

APEC ECONOMIC LEADERS' DECLARATION

**Shanghai, China
21 October 2001**

MEETING NEW CHALLENGES IN THE NEW CENTURY

1. We, the Economic Leaders of APEC, gathered today in Shanghai for the first time in the twenty-first century. We are here to explore ways to meet the new challenges confronting us. Convinced of the great potential of the Asia-Pacific region, we have resolved to achieve common prosperity through broader participation and closer cooperation.
2. Our meeting has taken place at a crucial juncture. The major world economies are experiencing a slowdown more severe than anticipated. Most economies in the Asia-Pacific region have experienced an economic downturn, with some emerging economies particularly affected by unfavorable external market conditions. In addition, the terrorist attack on the United States risks undermining some industries as well as consumer and investor confidence. In the long run, a major challenge for the Asia-Pacific community is to manage the profound changes brought forth by globalization and the New Economy and to benefit from the opportunities that abound.
3. As the premier forum for regional economic cooperation in the Asia Pacific, APEC is well suited to play a leading role in helping its member economies embrace these opportunities and challenges. We wish to send a clear and strong message on the collective resolve of the Asia-Pacific community to counter terrorism. We are determined to reverse the current economic downturn and maintain public confidence at a time of uncertainty by fighting protectionism and committing to the launch of the new WTO round at the upcoming WTO Ministerial Conference. These efforts are consonant with and contribute to the pursuit of the APEC vision of peace, harmony and common prosperity.
4. Inspired by such a vision, we are determined to work together for a more dynamic and prosperous Asia Pacific in the new century by promoting sustainable economic growth, sharing the benefits of globalization and the New Economy, and advancing Trade and Investment Liberalization and Facilitation (TILF). To this end, we reaffirm our commitment to achieving

the Bogor Goals of free and open trade and investment in the Asia Pacific by 2010 for developed economies and 2020 for developing economies. We have also charted the course for the development of APEC in its second decade and beyond by adopting the Shanghai Accord.

Promoting Sustainable Growth

5. We affirm our unwavering confidence in the medium and long-term growth prospects for the Asia-Pacific region since the fundamentals of the region remain sound. As reforms and restructuring following the 1997-1998 financial crisis take effect, many emerging economies are now in a much stronger position to cushion themselves against the impact of the economic slowdown and unexpected shocks.
6. We undertake to adopt appropriate policies and measures to increase economic growth and resolve to enhance macroeconomic policy dialogue and cooperation not only to resume growth but also to build a stronger foundation for sustainable growth and broad-based development. It is important for all economies to take timely policy actions to strengthen markets and facilitate an early pick-up in global economic activity.
7. In this context, we pledge to accelerate our domestic efforts to build capacity and deepen structural reform so as to strengthen the market fundamentals across the region. To this end, we emphasize the importance of sound economic policies and corporate governance as well as the important role and responsibility of governments in shaping the legal and regulatory framework that encourages competition and innovation, with an increased emphasis on capacity building. Developing the social safety net is a high priority, as it can make an important contribution to reducing the harmful effects of economic shocks on vulnerable groups. As noted in the 2001 Economic Outlook, enhancing financial efficiency is also essential to promoting growth. We thus welcome efforts made in these areas in APEC, including strengthening economic legal infrastructure, supervision of capital markets, corporate governance, and implementation of international financial standards, as exemplified by the work done through the Finance Ministers' process. We also welcome contributions by Pacific Economic Cooperation Council (PECC) in these areas. We direct responsible Ministers and Officials to build on their work.
8. Recognizing the importance of promoting financial stability and crisis prevention, we stress the need to strengthen the international financial system. We urge continued efforts to enhance the effectiveness of mechanisms to prevent the recurrence of financial crisis. We welcome the important steps that have been taken to strengthen the international financial architecture including, for example, the review by the Financial Stability Forum of the effectiveness and the progress in implementing the recommendations from the Working Group on Offshore Financial Centers and Highly Leveraged Institutions. We emphasize the importance of ensuring that representation on the International Monetary Fund (IMF) Board and IMF quota/share allocation appropriately reflects the current world economy. While the IMF and other international financial institutions play a pivotal role, regional cooperation can also be very useful in complementing efforts by these institutions to promote financial stability. In this connection, we welcome the substantial progress in implementing the Chiang Mai Initiative to strengthen cooperative financing arrangements among the Association of Southeast Asian Nations (ASEAN) countries and China, Japan and the Republic of Korea. We also note the ongoing work in the Manila Framework Group. We support all these efforts and urge them to be

strengthened.

9. The current economic slowdown underlines, above all, the importance of APEC's work towards more open and stronger economies. We reaffirm our unyielding commitment to free and open trade and investment and resolve to work together to fight against protectionism in all forms. We render the strongest support for an open, equitable and rules-based Multilateral Trading System, which is essential to sustain global economic growth. APEC must also stay on track with its own agenda on trade and investment and on capacity building.

Sharing the Benefits of Globalization and the New Economy

10. We are convinced that globalization is a powerful vehicle that stimulates economic growth, and holds great promises for delivering higher living standards to people and improving social well-being for our communities. We acknowledge that the New Economy has broad potential to raise productivity, stimulate innovation in economic organization and entrepreneurship, and create and disseminate knowledge and wealth. However, the opportunities arising from these processes are not sufficiently shared among and even within economies. Hence the need to enable all individuals in our communities to benefit from them. We emphasize the importance of capacity building, both human and institutional, as a key answer to the challenges and opportunities of globalization and the New Economy. Capacity building constitutes a key element of the balanced approach essential to the success of APEC along with market opening and full participation.
11. In this context, we reiterate that human capacity building (HCB) remains a central theme this year and the years ahead. We commend the success of the High-Level Meeting on Human Capacity Building, and welcome the Beijing Initiative as a comprehensive set of principles for human capacity building, which also provides opportunities for further work in the New Economy. We call on APEC fora and member economies to undertake follow-up activities in specific areas of their interest in the spirit of developed and developing economies complementing each other. We support the engagement of all key stakeholders in the region and, in particular, the establishment of the partnership of government, business, academic and training institutions for this purpose. We welcome the launch of the Consortium for APEC Cyber Education Cooperation initiated and sponsored by the APEC Education Foundation, the Human Capacity Building Promotion Program and the APEC Finance and Development Program. We also welcome the outcomes of the 4th Human Resources Development Ministerial meeting and support the Kumamoto Statement that makes a contribution to APEC Human Resources Development activities in the 21st Century as a basis for advancing social and economic development and the sharing of prosperity by our people.
12. Reaffirming the importance of Economic and Technical Cooperation (Ecotech) in achieving equitable growth and sustainable development, we welcome the progress that APEC has made in advancing Ecotech goals and underscore that Trade and Investment Liberalization and Facilitation and Ecotech should be mutually reinforcing. We call for efforts to this end to be further strengthened. We commend the formulation and submission of Ecotech Action Plans by individual member economies as a major step forward for promoting sound and balanced development of APEC and ask Ministers and Officials to develop the exercise as lessons are learned.

