Doha Development Agenda (DDA) Negotiations as well as how to address the challenge to regional security and prosperity posed by transnational terrorism and infectious diseases.

The WTO and the Multilateral Trading System

Ministers agreed that the WTO Doha Development Agenda (DDA) offers the potential for real gains for all economies, and particularly developing economies, in the areas of agricultural reform, improved market access for goods and services, and clarification and improvement of trade disciplines.

Ministers regretted the missed opportunity to advance the DDA during the Fifth WTO Ministerial Conference held in Cancun, Mexico, on 10-14 September 2003. They noted that progress had been made in some areas of negotiations, and welcomed the recent historic decision on TRIPS and access to essential medicines. They reaffirmed that a successful outcome is essential for strengthening the global trading system, promoting global economic development and well-being, as well as achieving the Bogor Goals. Ministers recalled the Leaders' Declaration at Los Cabos, and reiterated that the development dimension remained central to the DDA. To move the DDA forward, Ministers agreed to build on Chairman Derbez's text of 13 September, 2003, recognizing that flexibility and political will from all are urgently needed.

Ministers recognized APEC's capacity building contributions, and instructed Senior Officials to review the experience gained in order to identify measures and practices to improve WTO capacity building activities in the future, and make them as effective as possible in reinvigorating the DDA negotiations. Ministers also reaffirmed the importance of effective WTO capacity building activities in helping developing economies fully participate in WTO DDA negotiations and enjoy the full benefits of WTO membership.

Ministers recognized that intra-APEC Regional Trade Agreements/Free Trading Arrangements (RTAs/FTAs) could contribute to APEC's goals of free and open trade and investment provided they were consistent with WTO rules and disciplines. In particular, they encouraged the 2nd Policy Dialogue on RTAs/FTAs to be held in May/June 2004 in Pucon, Chile to explore ways in which RTAs/FTAs can contribute to the Bogor goals and advance the WTO process.

Trade and Investment Liberalization and Facilitation

Ministers noted the progress made in the implementation of the *APEC Trade Facilitation Action Plan (TFAP)* in particular the selection by individual economies of actions and measures to reduce business transaction costs. They urged all economies to implement their selected actions and measures expeditiously and to prepare for the mid-term review and Expanded Dialogue on Trade Facilitation to be held next year with the aim to reduce business transaction cost by the targeted 5 percent by 2006.

Ministers agreed to recommend that Leaders endorse the Transparency by 2005 Strategy agreed by Ministers Responsible for Trade. Ministers endorsed the package of area-specific Transparency Standards into the *Leaders' Statement to Implement APEC Transparency Standards* and requested Senior Officials to further refine the template developed for reporting on how economies implement the General Transparency Standards for use from 2004 onwards.

Ministers welcomed the expansion of the 1998 APEC's *Menu of Options for Investment Liberalization and Business Facilitation to Strengthen APEC Economies* to include competition policy and regulatory reform as well as the capacity building programs and activities to improve the economies' capabilities in the investment area.

Structural Reform

Ministers stressed their determination to pursue structural reform in the APEC region to maximize the opportunities arising from trade and investment liberalization and facilitation. They endorsed the "APEC Structural Reform Action Plan" as a unified framework for helping build economies' capacity to meet changing market demands and enhance their competitiveness.

Ministers also recognized that good governance is fundamental to sustained economic growth and development and strongly supported the implementation of good governance practices across the APEC region.

Capacity Building to Share Prosperity

Ministers endorsed a shortlist of priorities designed to focus APEC's work on Economic and Technical Cooperation (ECOTECH). The four ECOTECH priorities are:

- Integration into the Global Economy.
- Promoting the Development of Knowledge-Based Economies.
- Addressing the Social Dimension of Globalization.
- Counter-Terrorism Capacity Building.

Ministers also welcomed the results of the Senior Officials' roundtable discussion with international financial institutions (IFIs) and called for further strengthening of the partnership with IFIs and the business sector.

Knowledge-Based Economy for All

Ministers recognized that effective management of Intellectual Property Rights (IPR) is essential to building a knowledge-based economy. Therefore, Ministers endorsed the establishment of *IPR Service Centers* and the *Comprehensive Strategy on IPR in APEC*, both of which will improve IPR facilitation, protection and enforcement in the region.

Ministers welcomed the first Life Sciences Innovation Forum in Phuket, Thailand in August 2003. They took note of the progress in developing the draft Strategic Plan for promoting Life Sciences Innovation and requested that the forum and its expert groups finalize the plan for endorsement in 2004.

Counter-Terrorism and Secure Trade

Ministers are committed to ongoing work in blocking the cross-border movement of equipment, funds and people involved in transnational terrorist activities while at the same time enhancing the free flow of legitimate travelers, trade and investment.

To minimize the potential abuse of alternative remittance systems for terrorist financing purposes, the Ministers noted the Finance Ministers agreement on the need to explore how alternative remittance systems operate and in some cases, how the formal financial systems can be strengthened to provide more attractive and accessible remittance services.

To counter the emerging threat of Man-Portable Air Defense Systems (MANPADS) to civil aviation, Ministers agreed to strengthen domestic controls on the production, stockpiles, transfer and brokering of MANPADS.

To increase the security of travel, Ministers encouraged economies to implement advance passenger information systems including after expedited feasibility studies and instructed Senior Officials to assess the feasibility of a regional movement alert system.

Ministers endorsed the Energy Security Initiative Implementation Plan identifying actions to fulfill requirements of APEC's Energy Security Initiative, and timeframes where appropriate.

Ministers welcomed the outcomes of the 1st Secure Trade in the APEC Region (STAR) Conference in Bangkok in February 2003, and looked forward to the outcomes of the 2nd STAR Conference, which is scheduled to take place in Valparaiso, Chile in March 2004. They also welcomed the establishment of the Counter-Terrorism Task Force and the progress achieved in implementing the Leaders' counter-terrorism commitments. Ministers urged economies to continue to work toward full implementation of the commitments.

Ministers called on all Senior Officials to help economies to identify their counter-terrorism capacity building needs consistent with the objectives outlined by Leaders and to co-ordinate, where appropriate, with International Financial Institutions and relevant regional and international organizations, including the United Nations Security Council Counter-Terrorism Committee, the G-8 Counter-Terrorism Action Group, ASEAN and the OECD Financial Action Task Force.

In addition, Ministers agreed that APEC must be ready to respond to other threats to regional prosperity such as the re-emergence of Severe Acute Respiratory Syndrome (SARS). They emphasized the need for continued vigilance and preparedness to implement the APEC Action Plan on SARS and the APEC Infectious Disease Strategy, so as to detect, respond to, and mitigate the impact of future public health threats, including bio-terrorism, and naturally occurring infectious diseases, such as SARS and HIV/AIDs. Ministers endorsed the Health

Security Initiative and forwarded it to Leaders, and welcomed the establishment of an *ad hoc* APEC Health Task Force.

Creating a New Financial Architecture for APEC

Recognizing the importance of establishing a sound and resilient financial system in the region, the institutional framework and structural reforms that would allow the most efficient allocation of savings need to be undertaken.

It was also agreed that promoting regional bond market strength with a view to building a regional bond market would provide an alternative means of mobilizing savings, providing investment alternatives, generating more economic growth and achieving deeper financial markets.

Supporting SMEs and Micro-enterprises – the New Growth Enterprises

Ministers encouraged future measures to reduce red tape and to facilitate access to capital and other resources for Small and Medium Enterprises (SMEs) and welcomed efforts to identify and reduce impediments to trade for regional SMEs.

Ministers welcomed the signing of the Memorandum of Understanding (MOU) on Cooperation Among the APEC Financial Institutions Dealing with SMEs by financial institutions from participating economies. They welcomed this as an initial step towards establishing a network of APEC SME financial institutions.

APEC Reform

Ministers commended recent efforts to make APEC meeting arrangements more interactive, to reinvigorate and redesign APEC's process, as well as to make the agenda of APEC more focused and policy oriented. They agreed on the need to further streamline the process and to make APEC more responsive to the rapidly changing environment as well as the needs of major APEC stakeholders, especially the public at large.

In this regard, Ministers requested Senior Officials to develop proposals for broader APEC reform and to report the progress to 16th AMM. Ministers also instructed the APEC Secretariat to facilitate this process of review and assessment by providing a report on APEC's working profile, covering its structure, decision-making process, work areas and activities to the Senior Officials process as soon as possible.