13. We also welcome the progress made in other areas of Ecotech. We endorse the APEC Strategy for Combating Infectious Disease and call on members and relevant fora to implement its recommendations.
14. Given the importance of Small and Medium-sized Enterprises (SMEs) and micro-enterprises, we instruct Ministers and Officials to build on APEC's Integrated Plan of Action for SMEs and place special emphasis on micro-enterprises. In this context, we welcome the High Level Meeting on Micro-enterprises to be hosted by Mexico next year.
15. Building on work done in Brunei last year, we have made further progress by formulating and delivering a long-term, forward-looking and more action-oriented e-APEC Strategy for the development of the New Economy through the promotion of information and communications technology (ICT) and its application in our region. The goal is to build APEC towards a digital society, with higher growth, increased learning and employment opportunities, improved public services and better qualities of life by taking advantage of advanced, reliable and secure ICT and networks and by promoting universal access. Such a society should bring equal opportunities and widely shared benefits for all member economies and individuals, including women, the disabled and others. We commend the crosscutting character of the e-APEC Strategy and urge APEC fora and member economies to implement the programs for collective and individual actions set out in the Strategy, as appropriate. Under the current circumstances, the early implementation of the Strategy will also support the revival of the ICT sector. We also welcome the progress in advancing e-commerce.
16. In September 2002 many of us will be meeting in Johannesburg for the World Summit on Sustainable Development, to reinvigorate our commitment to sustainable development in pursuit of enhancing economic growth, promoting human and social development and protecting the environment as interdependent objectives. We will consider how APEC, which has undertaken a broad range of activities in this area, can contribute to the success of the World Summit and take forward the outcomes in its work program.
17. We realize that there is an ongoing public debate on the benefits and costs of globalization. Such debates are healthy when they are informed by rigorous and comprehensive analysis of the impact of globalization. The time has come for APEC to come forward and lead the public debate in a constructive manner. We instruct Officials to convene an APEC Dialogue on Globalization and Shared Prosperity, focusing on, among other issues, structural adjustment and its impact. At the same time, APEC should reach out to business and other stakeholders to communicate APEC's objectives, activities and benefits to ensure that they participate in and benefit from the APEC process and globalization at large. In particular, we thank APEC Business Advisory Council (ABAC) for its report and value the interaction with the Council and other business representatives. We also direct our Ministers and Officials to develop and implement programs to give effect to the APEC Communications and Outreach Strategy as well as the conclusions of the Ad Hoc Group on APEC Interaction.
18. Noting that sustainable growth in the APEC region also requires the ability to feed a growing and increasingly prosperous population, Leaders call for accelerated implementation of the APEC Food System initiative. Recognizing the benefits of biotechnology in improving

productivity, increasing nutrition, and reducing the environmental impact of agricultural production, we reaffirm the importance of safe introduction and use of biotechnology products based on sound science. We also welcome the initiative to hold a policy-level dialogue on agricultural biotechnology and call for more related capacity building activities.

19. We take satisfaction at the significant progress made, through the leadership of the Ad Hoc Group on Gender Integration, in the capacity of APEC to address gender equity in its work. Our commitment to a wide distribution of the economic opportunities of our era requires the application of gender perspectives in APEC's work, we welcome the decision to hold a Second Ministerial Meeting on Women in Mexico in 2002, as an opportunity to make further progress.

Supporting the Multilateral Trading System

20. Trade and investment liberalization and facilitation hold another key to realizing our vision for reduced disparities and common prosperity. They have taken on increased importance at a time when rapid changes are reshaping the global marketplace. Hence, we commit to further efforts in advancing trade and investment liberalization and facilitation both within our region and globally.
21. In November, a major decision will be taken at the Fourth WTO Ministerial Conference. Its outcome will have long-term implications for our future. Our choice is unmistakably for a stronger Multilateral Trading System with greater opportunities for all. We strongly support the launch of the WTO new round at the conference, recognizing that the current slowdown in the world economy has added to its urgency. We agree that, once launched, the new round should be concluded expeditiously.
22. We emphasize the need for a balanced, sufficiently broad-based agenda, which is achievable. This is essential to the successful launch and conclusion of the New Round. We agree that the agenda for the New Round should include further trade liberalization, the strengthening of WTO rules, implementation issues, and reflect the interests and concerns of all members, especially those of the developing and least developed ones. We also agree that such an agenda should address the challenges in the 21st century and support the goal of sustainable development. This will help ensure that the prosperity flows from growing trade and investment is accessible and equitably distributed to all. In this context, we also emphasize the importance that the New Round be supported by all WTO members, and hence the need for effective implementation of special and differential treatment and for enhancing WTO's internal transparency.
23. We reconfirm the commitment to the APEC-wide moratorium on the imposition of custom duties on electronic transmissions, and agree on its extension until the Fifth WTO Ministerial Conference, recognizing the importance of relevant WTO agreements for electronic commerce.
24. We reaffirm the importance of APEC WTO-related capacity building activities which realize the objectives of the Strategic APEC Plan as a unique, substantial contribution to strengthening the Multilateral Trading System, and call for the accelerated implementation of the Plan to assist developing economies in implementing the WTO agreements.

25. We applaud the conclusion of all negotiations on the terms for China's membership in the WTO as a historic development that not only helps make WTO a truly world organization but also reinforces the underpinnings for global economic cooperation. We urge that the decision on final approval of China's accession be taken at the upcoming Ministerial Conference. We also reiterate strong support for the final approval of the accession by Chinese Taipei at the Conference and the advancement of WTO accession by the Russian Federation and Viet Nam.
26. We reaffirm that regional and bilateral trade agreements should serve as building blocks for multilateral liberalization in the WTO. We affirm that the existing and emerging regional trading agreements should therefore be consistent with WTO rules and disciplines. We also believe that these arrangements should be in line with APEC architecture and supportive of APEC's goals and principles. We note the initiatives on exchange of information in this regard.

Sharpening the Vision for the Future

27. APEC has come a long way since its inception in 1989. So has the world around it. These changes have not in any way lessened the need for a vehicle of cooperation like APEC in our region. On the contrary, they have made it more compelling for us to remain fully committed to the APEC process, to the vision of a peaceful and prosperous Asia-Pacific community of diverse yet interdependent economies that has evolved from Seattle to Brunei, and above all, to the Bogor Goals. We also reaffirm our belief in the unique APEC Approach based on the fundamental principles of voluntarism, consensus-building, combination of individual and collective actions, flexibility, comprehensiveness and open regionalism, which has inspired and underpinned our successes.
28. At the same time, we recognize that APEC must demonstrate its dynamism in advancing with the times by responding and adapting to changes in the global and regional economy. As it enters the second decade, it is important for APEC to enrich, update and sharpen its vision for the future. In this respect, we envision that APEC's objectives in the second decade are to make continuous progress in achieving the Bogor Goals; deepen the spirit of community by sharing the benefits of growth more widely and equitably; and build APEC into a closer, stronger partnership for regional economic cooperation.
29. To this end, we announce today the Shanghai Accord as a strategic, forward agenda for the development of APEC in the coming years. The Accord not only gives voice to our common resolve to fulfill our commitments, it also stands as a template laying out some key steps to be taken to achieve our Goals and Objectives. Reflecting the diversity of APEC's membership, it incorporates trade and investment as well as economic and technical cooperation as two mutually supportive and reinforcing elements.
30. In the Shanghai Accord, we commit to:
 - Broadening APEC's vision for the future by identifying a conceptual and policy framework to guide APEC in the new century. Such a framework recognizes the changes entailed by globalization and the New Economy and reflects the need to extend the APEC agenda to cover reforms and capacity building at both domestic and international levels;

- Clarifying APEC's roadmap for achieving the Bogor Goals on schedule with a mid-term stocktake of the overall progress in 2005, including by broadening and updating the Osaka Action Agenda, adopting a pathfinder approach in advancing selected APEC initiatives towards achieving the Bogor Goals, promoting the adoption of appropriate trade policies for the New Economy, following up on the APEC Trade Facilitation Principles, pursuing greater transparency in economic governance; and
- Strengthening APEC's implementation mechanism by strengthening the Individual Action Plan Peer Review process, reinforcing Ecotech and capacity building efforts.

31. We direct our Ministers and Officials to follow up actively on the Accord. We have no doubt that with our concerted efforts the vision we set here will over time come to full fruition, culminating in a stable, secure and prosperous Asia-Pacific community.

Appendix 1

Shanghai Accord

I. BROADENING THE APEC VISION

Globalization and the New Economy have transformed the global and regional economy significantly since the Bogor Goals, bringing forward extraordinary opportunities as well as challenges. APEC's vision needs to reflect these changes. While trade liberalization is at the core of APEC agenda, Leaders also agree that the Bogor Goals need to be placed within the context of an updated and expanded vision that addresses trade and investment liberalization and facilitation and economic and technical cooperation in an integrated manner to maximize the benefits for all economies in the region. One of the greatest challenges to materialize such a vision is to intensify the collective and individual actions that economies take at domestic and international levels on reforms and capacity building across a range of areas.

The strategic goals of the Finance Ministers' Process should also be reflected in a broader vision for APEC, given the important role of sound macroeconomic policies, good economic governance, stable financial systems and greater economic interaction have in improving prosperity for the region.

II. CLARIFYING THE ROADMAP TO BOGOR

- *Broadening and updating the OAA*

Leaders applaud the work done this year on the Osaka Action Agenda (OAA), and recognize its importance in reflecting APEC's accomplishments and ability to respond to changes in our regional and global situation. Leaders agree that the OAA should be broadened to reflect fundamental changes in the global economy since Osaka, such as the development of new economy including through the implementation of relevant aspects of e-APEC Strategy, and Strengthening the Functioning of Markets. Leaders direct Ministers to follow this up. Officials should present an interim report at the 2002 Meeting of Ministers Responsible for Trade (MRT) and a full report at the 2002 APEC Ministerial Meeting (AMM) on their recommendations with regard to broadening the OAA.

- *Adopting a pathfinder approach in advancing some APEC initiatives*

Leaders reaffirm that those economies ready to initiate and implement a cooperative arrangement may proceed to do so, consistent with the Bogor Declaration. Leaders encourage the development of such "pathfinder initiatives" and agree that in adopting such an approach, APEC principles of voluntarism, comprehensiveness, consensus-based decision-making, flexibility, transparency, open regionalism and differentiated

timetables for developed and developing economies should be observed. Use of 'pathfinder initiatives' based on a group of members piloting the implementation of the initiatives, will invigorate progress towards the Bogor Goals and provide a framework to encourage broader participation through enhanced capacity building programmes. Leaders also agree that these initiatives should be transparent and open, with clearly defined objectives and framework for implementation to encourage the broadest participation by other APEC members when they are ready to join.

- ***Promoting the adoption of appropriate trade policies for the New Economy***

Leaders recognize the importance of adopting appropriate trade policies to reflect the new context and encourage the development of the New Economy. As part of this effort, Leaders instruct officials to undertake by mid-2002 an exchange of appropriate trade policy information, such as information on the status of liberalization of services, and adherence to tariff and intellectual property regimes. On this basis, economies may develop targets by the Ministerial Meeting in 2002. In this exercise, account should be taken of the implementation of relevant recommendations endorsed in the e-APEC Strategy. Given the diversity among member economies, Leaders agree that the development of the New Economy would also involve developing and implementing concrete capacity building programs to improve performance.

- ***Follow up on the Trade Facilitation Principles***

Leaders instruct Ministers to identify, by Ministerial Meeting in 2002, concrete actions and measures to implement the APEC Trade Facilitation Principles by 2006 in close partnership with the private sector. The objective is to realize a significant reduction in the transaction costs by endeavoring to reduce them by 5% across the APEC region over the next 5 years. Leaders also instruct Ministers to explore the possibility of setting objective criteria on trade facilitation, taking fully into account the diversity among the members as well as progress achieved in respective economies so far. Leaders also agree that assistance programmes to help build the capacity of developing economies in trade facilitation is particularly important.