FIFTEENTH APEC MINISTERIAL MEETING

Bangkok, Thailand

17-18 October 2003

JOINT STATEMENT

Ministers from Australia; Brunei Darussalam; Canada; Chile; the People's Republic of China; Hong Kong, China; Indonesia; Japan; the Republic of Korea; Malaysia; Mexico; New Zealand; Papua New Guinea; Peru; the Republic of the Philippines; the Russian Federation; Singapore; Chinese Taipei; Thailand; the United States of America; and Viet Nam, representing economies which collectively account for 47 percent of world trade and over 60 percent of global GDP, participated in the Fifteenth Asia-Pacific Economic Cooperation (APEC) Ministerial Meeting in Bangkok, Thailand on 17-18 October 2003. The APEC Secretariat was present. The Association of Southeast Asian Nations (ASEAN) Secretariat, the Pacific Economic Cooperation Council (PECC) and the Pacific Islands Forum (PIF) attended as observers.

The meeting was chaired by Dr. Surakiart Sathirathai, Minister of Foreign Affairs and Dr. Adisai Bodharamik, Minister of Commerce of the Kingdom of Thailand.

Ministers renewed their commitment to stable economic growth in the Asia Pacific region based on an open multilateral trading system. They reiterated their pledge to achieve the Bogor Goals of free and open trade and investment through harnessing the diverse and unique strengths of the twenty-one APEC member economies to create jobs and raise the standard of living of its peoples. Working towards the equitable and shared prosperity for all, Ministers reviewed the implementation of the APEC 2003 work program and set new directions and taskings for the APEC 2004 Year. These outcomes are organized in accordance with the theme and sub-themes of the APEC 2003 Year:

A World of Differences: Partnership for the Future

- **Act on Development Pledge;**
- **Knowledge-Based Economy for All;**
- **Promoting Human Security;**
- **Financial Architecture for a World of Differences;**
- **New Growth Enterprises: SMEs and Micro-Enterprises.**

PARTNERSHIP FOR THE FUTURE

For APEC to reach the Bogor Goals of free and open trade and investment by 2010 for industrialized economies and 2020 for developing economies, Ministers called on all APEC members to work together in an effective partnership not only among economies but also together with other stakeholders and actors such as civil society, the business sector, and academia. In particular, APEC is encouraged to collaborate and work with International Financial Institutions (IFIs) to better utilize and harness the expertise and resources to bring about tangible benefits to all regardless of cultural differences and levels of economic development.

ACT ON DEVELOPMENT PLEDGE

Despite its diversity, the APEC spirit of cooperation has underpinned its trade and investment liberalization and facilitation agenda that works in concert with economic and technical cooperation rather than through a donor-recipient relationship. Through this process, APEC integrates its peoples and communities into the mainstream of regional economic activities, turning them into stronger trade and investment partners as APEC moves closer towards the Bogor Goals.

World Trade Organization (WTO)

Ministers agreed that the WTO Doha Development Agenda (DDA) offers the potential for real gains for all economies, and particularly developing economies, in the areas of agricultural reform, improved market access for goods and services, and clarification and improvement of trade disciplines. Ministers regretted the missed opportunity to advance the DDA during the Fifth WTO Ministerial Conference held in Cancun, Mexico, on 10-14 September 2003. They noted that progress has been made in some areas of negotiations, and welcomed the recent historic decision on TRIPS and access to essential medicines.

To move the DDA forward and arrive at an ambitious and balanced outcome to the DDA, Ministers agreed on the need to re-establish the common purpose, commitment and contribution from all WTO Members that has been the hallmark of successful multilateral trade liberalization, and reiterated that the development dimension is at the core of the DDA.

Ministers also recalled the Leaders' Declaration at Los Cabos and reiterated that one of the objectives of the negotiations should be the abolition of all forms of agricultural export subsidies, and unjustifiable export prohibition and restrictions. Ministers remained committed to on-going work in the negotiating group on rules aiming at clarifying and improving trade disciplines.

Ministers called on all WTO Members to quickly re-energize the negotiation process by building on Chairman Derbez's text of 13 September 2003, recognizing that flexibility and political will from all are urgently needed. They also supported the Chairman of the WTO General Council's initiative to lead talks at the General Council on the areas that dominated discussions in Cancun, such as agriculture, industrial market access, and the Singapore Issues, with an aim to setting out future work programs for negotiations by 15 December 2003. Ministers noted that the valuable work on trade facilitation already undertaken by APEC would be helpful in the context of WTO negotiations. They underlined their willingness to show flexibility in advancing such negotiations and urged their trading partners to do the same.

Ministers reaffirmed the importance of effective WTO capacity building activities in helping developing economies fully participate in WTO DDA negotiations and enjoy the full benefits of WTO membership. To contribute to the successful completion of the DDA, Ministers, reaffirming the importance of capacity building, instructed Senior Officials to focus on meeting the needs identified by developing economies. Ministers recognized APEC's capacity building contributions and instructed Senior Officials to review the experience gained, as well as the lessons of the Fifth WTO Ministerial Conference in Cancun, in order to identify measures and practices to improve WTO capacity building activities in the future, and make them as effective as possible in reinvigorating the DDA negotiations.

Ministers instructed officials in Geneva to increase the momentum in the work undertaken by the APEC WTO Caucus so as to follow up on the discussions held and the instructions given to them in Bangkok, on advancing the DDA negotiation agenda.

Ministers restated their support for the WTO accessions of the Russian Federation and Vietnam, and agreed to seek early accession for these economies. Ministers noted that APEC capacity building programs could help the Russian Federation and Vietnam in building confidence and capacity to accelerate their negotiation process to join the WTO.

Ministers noted the efforts underway in the current GATS negotiations to encourage economies to provide greater transparency in all sectors and modes of supply. Greater transparency by APEC members would facilitate such efforts and promote investment and trade in goods and services in the region. Ministers encouraged economies to continue their discussions on transparency and consider practical and effective ways to improve the availability of information related to their GATS specific commitments, including mode 4.

Structural Reform

Ministers stressed their determination to continue pursuing structural reform in the APEC region as a valuable avenue for achieving the Bogor Goals. Work should continue to ensure that policies of open markets are complemented by genuine efforts to progress structural reform and constantly review policies and practices in the relevant areas. They reiterated that “behind-the-border” reforms are necessary to support “at the border” trade and investment liberalization and facilitation initiatives.

Ministers adopted the “*APEC Structural Reform Action Plan*” as a unified framework for helping build economies' capacity to undertake structural reform by coordinating and promoting current and future structural reform work in APEC. The Action Plan incorporates work in structural impediments to trade in goods and services, training on competition policy and deregulation, corporate governance and insolvency systems, corporate debt restructuring, and strengthening economic legal infrastructure activities. They also encouraged strengthening of social safety nets to complement structural reform efforts. Ministers requested Senior Officials to report progress on implementation of the APEC Structural Reform Action Plan to the 16th AMM in 2004.

Ministers welcomed the progress with Strengthening Economic Legal Infrastructure (SELI) capacity building projects, including initiatives on commercial laws, accounting systems and competition policy. They took note of the report on the *Study on Debt Collection Litigation/Arbitration in APEC Economies* and the launch of the report on *Strengthening Commercial Laws in the APEC Region*, and reaffirmed the importance of more transparent and more predictable environment for business activities. They also instructed Senior Officials to further develop SELI's activities by taking into account the findings of the past projects of the SELI Coordinating Group.

Ministers also recognized that good governance is fundamental to sustained economic growth and development and strongly support the implementation of good governance practices across the APEC region.

Trade and Investment Liberalization and Facilitation

Ministers endorsed the *2003 Committee on Trade and Investment Annual Report* on APEC's Trade and Investment Liberalization and Facilitation activities.

Ministers welcomed considerable progress made by APEC in liberalizing and facilitating investment flows in the region and urged members to attach greater importance to investment cooperation.

Individual and Collective Action Plans

Ministers reaffirmed their commitment to achieve the Bogor Goals through actions outlined in their respective *Individual Action Plans* (IAPs). They endorsed the *Senior Officials' Report on IAP Improvements for 2003* and welcomed the actions and measures taken by individual economies on *Trade Facilitation*. They urged all economies to report progress in the new IAP Chapter on *Trade Facilitation*. They agreed that this IAP Chapter on *Trade Facilitation* will be a useful tool in charting progress toward the objective in the Shanghai Accord of realizing a 5 percent reduction in business transaction costs by 2006. Increased profits, due to reduction in transaction costs, will be returned to business, which will result in increased trade volume, creation of new jobs and lower prices for consumers.