- ***Adoption of transparency principles***

Leaders recognize the importance of transparency in economic governance. In this regard, APEC has developed, menus of options and principles in different areas that contain transparency provisions. Leaders direct Ministers to pursue the implementation of APEC's agreed transparency principles, taking into account economies' specific circumstances and report on the progress in their IAPs in 2002 and thereafter. Leaders also underline the importance of well-targeted assistance to help the developing economies make progress towards greater openness and transparency. Leaders note the importance of cooperation on e-government for achieving this objective.

III. STRENGTHENING THE IMPLEMENTATION MECHANISM

- ***Strengthening the IAP Peer Review Process***

Leaders welcome the decision by Ministers to strengthen the Individual Action Plan (IAP) peer review process, and encourage member economies to volunteer their IAPs for peer review on the basis of the new approach. Leaders also agree that upon completion of such a review cycle, involving all volunteer economies, a mid-term stocktake of the overall progress towards the Bogor Goals should be undertaken in 2005.

- ***Strengthening Ecotech and capacity building efforts***

Leaders recognize that in addition to promoting sustainable development and narrowing disparity, Ecotech helps to enable all member economies to achieve prosperity through activities that both directly support trade and investment liberalization and facilitation and strengthen the competitiveness of our economies. Leaders applaud the efforts undertaken this year to update the OAA Part II and call for greater integration of Ecotech efforts with all APEC priority goals. Leaders underscore the need to give a strong impetus to ensuring the effective implementation of various Ecotech initiatives, especially crosscutting issues such as human capacity building.

Leaders recognize the importance of substantially enhancing the profile of Ecotech and improving the coordination and management of Ecotech activities of all fora. In this context, Leaders welcome the review to be undertaken on the mandate and role of the SOM Subcommittee for Ecotech (ESC), and look forward to early progress. Leaders also recognize the need to encourage the incorporation of the priorities of micro, small and medium enterprises throughout the APEC agenda.

Leaders agree to further develop Ecotech Action Plans (EAPs), as an instrument to gauge and encourage Ecotech activities, drawing from the experience and lessons learned in the pilot phase. Leaders also call on all members to take part in this exercise on a voluntary basis. Leaders agree that APEC should strengthen ties with bilateral, multilateral, and private funding entities with a view to minimizing duplication and maximizing the delivery of capacity building programs. Leaders instruct Ministers and officials to intensify Ecotech activities and report the progress to the Ministerial Meetings next year.

Appendix 2



Asia-Pacific Economic Cooperation

e-APEC Strategy

2001

October

e-APEC TASK FORCE

Executive Summary

1. Background

At the Brunei APEC Summit the APEC Leaders launched an *Action Agenda for the New Economy* to demonstrate our resolve to work to create a digital society. We directed our Ministers to develop and expand the agenda to enable all APEC economies to maximize the benefits of the emerging New Economy.

The e-APEC Task Force was established by our officials to coordinate APEC initiatives to develop and expand the *Action Agenda for the New Economy*. To fulfill this mandate, the e-APEC Task Force has developed a strategy that identifies the necessary policy environment and specifies appropriate goals and actions, drawing upon the existing efforts and on-going work within APEC.

2. The e-APEC Strategy

The e-APEC Strategy we commended develops a forward-looking, long term and action-oriented plan under three pillars:

- **To create an environment for strengthening market structures and institutions**

One of the main drivers of innovation, technology uptake and associated productivity gains has been the increased openness of markets, which has encouraged global trade and investment as well as the diffusion of ideas and knowledge.

We urge economies to implement appropriate policies and actions to promote sustainable growth. These include: a sound macroeconomic policy framework, sustained structural reform, an effective competition regime, good financial and corporate governance, efficient venture capital markets, a sound legal framework for intellectual property, improved risk management, transparent decision making, robust institutional frameworks, flexible labor markets, and targeted social policies. In their absence, developments in the New Economy will raise the cost to governments of not getting such economic fundamentals right.

- **To facilitate an environment for infrastructure investment and technology development**

We encourage economies to construct a policy environment conducive to competitive investment and the widespread uptake of beneficial technologies. This requires:

- A legal and regulatory framework that provides the essential underpinning for business investment growth and consumer confidence;
- A competitive and robust network infrastructure that enables the advanced application of technology in modern business methods and enhanced societal

transactions; and

- A competitive market for the “Value Chain” services that support the effective initiation and completion of e-commerce transactions.

Policies and actions necessary to achieve these goals include: on-line transaction laws; continuing work on electronic authentication and signatures, the promotion of information security, personal data protection and consumer trust, balanced policies increasing access to digital information, and the encouragement of standards development and conformance. Building telecommunications infrastructure and technology to harness the benefits of the New Economy requires policies and actions that target basic infrastructure and technology requirements. We call for the promotion of competitive, affordable and non-restrictive access for all and the development of reliable, fast and affordable non-IT services and distribution channels.

- **To enhance human capacity building and promote entrepreneurship**

We urge economies to take action to improve human capacity building and promote entrepreneurship. It is vital to enhance human capacity building to establish a winning position in the New Economy. Entrepreneurship is fundamental to generating new ideas and developing new business opportunities. We encourage economies to develop innovation-oriented policies and promote the participation of SMEs in New Economy activities.

ICT has enormous potential to assist economies in achieving specific economic development goals. ICT’s strength lies not only in the technology itself but also in ICT’s ability to improve communication and enhance the exchange of information.

As such, high priority should be given to: effective education and training services, fostering entrepreneurship and SMEs, strengthening technology cooperation and information exchange, enhancing user application of ICT and hastening closure of the digital divide.

3. Implementation of the Strategy

We encourage economies to participate actively and contribute to concrete steps that will build on the action agenda of the e-APEC Strategy. In this regard, we instruct our Ministers and Senior Officials to oversee the process of deployment of the Strategy. We call on all APEC fora and mechanisms to cooperate and participate in the implementation of the Strategy.

In spite of the diversity and different developmental stages among the economies we believe that, with the efforts of all the APEC economies, the e-APEC vision will be turned into reality. This will spread the benefits of the New Economy, and revitalize economic development beyond the region.

**I. Create an environment for
strengthening market structures
and institutions**

To maximize the benefits of the New Economy requires appropriate economic policies, good governance, transparent decision making and robust institutional frameworks. In fact, developments in the New Economy raise the cost to governments of not getting such economic fundamentals right. One of the main drivers of innovation, technology uptake and associated productivity gains has been the increased openness of markets that has encouraged not only global trade and investment flows, but also the diffusion of ideas and knowledge.

The New Economy contains four key elements as defined in the APEC Economic Committee's 2000 report: an effective innovation system, human resource development, an efficient ICT infrastructure as well as a business environment supportive of enterprise and innovation. The OECD report - *New Economy: beyond the hype* - showed that a policy mix that strengthens economic and social fundamentals, facilitates diffusion of ICT and fosters innovation, investment in human capital and firm creation, is likely to bear the most fruit over the longer term.

The policy settings and actions necessary to maximize sustainable growth available from the New Economy include on-going structural reform, a sound macroeconomic policy framework, on-going regulatory reform, an effective competition regime, good financial and corporate governance, efficient venture capital markets, a sound legal framework for intellectual property and improved risk management.

A. Promote Economic Growth with a Sound Macroeconomic Framework

Sound macroeconomic policies are as necessary to support and sustain "New Economy" activity as they are for more traditional economic endeavors. The potential for electronic transactions to cross multiple geographic boundaries and tax jurisdictions reinforces the importance in macroeconomic settings of tax neutrality whereby electronic transactions are treated no worse than traditional transactions and ensures there is no disincentive to trade and conduct business electronically.

Regarding customs tariffs, in 1998, the WTO recognized the importance of electronic trade and WTO members agreed to set up a work program and endorsed a moratorium on customs duties applied to transmissions over the internet. No precedence exists in the WTO for placing tariffs on electronic transmissions including telephone calls, facsimiles or data transmissions.

Goal

- To create a sustainable economic growth environment with fiscal discipline and low inflation.

Actions

- APEC Finance Ministers should continue their policy dialogue on key macroeconomic developments and policy responses, recognizing the importance of on-going structural reform for continued macroeconomic stability;
- APEC members, through the Finance Ministers' process, should ensure that any taxation of internet services or electronic commerce is clear, consistent, neutral and non-discriminatory;

- Confirm the present WTO customs duty moratorium on electronic transmissions; and
- Commit to participate actively in WTO work on e-commerce.

B. Structural Reform

The overriding aim of structural reform is to provide a flexible economic structure capable of taking advantage of emerging opportunities in the New Economy. Macroeconomic policies are important in providing a stable environment for growth, but structural reforms directly drive productivity improvements, and at the same time make important contributions to macroeconomic stability. The concept of structural reform broadly includes all microeconomic reforms, and therefore encompasses the issues set out in Sections II.C to II.H below. However, elements that stand out are trade and investment liberalization, which acts as a catalyst for further reform, and labor market reform that is important for sustaining employment growth.

Goals

- To stimulate higher productivity, including through trade and investment liberalization;
- To facilitate the entry and exit into the economy for firms and workers;
- To maximize efficiency-enhancing benefits from the use of ICT by allowing for greater flexibility in the allocation of labor and capital; and
- To promote more equitable sharing of the benefits of growth.

Actions

- Facilitate structural adjustment by economies by promoting trade, e-commerce and investment liberalization, and the progressive removal of subsidies and support programs in line with WTO agreements;
 - Continue efforts to improve the IAP process and to enhance WTO-related capacity building efforts.
- Strengthen social safety activity in APEC and encourage APEC governments to ensure that labor market institutions and social policies provide the support and incentives needed to encourage mobility and assist workers to find new jobs and retrain.

C. Accelerate Regulatory Reforms

The objective of regulatory reform is to guide market behavior without undermining the incentives that yield private sector transformation of activities leading to productivity growth. An appropriate regulatory and legal environment will facilitate the expansion of e-commerce and new e-services as a profitable way of doing business. Member economies should work with all stakeholders to accelerate regulatory reforms. Continuing progress in opening economies to international trade and capital flows is essential for economic growth as is awareness of the need to adopt rules and practices to a constantly changing global environment.

Goal

- To speed up reforms which encourage efficient and well-functioning product, labor and capital markets and supportive institutional frameworks.

Actions

- Encourage the on-going review of existing legal and regulatory frameworks and development of road maps by which regulatory agencies and industry can progress to early adoption of transparent regulatory systems using best practices, international standards and governance practices;
- Support and encourage joint government/industry capacity building programs to improve regulatory standards, transparency and governance practices; and
- Open public utilities to competition and privatization.
 - Support the work of the APEC Privatization Forum as a way of sharing experience and expertise on privatization, including governance and the regulation of state enterprises.

D. Financial Issues and Corporate Governance

Well functioning institutions are essential in periods of technological change and also contribute to macroeconomic stability. Greater transparency, particularly of listed firms' information and performance together with greater investor protection, would increase the availability of capital to develop the new economic environment.

Goals

- To establish deep financial markets operating with sound prudential supervision of both the markets and individual financial institutions so as to protect depositors, investors and insurance policy holders;
- To improve domestic and international financial architecture in ways that allow financial markets to operate transparently and efficiently and which respect key commercial principles;
- To improve corporate governance; and
- To ensure that appropriate regulations are implemented to address developments in the New Economy.

Actions

APEC member economies, through the Finance Ministers' Process, should continue policy initiatives on financial issues as follows:

- Recognize the need to improve corporate governance;

- Continue APEC's work on corporate governance, including on insolvency law reform and financial disclosure.
- Share APEC experience and expertise and cooperate to build capacity in APEC members to establish and implement effective systems for supervising financial institutions which provide financial regulators with operational independence, adequate resourcing and sufficient skills to undertake their supervisory functions along with a sound legal framework and clearly defined regulatory standards;
 - Promote APEC-wide adoption of international best practice principles in supervising financial institutions and markets including:
 - : the Basle Committee's *Core Principles for Effective Banking Supervision* (1997);
 - : IOSCO's *Statement of Objectives and Principles of Securities Regulation* (1998); and
 - : the International Association of Insurance Supervisor's *Insurance Core Principles* (2000).
- Strengthen banking and financial regulations to world best standards including:
 - Continue APEC's efforts to promote strengthened surveillance measures; encourage APEC participation in the IMF/World Bank Financial Sector Assessment Program and Reports on Observance of Standards and Codes;
 - Regularize ABAC's survey of financial institution views on APEC reform efforts to help APEC economies to focus on issues to be covered in their ongoing financial reform agenda;
 - Develop the APEC Voluntary Action Plan aimed at encouraging freer and more stable capital flows;
 - Implement the recommendations from the Third Pension Fund Forum, particularly on education, funds management and good governance;
 - Study the completed set of recommendations from APEC economies' experiences in managing bank failures; and
 - Build on APEC's success in areas such as training banking and securities

supervisors and regulators, and the policy dialogues on key standards pursuant to Part 2 of the Voluntary Action Plan initiative.