The new IAP Chapter on the *APEC Food System* is also a welcome addition to the IAP process. The APEC Food System, an initiative of the APEC 1999 Year, combines the development of rural infrastructure, dissemination of technological advances in food production and processing, and liberalization and promotion of trade in food products, into a robust regional food system. This system provides a vital contribution to meeting the objectives of APEC, aiding efficient and safe food production, and facilitating effective trade in food products, and ensuring that its requirements are based on sound science. In this context, Ministers noted the Agricultural Technical Cooperation Working Group's plan to pursue a high-level policy dialogue on agriculture in 2004.

Ministers also welcomed the annual reporting mechanism of Strengthening Economic Legal Infrastructure (SELI) that was agreed on by the members following the broadening of the OAA to include a new chapter of SELI last year. The reporting mechanism will help each economy identify the economic legal areas that need improvement, and will push forward their efforts in the area. In addition, the mechanism will facilitate policy discussions and mutual cooperation among APEC member economies in this area. Ministers instructed Senior Officials to further improve it with the consideration of its relations with other relevant IAPs.

Ministers welcomed the successful 2003 *IAP Peer Reviews* of Australia; Canada; Hong Kong, China; Japan; Korea; Mexico; New Zealand and Thailand. They took note of progress to complete the peer reviews of Chile, China, Peru, Singapore, Chinese Taipei and the United States in 2004. Ministers reaffirmed their commitment to complete all twenty-one IAP peer reviews by the First Senior Officials' Meeting (SOM I) in 2005 and to conduct a mid-term stocktake in 2005 on overall progress towards meeting the Bogor Goals. Completion of preparations for this mid-term stocktake should be agreed on by the 16th APEC Ministerial Meeting (AMM).

Whilst noting the progress made on the implementation of collective action plans, Ministers instructed Senior Officials to expeditiously review and progressively improve the CAPs to ensure that they produce tangible benefits to the business community and meet the Bogor Goals.

Ministers welcomed the expansion of the 1998 APEC's *Menu of Options for Investment Liberalization and Business Facilitation to Strengthen APEC Economies* to include competition policy and regulatory reform as well as the capacity building programs and activities to improve the economies' capabilities in the investment area. Ministers noted the reports prepared by most economies highlighting their implementation of the *Menu of Options*, and urged all remaining economies to provide their reports on the progress in implementing the *Menu of Options* as soon as possible, and encouraged the Investment Experts Group to advance work in this important arena.

Trade Facilitation Action Plan

Ministers applauded economies' work to implement the *APEC Trade Facilitation Action Plan (TFAP)*, in particular the individual economies' selected actions and measures. They noted that several economies have presented case studies on how the benefits of trade facilitation actions and measures can be quantified and encouraged economies to step up efforts to provide this type of detail. Ministers welcomed the time release survey carried out by several economies as one of the proxies to measure the 5 percent reduction of transaction costs. To ensure APEC meets Leaders' target of reducing business transaction costs by 5 percent by 2006, Ministers instructed Senior Officials to identify and implement concrete actions and measures. In this regard, the Ministers were of the view that compilation of information about best practices of trade facilitation should be made available in local languages of APEC to maximize the gain of trade facilitation.

Ministers further instructed Senior Officials to begin preparing for the mid-term review and Expanded Dialogue on Trade Facilitation scheduled to take place at the Third Senior Officials Meeting in 2004. Ministers agreed that the mid-term review and the participation of economies, non-government experts and private sector representatives in the Dialogue should provide APEC members with an accurate view of progress made thus far to achieve the Shanghai Accord's mandate.

Ministers reiterated their appreciation for recent studies, such as "*Assessing the Economic Benefits of Trade Facilitation and Recommendations for a Coordinated Capacity Building*" by the World Bank, estimating the substantial economic benefits APEC economies can realize from reducing transaction costs. Ministers instructed Senior Officials to develop a work program to share information on similar benefits that other WTO members could potentially achieve.

Ministers instructed Senior Officials to identify APEC-wide concrete actions and measures that would enhance the cross border movement and customs clearance of goods and people in the region. Ministers also urged Senior Officials to further develop confidence and capacity building activities to assist economies to implement the TFAP, including the progress report on the study to examine developments in trade facilitation and secure trade. They looked forward to the development of a monitoring mechanism to demonstrate the cost reduction effect and the benefit to the business community and requested Senior Officials to report progress on the TFAP to the 16th AMM in 2004. In this context, Ministers welcomed the outcome of the APEC Workshop on Quantitative Methods for Assessing NTMs and Trade Facilitation, sponsored by the Market Access Group in Bangkok in October 2003, at which participants exchanged views on the latest analytical methods for assessing the impact of non-tariff measures and trade facilitation. By building capacity among trade policy specialists in the developing APEC economies, the Workshop will lead to better information for

policymakers on a wide range of topics, including helping economies to assess their progress to achieve a 5 % reduction in transaction costs by 2006.

Ministers noted the outcomes of a symposium held in Chinese Taipei in September 2003 on *Toward a Cross-Border Paperless Trading Environment - Actions for Trade Facilitation* and the *Roadmap for Establishing an APEC Cross-Border Paperless Trading Environment*. They requested relevant APEC fora to consider its recommendations in particular the commitment to achieving paperless trading goals in the APEC region by 2005 for industrialized economies and 2010 for developing economies.

Ministers noted that trade and security are complementary issues. As such, the implementation of security related measures, such as STAR within the APEC region, should take into account the need to minimize costs directly associated to trade.

Leaders' Statement to Implement APEC Transparency Standards

Ministers endorsed area-specific Transparency Standards on Services, Investment, Competition Law and Policy and Regulatory Reform, Standards and Conformance, Intellectual Property, Custom procedures, market access and business mobility and directed their officials to complete their work on area-specific standards on government procurement by the 2004 MRT. Ministers requested Senior Officials to further refine the template developed for reporting on how economies implement the General Transparency Standards for use from 2004 onwards. Ministers agreed to recommend that Leaders endorse the Transparency by 2005 Strategy agreed by Ministers Responsible for Trade to ensure that economies implement the Leaders' Transparency Standards in their domestic legal regimes. Ministers instructed Senior Officials to study how implementation of the area-specific Transparency Standards could also be tracked in the IAPs and called for the development of demand-driven capacity building to assist developing economies to implement the APEC Transparency Standards by January 2005. Furthermore, Ministers asked Senior Officials to ensure that these standards are made publicly available to the business community, as they make an important contribution to APEC's trade facilitation agenda.

Ministers recognized that enhancing transparency will contribute to combating corruption. Ministers noted that in many member economies there already exist appropriate laws, institutions and structures aimed at eliminating corrupt practices in both the public and private sectors. Ministers agreed that these anti-corruption measures should be vigorously enforced, and where appropriate laws, institutions and structures should be strengthened in pursuit of our common goals.

Pathfinder Initiatives

Ministers re-emphasized the important role of Pathfinder initiatives that allow economies that are ready to initiate and implement the cooperative arrangements to proceed to do so, while those that are not yet ready to participate may join at a later date. In this connection, Ministers urged all economies to actively take steps to participate in Pathfinder initiatives so as to ensure timely progress towards the Bogor Goals.

Ministers of participating economies endorsed the "Next Steps" Action Plan adopted by Ministers Responsible for Trade to implement the 2002 *Pathfinder Statement to Implement APEC Policies on Trade and the Digital Economy*. They also welcomed progress achieved so far under this Plan to implement the Leaders' Digital Economy Statement in the e-commerce,

services, intellectual property and tariff areas, and instructed that work under the Next Steps Plan continue.

Ministers welcomed Chile's decision to participate in the Leaders' Digital Economy Statement, according to the understanding annexed to this Statement (see [Annex A](#)). Ministers instructed Senior Officials to work on the basis of participating economies' proposals to identify additional information technology products on which tariffs could be eliminated. Ministers also instructed Senior Officials of the economies participating in the 2002 Pathfinder Statement to Implement APEC Policies on Trade and the Digital Economy to undertake work on technology choice and non-discriminatory trade in digital products under the "Future Works" paper.

Ministers agreed on the importance of effective intellectual property protection consistent with existing regimes and international agreements as critical to fuel human genius and creativity, and to promote investment in the creation of culturally diverse materials, and agreed to continue work under the *Digital Piracy Initiative* to create the regulatory and enforcement environment needed to eliminate the production, import, export and distribution of pirated optical media. To this end, Ministers of economies participating in the Leaders' Digital Economy Statement endorsed Effective Practices for Regulations Related to Optical Disc Production. They also noted the *Initial Report on Enforcement Best Practices in APEC Economies to Combat Optical Disk Piracy*, and agreed that economies participating the Leaders' Digital Economy Statement should provide information on their enforcement practices so that a final report is ready for submission to Ministers Responsible for Trade next year. Ministers instructed officials to continually pursue new work areas under the Leaders' Digital Economy Pathfinder Statement. They also called for the formulation of demand-driven capacity building projects that would help developing economies benefit from digital trade.