- Work to ensure that regulators have robust processes consistent with key international financial policy standards for licensing financial institutions including assessing ownership structure, board membership, senior management, capital adequacy requirements and powers to collect prudential data from institutions; and
 - Implement the recommendations of the APEC Finance Ministers' initiative on the provision of training and technical assistance for fighting financial crime in regulatory sectors;
 - Improve corporate governance including encouraging the implementation of the recommendations of the *Better Company Accounting and Financial Reporting in APEC* report.
- Ensure regulators respond effectively to the New Economy that has empowered individual investors with the necessary fast and efficient capacity to trade securities.
 - Develop APEC efforts to build skills among financial and insurance regulators in New Economy investment issues such as the Initial Public Offering process, accounting and financial reporting, on-line trading and preserving investor confidence;
 - Foster further work by the APEC Working Group on Electronic Financial Transaction Systems (E-FITS) on issues related to electronic financial transactions.

E. Competition Policy

Competition brings pressures to enhance efficiency and pursue new ways to do business especially through the adoption of new technologies. Effective competition policy frameworks lower barriers to international trade and investment and contribute to economic growth and productivity. Improving the capacity of business and consumers to access local information and telecommunications infrastructure will enhance the uptake of ICT as well as ensure equality of access.

Goals

- To increase efficiency and social welfare through a competitive market structure and the expanded use of ICT;
- To ensure that the benefits achieved from trade liberalization are not undermined by the lack of effectively implemented competition principles/policies;
- To enhance trade through consistent competition laws/policies and their enforceability in cross

border transactions; and

- To prevent erosion of the competitive position of developing APEC economies in the global economy by facilitating access to ICT and enhancing technical and capacity building initiatives.

Actions

- Reduce barriers to competition and maintain an open policy stance for international trade and investment so as to reduce the costs of hardware, software and services, improve international standards and promote e-commerce;
 - Continue APEC's dialogue on the establishment of effective pro-competitive policies and institutions to provide a strong disincentive to anti-competitive conduct;
 - Support TEL's work to promote competition in regulatory structures, interconnection, internet development and related issues;
 - Implement the APEC Principles to Enhance Competition Policy and Regulatory Reform; and
 - Support the APEC Principles of Interconnection and the APEC Principles on International Charging Arrangements for Internet Services.
- Instigate APEC research, dialogue and cooperation on anti-competitive conduct between APEC jurisdictions, including via the internet;
 - Encourage interaction between competition/consumer protection agencies on anti-competitive practices be they public or private in origin.
- Build upon the information provided in the 'Summary Report on the Competition Policy and Law Database' which includes information on all APEC member economies' competition policies.

F. Venture Capital Markets

Without a broad venture capital market, entry of new innovative firms will be impeded. Regulatory systems that restrict traditional types of investors such as pension funds and insurance companies from investing in venture capital and other equity markets retard the development of such markets.

Goals

- To eliminate factors which inappropriately impede risk-taking by financial or investing institutions and other sources of venture capital;
- To facilitate the formation of businesses and the exit of firms;

- To establish a broad venture capital structure by deepening and diversifying capital markets; and
- To create a culture of enterprise and innovation which promotes growth in businesses and technologies.

Actions

- Encourage reform of those regulations and fiscal provisions that inhibit the development of venture and high-risk capital markets and limit the supply of capital for early stage businesses and innovative undertakings;
 - Encourage individual governments to consider recommendations in ABAC's 2001 Report to Leaders to establish second boards (to stimulate SMEs and venture capital), develop domestic bond markets, develop independent and credible rating agencies, encourage the growth of derivatives and hedging mechanisms and to support new international financing conventions, such as the draft Unidroit Convention on Financing Mobile Equipment.
- Consider APEC research to measure the performance of the regional venture capital industry; and
- Foster the development of venture capitalists' entrepreneurial skills and fund managers' investment skills.

G. Intellectual Property

Digital technology presents unique challenges in terms of how creators of that information are protected. The growth of e-commerce requires development of a globally accepted and effective intellectual property regime that strikes the proper balance between protection for creative works on the one hand, and the preservation of access to information on the other.

Goals

- To establish legal frameworks to promote creative endeavor and encourage on-line activity and the growth of the New Economy through addressing the challenges for intellectual property rights posed by the rapid development of new technologies;
- To ensure intellectual property rights (IPR) systems maintain and promote a balance between the different rights of owners and between the interests of copyright owners and users;
- To provide incentives for innovation whilst providing for the community's interest in reasonable access to information; and
- To establish an appropriate balance among all stakeholders, including content providers and ISPs, in terms of the liabilities for infringing intellectual property on-line.

Actions

- Pursue APEC cooperation on IPR, primarily through the ongoing work program of the APEC

Intellectual Property Rights Experts Group, to reduce uncertainty and contribute to innovation for the sound development of e-commerce through:

- Encouraging APEC-wide implementation of the provisions of the 1996 WIPO Copyright Treaty and the WIPO Performance and Phonograms Treaty, Trade Related Aspects of Intellectual Property Rights (TRIPS), the Berne Convention and the Rome Convention;
 - Encouraging APEC-wide adoption of the standards and guidelines adopted in WIPO resolutions; and
 - Reporting in the relevant section of each economy's IAP on domestic conformance with standards set by international governing agreements (WIPO, TRIPS, Berne and Rome) as steps toward full and effective implementation and enforcement, when it is necessary.
- Update domestic intellectual property systems to meet the needs of the digital environment, by APEC economies seeking to:
 - Include technology neutral provisions in relevant legislation to deal with rapid developments in new technologies;
 - Provide efficient and effective means for dispute resolution;
 - Ensure a balance of rights in the digital environment between the legitimate interests of rights holders and the interests of users in accessing creative works;
 - Ensure that the balance of rights is consistent, as far as possible, with the balance of rights in the non-digital environment;
 - Clarify in relevant legislation the liability of internet service providers regarding material communicated via their facilities;
 - Ensure adequate enforcement of IPR systems through legislation and administration; and
 - Support copyright owners to 'help themselves' with technological measures through legislation preventing unlawful circumvention of such technological anti-piracy measures.
 - Develop capacity-building programs to implement effective provisions for domestic regimes.