Ministers welcomed the launch of the *APEC Sectoral Food Mutual Recognition Arrangement* (MRA) as a Pathfinder initiative and encouraged economies to share effective and/or best practices in food regulations as initial means to help promote the initiative. This initiative has the potential to bring greater returns to agricultural producers and would pass on the benefits of reduced costs to consumers. The initiative would also support APEC's efforts to promote the APEC Food System.

Ministers also welcomed progress made with respect to the following Pathfinder initiatives and urged economies to participate actively in Pathfinder initiatives:

- Implementation of Unilateral Advance Passenger Information Systems;
- Adoption of the revised Kyoto Convention on the Simplification and Harmonization of Customs Procedures;
- Electronic Sanitary and Phytosanitary (SPS) Certificates;
- Electronic Certificates of Origin;
- Mutual Recognition Arrangement of Conformity Assessment on Electrical and Electronic Equipment Part II and Part III; and
- Corporate Governance.

Regional Trading Arrangements/Free Trade Agreements

Ministers acknowledged the development of intra-APEC Regional Trade Agreements/Free Trading Arrangements (RTAs/FTAs) and welcomed APEC's 1st Policy Dialogue on RTAs/FTAs held in May 2003 in Khon Kaen, Thailand.

While recognizing that RTAs/FTAs can contribute to multilateral trade liberalization, Ministers reiterated Leaders' emphasis that RTAs/FTAs must be consistent with both the WTO's rules and disciplines and APEC's goals and principles. They noted that if FTAs are comprehensive they can promote competitive liberalization in the region and help to build momentum for the Doha Round negotiations. Ministers welcomed the convening of a 2nd Policy Dialogue on RTAs/FTAs in May/June 2004 in Pucon, Chile. They supported continued work within APEC and with relevant organizations, for example, the Pacific Economic Cooperation Council (PECC), to develop their work for maximising the contribution of RTAs/FTAs to the achievement of the Bogor Goals. In particular, Ministers instructed Senior Officials to develop work on ways to include discussions on RTAs/FTAs on a regular basis, within APEC's work agenda.

APEC Business Advisory Council

Ministers recognized the unique role of the APEC Business Advisory Council (ABAC) in providing specific advice concerning the improvement of the business environment in the region. They welcomed the presentation of the *2003 ABAC Report to APEC Economic Leaders* and acknowledged ABAC's call to act decisively to deliver on APEC members' commitments. Ministers welcomed the five key messages in the ABAC Report:

- reaffirm APEC's commitment to advancing free, open and transparent trade, and specifically reaffirm the commitment to achieve the Bogor Goals, and to advance the Doha Development Agenda;
- facilitate trade to ensure that the benefits of liberalization are realized, and reaffirm the commitment to reduce transaction costs by 5 percent by 2006, ensuring that security measures do not hinder legitimate commerce but rather provide an opportunity to facilitate trade;
- pursue capacity building to ensure that growth resulting from liberalization is balanced, equitable and sustainable and contributes to strengthened financial systems;
- work with the private sector to promote good governance, transparency and application of international standards and conformance procedures to restoring trust in markets; and
- ensure that APEC remains open to business input and participation so that APEC efforts result in real improvements to the business environment and for regional economies.

Ministers noted with satisfaction the closer working relationship between ABAC and Senior Officials in 2003, and expressed appreciation for ABAC's continued work to provide constructive, specific recommendations and to engage with officials to help ensure the achievement of APEC goals and their translation into real economic growth and benefits.

Ministers recognized the fact that financial stability is key to reinvigorating APEC economies. Ministers welcomed ABAC's recommendations on strengthening APEC's financial systems, securing the financial environment and improving governance as well as transparency in order to restore confidence in our markets. Ministers also recommended the Finance Ministers Process to work with ABAC on the implementation of measures that will contribute to the creation of a sound investment environment for business within the APEC region.

APEC Business-Government Dialogues

Ministers welcomed the excellent business-government understanding that has been achieved as a result of the Automotive and Chemical Dialogues.

The automotive sector accounts for approximately ten percent of world trade. In response to the call of the 5th APEC Automotive Dialogue in June 2003, Ministers reaffirmed that they will endeavor to refrain from using measures which would have the effect of increasing the level of protection in the automotive sector. Ministers will also continue their support for the Automotive Dialogue to map out strategies for increasing integration and development of the automotive sector within the region.

In the chemicals sector, Ministers noted the continuing concern of economies over the European Commission's proposed regulatory framework for chemicals and downstream products (REACH system). Ministers observed that many APEC economies submitted detailed comments on the proposed system, and urged the European Commission to carefully consider the trade effects and trade policy implications of the proposed legislation. Ministers welcomed the efforts of the Chemical Dialogue to identify non-tariff barriers to trade to be addressed in APEC and as part of the contribution to the Doha Development Agenda.

Ministers also welcomed the outcome of the Globally Harmonized System (GHS) Capacity Building Seminar held in Chinese Taipei in September 2003 for participants to exchange views on the mechanism and benefits of adopting the GHS for classification, labeling and safety information management of chemical products.

Ministers welcomed the outcome of the test-seminar held in August 2003 in Bratsk, Russia and endorsed the convening of the first meeting of APEC Dialogue on Non-Ferrous Metals in 2004. Ministers requested officials to consult with GEMEED and other relevant APEC fora on the organizational and technical aspects of convening the first dialogue.

Economic and Technical Cooperation and Capacity Building

Ministers endorsed a short list of APEC-wide Economic and Technical Cooperation or *ECOTECH* priorities:

- Integration into the Global Economy;
- Promoting the Development of Knowledge-Based Economies;
- Addressing the Social Dimension of Globalization; and
- Counter-Terrorism Capacity Building.

These ECOTECH priorities guide APEC's contribution to the economic and social development of the region. They provide an up-to-date overall strategic focus, a strategic roadmap for future ECOTECH activities and will enable APEC to better communicate with its constituents and facilitate efforts to attract additional support from external organizations. The complementary and cross-cutting nature of TILF and ECOTECH are also reflected in the list of priorities. This list of priorities, however, does not preclude APEC from responding to future priorities as may be identified by Leaders. Additional ECOTECH and capacity building activities may be undertaken by economies. Ministers tasked SOM to focus on identification and implementation of capacity building projects under the four ECOTECH priorities and report to AMM 2004.

Ministers welcomed the *2003 Senior Officials' Report on Economic and Technical Cooperation*, and endorsed its recommendations.

Ministers instructed Senior Officials to use existing management mechanisms, such as the SOM Committee on ECOTECH and the Budget and Management Committee to significantly

strengthen the coordination of APEC activities, in particular APEC projects, so as to avoid duplication and maximize APEC value, goodwill and benefit to stakeholders. They welcomed the development of a project evaluation framework, which should be integrated into the APEC project framework in time for 2005 projects, and looked forward to continued progress in assessing APEC's ECOTECH activities.

Ministers welcomed the rigorous assessment of *ECOTECH Action Plans* in the area of human resources development. They remain accessible to interested economies as a basis for discussion and may be revised for their own use.

Ministers acknowledged that it is essential to expand APEC's relationships with other organizations including the IFIs. They welcomed the success of the first *APEC/International Financial Institutions Roundtable Discussion on Economic and Technical Cooperation* as a first step in identifying synergies and proposing a framework for coordination and capacity building opportunities for further cooperation. In this connection, distance learning as well as outreach activities on issues such as the positive impact of globalization, structural reform, trade security, youth, women and digital economy may be areas with potential for further APEC/IFI cooperation activities. Ministers encouraged economies and APEC fora to continue to engage IFIs in the ECOTECH and capacity building work of APEC and to develop relationships with other suitable organizations and the business sector in the year ahead. In particular, they looked forward towards the concrete results that may arise from a Second APEC/IFI Roundtable discussion on Economic and Technical Cooperation, to be held during the Second Senior Officials' Meeting in 2004.

KNOWLEDGE-BASED ECONOMY FOR ALL

Promoting the Development of Knowledge-based Economies (KBes), one of APEC's ECOTECH priorities, is a foundation for the economic and social development of the APEC region. APEC needs to redouble implementation of its APEC 2000 Year KBE Strategy by maximizing the combined potential of information and communications technology, human resources development and a facilitating legal and regulatory framework. APEC's work in this area will enhance economies' abilities to engage in broader trade and investment liberalization, which will help APEC meet the Bogor Goals.

Ministers encouraged undertaking technical cooperation amongst member economies in order to develop global learning communities that can build the skills that our youth require in our increasingly global and knowledge based economies: Ministers welcomed the initiative of holding a Working Research Summit on Education Reform in the APEC region during 12-14 January 2004 in Beijing, in order to examine the research base and policy trends in education affecting our economies. These findings will inform policy recommendations and establish a substantive action-oriented agenda for the region.

Intellectual Property Rights

Ministers recognized that effective management of Intellectual Property Rights (IPR) is essential to building a knowledge-based economy. Proper protection and enforcement of IPR are key factors in promoting foreign trade and investment as well as boosting economic development. They committed to continuing close cooperation within APEC aimed at improving IPR facilitation, protection and enforcement, and endorsed the establishment of *IPR Service Centers*, as a CAP, understanding that each member economy will proceed with

implementation as soon as it is ready. They also endorsed the *Comprehensive Strategy on IPR in APEC* which will improve IPR protection and enforcement in the region. The objective of this Comprehensive Strategy is to set guidelines for proper protection and enforcement of IPR in the region for the sake of better coordination and collaboration among APEC economies in this area. Ministers also instructed Senior Officials to develop concrete plans to implement the strategy. They emphasized the importance of implementation of the *APEC IP Toolkit* through well-targeted projects which take into account the particular needs of developing APEC economies. In this area, increased support for capacity building programs as well as infrastructure development in order to strengthen the fight against piracy is required. Ministers also recognized the importance of APEC Technical Cooperation in IP Automation, which will bridge the digital divide among Intellectual Property Offices (IPOs) and facilitate the implementation of cost-effective IP automation.

Cybersecurity

Ministers welcomed the TEL's *Report to Leaders and Ministers on Actions of the Telecommunications and Information Working Group to Address Cybercrime and Cybersecurity*, reflecting the work done to implement the *APEC Cybersecurity Strategy*, and urged APEC fora and economies to continue their efforts to implement it. In particular, Ministers welcomed the *Cybercrime Legislation and Enforcement Capacity Building Project* and its first meeting held in Thailand in 2003, and called for further work by APEC fora and economies to develop laws and procedures to facilitate the investigation and prosecution of cross-jurisdictional cybercrime. Ministers noted the efforts economies have made to share information about security threats and to assist each other in international cybercrime investigations, and welcomed APEC efforts to promote the development of an international network of Computer Emergency Response Teams ("CERTs"). They also agreed to continue to support the work done by APEC fora and economies to promote security and technical guidelines, raise public awareness about computer security threats, and promote cybersecurity training and education.

Life Sciences Innovation

Ministers recognized the importance of life sciences innovation to economic development and the well being of people. They welcomed the first *APEC Life Sciences Innovation Forum* in Phuket, Thailand in August 2003 and supported the forum's recommendations to identify economy-specific strengths in life sciences and ways to promote trade and investment, economic and technical cooperation and government-business sector collaboration in life sciences innovation. Ministers took note of the progress in developing the draft *Strategic Plan for Promoting Life Sciences Innovation* and requested that the forum and its expert groups finalize the plan for endorsement in 2004. As an immediate outcome of the forum, Ministers endorsed an agreement in principle to harmonize quality standards for life science products and services according to international best practices. They requested that the 4th APEC Ministers' Meeting on Regional Science and Technology Cooperation in New Zealand in 2004 be kept informed of the forum's progress.

Innovative APEC

Ministers recognized the importance of promoting cooperation on science and technology innovation to ensure the long-term economic growth of APEC economies. They welcomed the *Innovative APEC* initiative, which will promote cooperation in the APEC region through the development of science and technology intermediary mechanisms and identification of

bottlenecks and impediments to their development. They charged Senior Officials with examining the policy recommendations arising from the Innovative APEC Workshop in February 2004 in China for further implementation. They requested Senior Officials to report progress on implementation of Innovative APEC to the Fourth APEC Ministers' Meeting on Regional Science and Technology Cooperation, where connecting innovative science, policy and business will be a key feature. Senior Officials are also requested to report progress in this area to the 16th AMM in 2004.

Biodiversity and Sustainable Development

Ministers agreed to continue to support global efforts to address significant sustainable development issues and stressed the importance of the sustainable use of biodiversity. Ministers welcomed the Senior Officials' decision to hold a workshop on this matter in 2004 where an opportunity could be provided for representatives from governments, scientific institutions and the business sector to exchange views on relevant best practices in biodiversity and implications on trade.

Ministers reaffirmed their commitments delivered in the Seoul Statement on APEC Tourism Charter. They recognized tourism as the significant instrument towards obtaining sustainable development within APEC region as well as in individual economy.

Agricultural Biotechnology

Ministers welcomed the 2nd *APEC High Level Policy Dialogue on Agricultural Biotechnology* held in Thailand in 2003 and recognised the benefits of biotechnology in improving agricultural productivity, food security, and enhancing the environment. They reaffirmed the importance of the safe introduction and use of agricultural biotechnology products based on sound scientific risk assessment and risk management. They reiterated the need for enhancing public awareness and confidence in products derived through biotechnology and called on Senior Officials to continue to develop better understanding in this area. In this regard, they welcomed the convening of a 3rd *APEC High Level Policy Dialogue on Agricultural Biotechnology* in Chile in 2004 which would cover Intellectual Property Rights and Capacity Building.

Invasive Alien Species

Ministers noted the difficulty and cost of dealing with problems caused by *Invasive Alien Species* (IAS). IAS also has significant implications for trade. Ministers agreed that the invasive species problem cuts broadly across sectors and that APEC should identify opportunities for cooperation and capacity building to combat the problem, using science-based criteria in accordance with international standards. In this context, a workshop will be held in 2004 where economies can discuss IAS and consider APEC's response, including the possibility of developing a common strategy.

Electronic Commerce

Ministers took note of the *2003 Stocktake of Electronic Commerce Activities in APEC*.

Ministers welcomed the work of Senior Officials in the area of electronic commerce, including the *Cybersecurity Workshop* on 14 August 2003 and the *APEC Digital Trade Seminar* held on 16 August 2003, both in Phuket, Thailand. For 2004, Ministers highlighted the importance of

Senior Officials completing the *APEC Data Privacy Principles* and note that an *APEC Symposium on Data Privacy Implementation Mechanisms* will be held in August/September 2004 in Santiago, Chile. The Principles will help APEC economies to develop privacy laws and regulations that achieve a balance between effective privacy protection and the continuity of cross-border information flows, thus promoting electronic commerce. Ministers also endorsed updating the *1998 APEC Blueprint for Action on Electronic Commerce*, conducting future work on “spam” in close collaboration with the OECD, holding an *APEC Symposium on ebXML (electronic business Extensible Markup Language) for Paperless Trading and Collaborative e-Business* in Thailand and noted plans for an *APEC ECSG Internet Investigatory Training Workshop for Law Enforcement Personnel*.

Ministers welcomed China’s offer to host the APEC E-Commerce Fair on 15-19 June 2004 in Yantai, China, and encouraged all member economies to participate in this event.

APEC Education Foundation and Cyber Education Cooperation Consortium

Ministers expressed their appreciation to the APEC Education Foundation for its initiatives to enhance Information and Communications Technology (ICT) capacity building of small and micro-enterprises. Ministers also recognized the Foundation’s potential as a useful vehicle to enhance APEC education and human capacity building cooperation.

Ministers also recognized the achievement for the Consortium for APEC Cyber Education Cooperation (ACEC) in reducing the digital divide in the APEC region and welcomed the Consortium’s new directions towards building a wide learning community of teachers, learners and researchers/administrators in the region. Ministers encouraged member economies, business, academia and other stakeholders to actively participate in the activities of the Foundation and the Consortium.

E-Learning

Ministers recognized the increasing role of technology in developing students' skills for the 21st Century and ability to contribute to knowledge based economies. Ministers welcomed the development of a *Five-year Strategic Plan for e-Learning* in the region outlining recommendations to improve students' and teachers' access to the Internet infrastructure, availability of innovative educational content using the Internet, teachers' capacity to use technology, and addressing policy issues raised in implementing e-Learning efforts across APEC. Ministers encouraged APEC's Education Ministers to review the document and provide further direction for promoting e-Learning at the upcoming 3rd APEC Education Ministerial Meeting in Chile in 2004.