H. Risk Management

Policies to reduce uncertainty and enhance the efficiency of the price mechanism in allocating resources are conducive to higher GDP per capita growth.

Goals

- To improve risk management by reducing the risk to capital flows and equity raisings in emerging markets;
- To promote the functioning of effective risk pricing mechanisms; and
- To improve the use of risk management tools and understanding of the knowledge gap regarding the impacts the new economic environment will have on the shape and duration of the business cycle.

Actions

- Utilize APEC capacity building programs to develop skills for fund managers in areas such as risk management and risk pricing so as to facilitate investment in New Economy businesses;
- Encourage APEC economies to reduce or eliminate interest rate and pricing controls and subsidies – direct or indirect – impacting on the pricing of risk; and
- Recognize, under the Finance Ministers' Process, the impact e-commerce has on the speed of capital movement and that this can result in difficulties as well as deliver benefits.
 - Reduce the risks associated with cross-border capital flows and promote international financial stability by encouraging APEC-wide implementation of the Financial Stability Forum's recommendations on highly leveraged institutions, capital flows and offshore financial centers; and
 - Continue APEC's provision of focused and targeted technical assistance to assist economies in implementing these recommendations.

**II. Create an environment for
infrastructure investment
and technology development**

APEC members should aim to construct a policy environment to encourage competitive investment and widespread uptake of beneficial technologies.

APEC's work has shown key goals that join to build an environment conducive to growth in the New Economy.

- A legal and regulatory framework that gives the essential underpinning for business investment growth and consumer confidence;
- A competitive and robust network infrastructure that enables the advanced application of technology in modern business methods and enhanced societal transactions; and
- A competitive market for the "Value Chain" of services that supports the effective initiation and completion of e-commerce transactions.

A. Legal and Regulatory Environment

1. Online Transaction Laws

A predictable, simple and consistent legal framework will establish a basis for recognizing electronic transactions but it must be compatible across borders. A successful commercial transaction requires that the people involved know that a contract exists, have certainty of what to expect from one another and understand what they can do to enforce the contract. In addition, all parties to a transaction must trust that the origin and content of online information is authentic and that the credentials and identity of the involved parties can be verified.

Electronic transactions may require new or adapted legislation to provide the same level of confidence as that which exists with traditional transactions. The Model Law on Electronic Commerce developed by UNCITRAL is a proposed legal framework for considering these issues and for helping to harmonize their legal treatment worldwide.

Goals

- To ensure a coherent and transparent framework for ICT-related legislation and regulation; and
- To promote confidence among users to engage in on-line transactions.

Actions

- Draw on the work of international organizations including WTO, WIPO, ITU, OECD and UNCITRAL to create compatible legal frameworks for the New Economy;
- Undertake training programs to assist in the development and implementation of appropriate laws and regulations for electronic transactions; and
- Ensure APEC is active in the development of various global internet conventions.

2. Electronic Authentication and Signatures

Handwritten signatures have been accepted widely as binding evidence of commitments for business

transactions. “Electronic signatures” which involve commonly recognized protocols are means for detecting digital forgery, and techniques for verifying the integrity of data files.

Overly technology specific regulation can impose requirements on “electronic signatures” that do not exist for handwritten signatures and seals and limit user choice.

Goal

- To ensure that users have methods for authenticating a transaction that meets their business requirements and are acceptable for legal and evidentiary purposes.

Actions

- Determine the attributes of a minimal framework to ensure the legal effectiveness of electronic authentication methods that are technology neutral;
- Finalize work to ensure existing laws recognize electronic signatures as having the same legal effect as handwritten signatures and seals;
- Demonstrate the value of giving users choice about the type of authentication technique, the ability to contract with a certificate authority of choice, and the level of security most appropriate to the underlying transaction;
- Encourage APEC economies to work in cooperation with the private sector to ensure that overly specific regulatory approaches do not impede cross-jurisdictional transactions.
- Encourage APEC economies to work in cooperation with the business community to identify the range of market structures that may include accreditation or licensing schemes for certificate authorities; and
- Support continuing work to develop legal and policy frameworks as outlined in the Issues for Consideration in the Preparation of Electronic Authentication Policies approved by APEC Telecommunication and Information Ministers.

3. Information Security (Infrastructure and Networks)

Businesses, consumers and governments must be confident that the financial and other sensitive information they exchange during an electronic transaction is protected and safe from theft, alteration or misuse and that systems supporting these transactions are secure.

The open and interconnected nature of the internet involves risks and vulnerabilities. Clearly threats to the underlying information infrastructure need to be addressed to prevent damage to economies, businesses and individuals. All stakeholders have an interest in an accessible internet where safe transactions are possible.

A secure environment will be supported by cooperative efforts of APEC economies that include cross-border discussions directed at identifying threats and vulnerabilities, investment in

information assurance services and technologies, application of security tools (i.e. authentication systems and security processes), information sharing on prevention methods and technologies, cooperative research and development, and outreach programs to identify best practices and codes of conduct.

Goals

- To ensure the safety and security of information networks and transactions by those who use the internet; and
- To foster confidence in information infrastructure and networks through market-driven solutions to electronic security needs.

Actions

- Make further progress in the TEL's work on the e-security training modules program and e-security workshops, PKI and information security;
- Enhance cooperation and coordination among APEC economies on information security including user communities, researchers, business and government entities;
- Encourage capacity building on information security;
- Promote user choice of encryption products and services to meet specific application needs; and
- Educate users on their responsibility to ensure security of networks.

4. Personal Data Protection

Individuals seek opportunities to exercise reasonable control over the collection and use of their personal data – online or otherwise. Choices sought by users include the desire to know how information is used and the ability to seek redress for misuse.

Economies that promote approaches to protect personal data are able to build trust and confidence in secure communication and information systems. Privacy protection can be targeted at specific categories of data. For example, more rigorous approaches can be implemented for situations involving personal medical data and a less stringent approach for data such as personal contact information. Moreover, international cooperation can help ensure that regulations in one jurisdiction do not become unnecessary barriers to electronic trade.

Goal

- To enable individuals to select the nature and scope of the collection and use of their personal data in online transactions.