Ministers also encouraged member economies to undertake measures geared towards the adequate knowledge and practical use of English as a Working Language within the APEC region. Such measures focus, in particular, on strengthening current distance learning methods, exchanging best practices and establishing a framework for increasing the appropriate use of English amongst APEC’s youth, micro-enterprises and SMEs, in the different areas of economic activity, including standards and conformance.

World Summit on the Information Society

Ministers welcomed the opportunity for APEC to contribute to the World Summit on the Information Society (WSIS) in December 2003. WSIS offers an opportunity to bridge the

Digital Divide and enhance cooperation, economic growth and social progress throughout the world, including the APEC region. Ministers noted that APEC's input into the WSIS Statement reflects APEC's commitment to: sound economic policies; legal and regulatory frameworks that encourage competition and innovation in the information society; good corporate governance; and the need to protect information and communications technology infrastructure from criminal misuse.

PROMOTING HUMAN SECURITY

Empowering people to become actively engaged and self-reliant in the regional economy is the essence of promoting human security, as pointed out by the Report of the Commission on Human Security. Through capacity building programs and providing opportunities for human resources development, the strengths and potential of all people in the APEC region can be better realized. As the region moves towards the Bogor Goals, within and between economies the process of economic adjustment must be properly coordinated and social safety nets strengthened to ensure that economic and social opportunities are accessible to all APEC stakeholders.

Terrorism and the spread of Severe Acute Respiratory Syndrome (SARS) have also highlighted other aspects of human security.

Counter-terrorism

Ministers reiterated their resolve to secure trade and make APEC economies more resilient to the threat of terrorism. They welcomed the important role of the newly created *Counter-Terrorism Task Force* in coordinating the implementation of APEC commitments to fight terrorism. They applauded the development of *Counter-Terrorism Action Plans* as a practical means to assist economies in implementing the 2002 *Leaders' Statement on Fighting Terrorism and Promoting Growth* and to identify and respond to capacity building needs, as per the objectives put forward in the Leaders' Statement. They called on Senior Officials and APEC fora to continue to identify security measures and capacity building programs that would both facilitate and secure trade.

Ministers noted the World Bank's report "*The Use of Informal Funds Transfer Systems in the APEC region: Initial Findings and a Framework for Further Analysis*" and agreed that more effort is needed to understand how remittances operate and, in some cases, how the formal financial systems can be strengthened to provide more attractive and accessible remittance services. Ministers looked forward to the APEC Policy Dialogue to be held next year to bring together public and private sectors to consider ways in which remittances flows can be facilitated through safe and reliable channels.

Ministers welcomed the progress to implement the *Secure Trade in the APEC Region (STAR) Initiative*, the *Energy Security Initiative*, *Countering the Financing of Terrorism* and the *APEC Cybersecurity Strategy* as set out in the *Report on Implementing the Leaders' Statement on Fighting Terrorism and Promoting Growth*. In this context, they welcomed the *Energy Security Initiative Implementation Plan* which identifies the actions that economies will take to implement the recommendations of the *Energy Security Initiative* and, where appropriate, the timeframes within which these will be achieved. Ministers highlighted the Energy Security Initiative's long-term measures, such as the development of clean and sustainable energy resources. Ministers further encouraged continued efforts by APEC members to share

information on money laundering and cybersecurity and welcomed the outcomes of the APEC Anti-Money Laundering/Anti-Terrorist Financing Seminar held in Tokyo in mid-October that enhanced APEC economies' understanding of the international financial obligations and practices in this area.

They stressed the importance of building business confidence by working closely with the business sector and sharing information on measures taken to secure trade. They welcomed the non-binding *APEC Private Sector Supply Chain Security Guidelines* and encouraged economies to share this best practice model with the business sector.

Ministers welcomed the outcomes of the APEC High Level Meeting on Maritime Security Cooperation held in Manila, the Philippines on 8-9 September 2003 and recognized the importance of exchanging best practices in maritime security to improve trade efficiency, reduce costs and ensure trade security in the Asia-Pacific region. They stressed the need for enhancing public-private partnership to strengthen cooperation in maritime security.

Ministers praised the efforts of economies to establish container security regimes and to protect ships engaged in international voyages as called for by Leaders in the STAR initiative. They noted particular projects underway in Canada; China; Hong Kong, China; Japan; Republic of Korea; Malaysia; New Zealand; the Philippines; Singapore; Thailand; and the United States. They called on all economies to undertake further measures to secure and facilitate trade and tasked SOM to discuss the issue of costs of new secure trade measures in the CTTF 2004 work program.

Ministers welcomed work undertaken to secure people in transit, including the development of standards for *advance passenger information systems* and enhanced immigration service cooperation to improve the security of travel documentation and issuing systems. Ministers congratulated Australia, Canada, Japan, New Zealand, Thailand, and the USA for implementing or announcing their commitment to implement the advance passenger information systems. Feasibility studies have been conducted in Korea, Malaysia, Thailand, the Philippines and Indonesia. A further eight economies had agreed to undertake feasibility studies to enable them consider implementing the advance passenger information systems. They encouraged all economies to participate in these activities. Ministers also instructed Senior Officials to progress work to assess the strategic options, benefits and feasibility of a pilot phase of a Regional Movement Alert System (RMAS) that can contribute to business mobility by harmonizing work on trade facilitation and security measures.

Ministers recognized the existence of the new threat to civil aviation posed by *Man-Portable Air Defense Systems* (MANPADS). They also called for stronger domestic controls, as considered necessary, on the production, stockpiles, transfer and brokering of MANPADS in order to prevent acquisition by terrorists of these systems and a potentially devastating attack that would severely reduce tourism and business travel.

Ministers noted the outcomes of the 1st STAR Conference in Bangkok, Thailand in February 2003. They also welcomed the holding of the 2nd STAR Conference on 5-6 March 2004 in Valparaiso, Chile. The Conference will cover issues such as airport and maritime security, the mobility of passengers and the establishment of Financial Intelligence Units (FIUs) by APEC member economies.

Ministers welcomed the outcomes of the recent APEC Smart Border Symposium in Vancouver, Canada, which identified best practices in implementing various elements of the

STAR initiative and in addressing trade facilitation and security concerns, and which pointed to priority areas for future border-related counter-terrorism capacity building.

Ministers also emphasized that secure trade in the APEC region must be applied across all economies and that the development of enhanced capacity for individuals and institutions with security mandates is of primary importance. They welcomed the cooperative efforts of economies and APEC fora to develop targeted capacity building programs, responding to the specific needs contained in the Counter Terrorism Action Plans, to help developing economies implement Leaders' counter-terrorism commitments. In this context, Ministers welcomed the possibility of technical cooperation, where appropriate, with IFIs and relevant international, regional and functional organizations, including the United Nations Security Council Counter-Terrorism Committee the G-8 Counter-Terrorism Action Group, ASEAN and the OECD Financial Action Task Force. Ministers also welcomed SOM Report to Ministers on the Implementation of the Leaders' Statement on Fighting Terrorism and Promoting Growth, including the "Counter-Terrorism Capacity Building Ongoing Activities and Needs" submitted by Japan, and encouraged member economies to implement necessary projects as pointed out in this paper. Ministers also welcomed an Australian report which highlighted the threat that global terrorism poses to economic development, the costs to economies of failing to secure trade, and the importance of working cooperatively in APEC towards this end. They encouraged the Counter Terrorism Task Force to further pursue and realise such cooperation in the year ahead.

Ministers also requested the APEC Secretariat to give priority to ensuring that its communications strategy promoted APEC's counter-terrorism initiatives to its stakeholders.

Response to Severe Acute Respiratory Syndrome (SARS) and Other Health Threats

Ministers recognized the human and economic impact of Severe Acute Respiratory Syndrome (SARS) on APEC economies, individually and collectively, and the importance of preventing future outbreaks of SARS and other infectious diseases. They welcomed the *APEC Action Plan on SARS* and the establishment of an *ad hoc* APEC Health Task Force under SOM to address infectious diseases and other health threats, such as HIV/AIDs. Ministers emphasized the need for continued implementation of the Action Plan and the *APEC Infectious Disease Strategy*, especially with a view to mitigating the impact of future outbreaks of infectious diseases. They acknowledged the importance of communications and confidence building in facing future outbreaks of infectious diseases and in this context, welcomed the *APEC Communications Strategy on SARS*. They welcomed the positive cooperation on SARS with the World Health Organization and other relevant organizations, such as the United States Centers for Disease Control and Prevention, and encouraged continued similar cooperation in the future as the need arises.

They endorsed the APEC Health Security Initiative and forwarded it to Leaders.

Social Safety Nets and Workforce Retraining

Ministers stressed the need for addressing the social dimensions of globalization and the importance of developing social safety nets to minimize the costs of structural change. They commended the initiatives undertaken by APEC which aim to empower vulnerable people, especially the jobless workforce, and to better manage the impact of structural change and ensure more equitable distribution of the benefits brought about by globalization. They welcomed an event in this regard to be held in China in 2004. Ministers instructed Senior

Officials to redouble their efforts in workforce retraining programs through the Human Resources Development Working Group and the Social Safety Nets Capacity Building Network (SSN-CBN). This work will build on APEC's current work in areas such as health, financing, human resources development, micro-enterprises and SMEs, gender integration and youth, access to ICT and social safety nets. They requested Senior Officials to report progress on the issue of workforce retraining at the 16th AMM in 2004.

Framework for the Integration of Women in APEC

Ministers recognized the important roles undertaken by women in APEC economies and the need to eliminate gender inequalities in social and economic life. They welcomed initiatives to ensure that women are integrated into the activities, programs and projects undertaken by all APEC fora and the establishment of the Gender Focal Point Network (GFPN) to provide a sustainable and effective mechanism for the implementation of the *Framework for the Integration of Women in APEC* and looked forward to GFPN's deliverables beyond this first year. They also welcomed the training program for women's IT capacity building held in August in 2003 in Korea.

Ministers also welcomed the recommendations of the 8th Women Leader's Network meeting held in Thailand in July/August 2003, and support the Network's commitment to strengthening partnerships with APEC fora. They appreciate the pro-active role played by this APEC advisory group to promote economic opportunities for women, in particular they recognize the importance of removing barriers that prevent marginalized and displaced women from fully participating in and benefiting from economic growth.

Youth

Youth form the foundation of APEC's future. Engaging the youth of APEC economies and bringing them together in cooperative activities will ensure that the Asia-Pacific community develops on the basis of understanding and cohesiveness. In this regard, Ministers welcomed the successful completion of the APEC International Youth Camp in Thailand, which was undertaken under the APEC Sister Schools Networking (ASSN) initiative, an APEC 2003 Year deliverable. This year's youth camp focused on scientific and environmental issues. Ministers further welcomed the proposal to hold the 2004 APEC International Youth Camp in Chinese Taipei.

FINANCIAL ARCHITECTURE FOR A WORLD OF DIFFERENCES

Reducing economic and financial vulnerabilities, enhancing investment and trade between differing social systems and economies requires a sound international financial infrastructure. Post 1997, APEC is in a position to play a substantial role in reforming the global financial system. Attention to best practices of financial regulations and corporate governance is applicable to all economies regardless of the level of economic development. A financial infrastructure that recognizes the differences between APEC economies will also generate more options for investment and trade.

New Financial Architecture

Ministers recognized the benefits of the financial cooperation to pursue the shared vision of establishing a sound and resilient financial system in the region. They also acknowledged that

channeling both domestic and foreign resources into their most productive forms of investment is one crucial element to sustainable long-term economic growth. It is therefore essential to put in place the institutional framework and structural reforms that allow the most efficient allocation of savings.

Ministers acknowledged that promoting the development of bond markets in the region will provide an alternative means of mobilizing savings, providing investment alternatives, and achieving deeper financial markets. Ministers welcomed the APEC Finance Ministers' work on the promotion of the regional bond market. They also welcomed the studies and work currently pursued in the following areas: On regional bond market issues by the Asian Development Bank and the World Bank, the APEC initiative to promote the development of securitization and credit guarantee markets, as well as the development new products for regional bond markets.

Economic Research and Analysis

Ministers endorsed the *Economic Committee's Report for 2003*, the *2003 APEC Economic Outlook*; and the *Drivers of the New Economy in APEC: Innovation and Organizational Practices* report. They commended the report on the *Economic Impact of SARS on the APEC Region* which demonstrates the Economic Committee's ability to respond to APEC's priorities and initiatives.

Ministers welcomed the *2003 APEC Economic Outlook*, particularly its structural chapter on the role and development of Specialized Financial Institutions (SFIs) in APEC. The analysis on the economic and social impact of SFIs provides policy makers with options on the appropriate policy response with regard to the issue of SFIs in APEC. They also welcomed the inclusion in the *Outlook* beginning this year, of individual economy reports on structural reform, which describe the policies and progress made by economies in this area, as a way of sharing information and encouraging further progress in such reforms. Ministers also instructed the Economic Committee to continue to work on KBE and New Economy-related research works.

Ministers welcomed progress in the other research projects under the Economic Committee's 2003-2004 Work Program, namely: (1) EC report on the New Economy/Knowledge-based Economy Issues; (2) Corporate Restructuring Project, which addresses the non-performing assets issue in APEC member economies; and (3) report on TILF-related issues.

Ministers welcomed the Economic Committee's efforts towards deepening APEC's understanding of the region's growing interest in the development of RTAs/FTAs. The structural theme of the *2004 APEC Economic Outlook* will focus on the analysis and the description of the current RTAs/FTAs to discuss the impact of these mechanisms on the achievement of the Bogor Goals.

Ministers also welcomed the closer communication achieved between the Finance Ministers' Process and the Senior Officials' process in 2003.

NEW GROWTH ENTERPRISES: SMES AND MICRO-ENTERPRISES

There is an abundance of untapped entrepreneurial capacity in the APEC region. Reducing red tape to make it less complicated and less costly for small to medium businesses to trade across

borders will make local economies stronger and create jobs. Extending resources for the creation of micro-businesses in both developed and developing economies strengthens the foundations for a broader distribution of income, enhanced economic stability and greater community development. APEC is building upon the work initiated in the APEC 2002 Year. Ministers welcomed the establishment of an *APEC Sub Group on Micro-enterprises* and endorsed the *Micro-Enterprise Development Action Plan* which outlines potential work program for micro-enterprise development. Ministers also commended the initiative to promote micro-enterprises development with emphasis on economic growth and shared prosperity.

Ministers took note that SMEs are still underrepresented in agricultural trade and welcomed the progress made by economies in the identification of impediments to trade for SMEs and welcomed the decision made by the 2003 APEC SME Ministerial Meeting to establish an *ad hoc* small working committee within the SME Working Group to address and evaluate the identified impediments to trade for SMEs.

Ministers welcomed the support extended by the Finance Ministers to the SME Ministers for the development of micro-enterprises and SMEs in the APEC economies, especially in the areas of financing, corporate governance, and entrepreneurship. Ministers also recognized the importance of information and expertise sharing, which is crucial for improving the production and management capabilities of micro-enterprises and SMEs. Ministers also welcomed the signing of the *Memorandum of Understanding (MOU) on Cooperation among the APEC Financial Institutions dealing with SMEs and micro-enterprises* by financial institutions from participating economies. The MOU, which encourages financial and technical cooperation among the participating institutions, is the initial step towards the establishment of a network among APEC SME financial institutions.

Recognizing that the promotion of SMEs and Micro-Enterprises is a cross-cutting issue in APEC's ECOTECH priorities, Ministers emphasized recommendations in the Action Plan on innovative micro-financing approaches, developing a database on SMEs and Micro-Enterprises, internet access in communities and villages, expansion of networking to promote trade cooperation and development of market strategy and channel. They noted these should be implemented as a matter of priority in 2004. Ministers encouraged the close collaboration between the APEC SME Working Group (SME WG) and other APEC fora, as well as the Finance Ministers' Process, on capacity building initiatives to assist SMEs and Micro-Enterprises in accessing information technology, networking, markets and finance. They also instructed the APEC SME WG to implement the APEC Action Plan on Micro-Enterprises and to explore the possibility of establishing an APEC Fund for Micro-Enterprises Capacity Building as a matter of priority in 2004.

Ministers acknowledged the importance of business incubation in fostering entrepreneurship and new businesses. They applauded the success of the First APEC Incubator Forum hosted by Chinese Taipei in July and August 2003 and encouraged economies to use the outcomes to strengthen the capacity of new businesses on technology development, commercialisation and marketing. Ministers welcomed the positive momentum that has been established in order to focus on innovation and entrepreneurship in APEC's SME agenda for 2004 and noted that a Second APEC Incubator Forum would be held in 2004.

Ministers recognized the importance of financing start-up companies and SMEs at different growth stages and welcomed the convening of a symposium on *Best Practices for Enhancing Financing Chain for SMEs at different Growing Stages* in August 2003 in Chinese Taipei.

They encouraged all relevant APEC fora to apply the *APEC Best Practices Guidelines for Enhancing Financing Chain for SMEs at Different Growing Stage* which were agreed at the symposium.

APEC REFORM

Ministers commended recent efforts to make APEC meeting arrangements more interactive, to reinvigorate and redesign APEC's process, as well as to make the agenda of APEC more focused and policy oriented. They agreed on the need to further streamline the process and to make APEC more responsive to the rapidly changing environment as well as the needs of major APEC stakeholders, especially the public at large.

In this regard, Ministers requested Senior Officials to develop proposals for broader APEC reform and to report the progress to 16th AMM. Ministers also instructed the APEC Secretariat to facilitate this process of review and assessment by providing a report on APEC's working profile, covering its structure, decision-making process, work areas and activities to the Senior Officials process as soon as possible.

OTHER ISSUES

SOM Report to Ministers

Ministers approved the SOM Report, including the decision points contained therein, in particular the proposed APEC budget and assessment of members' contributions for 2004.

APEC Secretariat

Ministers noted with satisfaction the Report of the Executive Director of the APEC Secretariat and commended the work of the APEC Secretariat as the core support mechanism of the APEC process, including in implementing the Communications and Outreach Strategy. In this connection, Ministers welcomed the success of Viet Nam's APEC Week, held with the support of the APEC Secretariat in Viet Nam during 2-7 September 2003, as one of the effective activities in increasing people's awareness and participation in the work of APEC. They also noted that on 6 September 2003, Prime Minister Goh Chok Tong of the Republic of Singapore and Prime Minister Thaksin Shinawatra of the Kingdom of Thailand in his capacity as Chair of the APEC 2003 Year, officially opened the new Secretariat building in Singapore and also celebrated the tenth anniversary of the Secretariat, which was first established on 12 February 1993.

Statements by Observers

Ministers noted the statements by the ASEAN Secretariat, PECC and PIF.

APEC 2004

Ministers thanked Chile for the briefing on preparations for the 16th AMM and the 12th APEC Economic Leaders' Meeting.

Future Meetings

Ministers noted that future APEC Ministerial Meetings will be held in Korea in 2005, Viet Nam in 2006, Australia in 2007 and Peru in 2008.

**STATEMENT TO IMPLEMENT APEC POLICIES
ON TRADE AND THE DIGITAL ECONOMY**

Los Cabos, Mexico
27 October 2002

Bangkok, Thailand
21 October 2003

In Brunei in 2000, APEC Economic Leaders agreed to “continue to work toward pro-competitive and market based policy frameworks for liberalization in trade in telecommunications and IT services,” and in 2001 in Shanghai to develop trade policy targets for the new economy.

The exponential growth in Internet connectivity and use of electronic commerce as a channel for international business require the development of trade policies that promote a networked world. The trade agreements and rules we develop now will affect the world economy of the coming decades.

APEC Economies, as an important part of the world community, need to make constructive efforts to liberalize the trading environment with effective trade rules for the digital economy where products and services can be exchanged using electronic networks free of tariffs and other barriers.

Accordingly, APEC economies agree to support implementation on a pathfinder basis of the following objectives, taking into account the general principles in the Osaka Action Agenda.¹

General Objectives

1. The digital economy should continue to flourish in a liberal and open trade environment, which will lead to greater development of e-commerce and economic growth.
2. Market access and national treatment commitments across a broad range of relevant goods and services sectors will promote trade in products and services using electronic networks.
3. Where legitimate policy objectives require domestic regulations that affect trade in products and services using electronic networks, such regulations should be transparent, non-discriminatory and least restrictive on trade, taking Economies’ international commitments into account.
4. In light of the importance of liberalization in digital trade, Economies support a long term moratorium on customs duties on electronic transmissions.
5. Economies support demand-driven capacity building projects that promote trade and the digital economy, with a view to ensuring that developing Economies benefit fully from the new economy.

¹ For non-WTO Members, implementation of paragraphs 7, 8, 9, 10, 11, 15 and 16 should not be viewed as reflecting the on-going process of accession to the WTO.

Specific Objectives

APEC Economies agree to take a collective leadership role in the WTO negotiations to pursue market openness in areas related to trade in the digital economy, including encouraging other WTO Members to pursue the same degree of openness that APEC Economies support in the following areas relevant to the digital economy:

Services

Pursuant to the Shanghai Accord, APEC Economies identified and exchanged information on the following services related to electronic commerce: telecommunications and value added services, subscription video services (including via cable or satellite and excluding broadcasting), computer and related services, advertising, distribution (including products distributed electronically), express delivery, and video rental/leasing (including online rentals).

For services it identifies as critical to electronic commerce, each Economy will:

- (a) reduce progressively or eliminate limitations on the number of suppliers permitted to supply such services;
- (b) reduce progressively or eliminate limitations on ownership and control that:
 - (i) prevent significant foreign investment in the supply of telecommunications services; and
 - (ii) prevent majority ownership or control of suppliers of other services; and
- (c) otherwise accord market access and national treatment with a minimum of exceptions.

Each Economy will make offers in the WTO services negotiations on the services it identifies as critical to electronic commerce, recognizing that there are on-going WTO discussions on these issues.

Recognizing the need to implement pro-competitive regulatory reform in the telecommunications sector, Economies will adopt and implement as soon as possible the WTO Basic Telecommunications Reference Paper.

Any Economy that is not currently a WTO Member is, in its negotiations to accede to the WTO, encouraged to offer meaningful commitments for as many services critical to electronic commerce as possible, and agree to adopt and implement the WTO Basic Telecommunications Reference Paper.

Intellectual Property

In light of the importance of protecting intellectual property rights to promote trade in the digital economy, Economies will fully implement and enforce the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights.

Economies will ratify and fully implement the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty as soon as possible. If an Economy is a non-Member of WIPO, it will implement the provisions of these treaties as soon as possible. For any Economy in the process of reviewing accession or implementation, it will commit to completing that review as soon as possible.

Economies will ensure through adequate oversight mechanisms that their government entities use only legal software or other content.

Economies will to the largest extent possible ensure that the internet and e-commerce does not facilitate trade in infringing and counterfeit goods, and will put into place appropriate regulatory and enforcement systems aimed at curtailing these activities.

Tariffs

Economies will become participants in the Information Technology Agreement, and present their schedule of commitments to the WTO ITA Committee, as soon as possible. Any Economy that is not currently a WTO Member will, in its negotiations to accede to the WTO, consider becoming a participant in the Information Technology Agreement.

Economies will work toward eliminating tariffs on additional information technology products at the broadest level possible.

Economies will submit their annual tariff and trade data to the WTO Integrated Data Base. For any Economy that is not a WTO Member, it will submit equivalent data to the APEC tariff database as soon as possible.

Future Work

Recognizing the dynamic nature of the digital economy and the on-going need to ensure that our trade policies create incentives for creativity, growth and development, officials will:

- (a) review Economies' progress in meeting the objectives set forth in this Statement and report to the 2003 Ministerial Meeting; and,
- (b) pursue on an annual basis the process developed in the Shanghai Accord of exchanging information and setting trade policy targets in areas important for ensuring the free flow of trade and investment in the digital economy and report annually at the Ministerial Meeting.

List of participant economies

1. Brunei Darussalam
2. Hong Kong, China
3. Indonesia
4. Japan
5. Korea
6. Malaysia
7. Mexico
8. New Zealand
9. Papua New Guinea

10. Peru
11. The Philippines
12. Singapore
13. Chinese Taipei
14. Thailand
15. United States
16. Vietnam
17. Chile (according to the understanding in Attachment 1).

Attachment 1

Chile agreed to become a participating economy in the Leaders' Statement to Implement APEC Policies on Trade and the Digital Economy, on the basis of the following understanding of the requirements of this pathfinder statement:

- The commitment in paragraph 14 of the Statement to put into place appropriate regulatory and enforcement systems aimed at curtailing trade in infringing and counterfeit goods using e-commerce and internet does not require a participant to put into place a judicial system for the enforcement of intellectual property rights that are separate and distinct from its general judicial system to enforce its laws;
- No commitment in this Statement regarding implementation of the WIPO Copyright Treaty or the WIPO Performances and Phonograms Treaty can be enforced through any dispute settlement mechanism;
- The commitment in paragraph 15 of the Statement regarding participation as soon as possible in the Information Technology Agreement is understood to take account of the need for Chile to change its across the board flat tariff policy on this matter, in order for ITA participation to become a possibility.