Actions

- Raise awareness of commercial entities about approaches to the protection of personal data and the development of private policies;
- Identify in cooperation with the private stakeholders where self-regulation and market based

solutions can deliver necessary levels of protection for personal data;

- Determine models for informing consumers about privacy protection practices in use by commercial and government entities; and
- Evaluate best practices to personal data protection to avoid obstructing the transfer of necessary data across borders.

5. Consumer Trust

Consumers only take the decision to transact online if they can feel confident that the desired transaction will be completed as expected. Consumer trust is not easily established without face-to-face contact and traditional national regulatory frameworks can be difficult to apply.

Electronic commerce means that consumer trust cannot be generated in the same manner as with traditional commerce. At the same time, the global and decentralized nature of electronic commerce also makes it much more difficult to utilize traditional national regulatory frameworks.

Economies have new and innovative approaches such as alternative dispute resolution (ADR) and other third-party mechanisms that can be effective in boosting consumer trust. They should refer to international principles related to electronic commerce. Furthermore, they can encourage businesses to undertake trust-building activities, such as self-regulatory quality labels and accreditation schemes. Ideally, labeling and industry codes would be complementary, and provide for mutual recognition.

Goal

- To foster consumer trust and confidence in digital transactions and e-services.

Actions

- Ensure the application of effective and consistent consumer protection laws and self-regulatory mechanisms (i.e. codes of conduct) dealing with issues such as information disclosure and redress in a manner that does not restrict competition and innovation;
- Investigate valid uses and characteristics of third-party mechanisms, such as seals and trust marks, to enhance consumer trust and to encourage good online business practices;
- Encourage e-government initiatives and personal data protection policies as ways to motivate consumer confidence in e-transactions;
- Build on the ECSG 2000 consumer protection workshop and foster collaboration among the private sector, consumer groups, civil society and governments, including the development of consumer protection principles; and
- Draw experience from the use of Alternative Dispute Resolution (ADR), including mediation

methods, to guide the adoption of these methods to electronic commerce disputes.

6. Access to Digital Information

The growth of the internet raises questions about the balance between a completely unregulated flow of information, and restrictions in the interest of other societal objectives. Knowledge based economies thrive where there is openness and unimpeded access to new ideas and technologies, but some content on the internet can be damaging to particular groups such as children. Each economy faces a choice when devising domestic strategies.

Some economies face difficulty gaining knowledge and information from the internet because a substantial percentage of that content is in the English language. While content in Chinese, Japanese, and Spanish is growing rapidly, developing local content is essential to taking full advantage of this medium as a way to communicate in the language and culture of respective economies. Therefore, developing local content is very essential, so that the advancement of information technology can be developed in an environment of the language and culture of respective economies.

Rules and regulations should avoid fragmented and incompatible requirements, so that they do not unduly complicate compliance in enforcement practices.

Goals

- To generate, develop and enhance local content transmitted by information technology through the introduction of local language character sets with a view to encouraging access to ICT for individuals and firms and facilitating their integration into the global economy; and
- To enable unimpeded, legitimate electronic provision of information and to avoid creating fragmented and incompatible requirements that would hinder the use of electronic transactions and unduly complicate compliance and enforcement practices.

Actions

- Ensure restrictions on harmful content are not detrimental to reasonable access to digital information;
- Catalogue where market-based technical solutions and consumer empowerment programs could be applied to discourage exposure to harmful and illegal information; and
- Encourage the development and transmission of local content and local language services while ensuring that such efforts are not used as barriers to trade in services.

7. Standards and Conformance

The development of standards needs to be a global, open process that should be flexible enough to encourage innovation. Along with official standards that are developed in the framework of international standards bodies, de facto industry standards should also be encouraged. Standards work should focus on open interfaces, which are necessary so that systems from different providers

can interoperate, thereby encouraging competition.

Goal

- To ensure widespread interoperability between different applications and technologies and avoid the creation of barriers between different groups of users.

Actions

- Encourage relevant APEC fora to report on steps taken to respond to the call by Ministers Responsible for Trade (MRT) in 2000 to devote greater attention to user requirements for open standards and systems in government interaction with business and the public to facilitate interoperability;
- Encourage APEC economies to endorse the consistent adoption of international market driven standards for interoperability among systems as developed by expert international bodies with private sector participation;
- Support accelerated participation in the APEC Mutual Recognition Agreement (MRA) on Conformity Assessment of Telecommunications Equipment to facilitate trade and encourage standardization; and
- Encourage all relevant APEC fora to consider the review of electronic commerce standards contained in the comprehensive report “*APEC E-business; what do users need?*”

B. Information and Telecommunications Infrastructure and Technology

1. Basic Infrastructure and Technology

Telecommunications and information infrastructure underlies all electronic transactions and enables the New Economy. Users experience the applications that ride on this infrastructure, and depend on reliable infrastructure to make possible timely connections at affordable rates. The infrastructure operates through multiple wired and wireless networks, and includes end-user devices. Different users and different applications have unique infrastructure and technology requirements.

The information technology equipment, computers, servers, digital wireless phones, etc., along with the necessary software, need to be widely available at internationally competitive market-based prices. The value of a telecommunications network for users is increased when it is interconnected with other networks. Networks need to be fully interoperable with guaranteed interconnections to maximize user value.

Goals

- To promote infrastructure and ICT markets that give non-restrictive access and affordable options for users;
- To achieve affordable access to ICT particularly in developing economies;
- To encourage investment in high bandwidth networks to increase capacity and transmission

speeds; and

- To encourage competition in infrastructure provision to ensure low-priced access to ICT infrastructure and to enhance its use.

Actions

- Continue APEC endorsement of individual economy efforts to liberalize telecommunications markets, modernize regulatory structures to accommodate converging technologies and services and remove impediments to private sector participation in the provision of high-speed communication services;
- Support continued discussion between business/private sector and governments on the development of markets in the provision of internet services among APEC economies, consistent with the APEC Principles on International Charging Arrangements for Internet Services;
- Aim to expand the work of the Asia Pacific Information Infrastructure (APII) by supporting the connection of research networks among APEC member economies to test the inter-connectivity and inter-operability of broad band test beds and to conduct joint R & D efforts in IT application services;
- Identify remaining barriers to market entry for infrastructure and service providers, in line with the global pattern of opening and liberalizing telecommunications markets. Unnecessary barriers in the form of approvals and licensing affecting the availability of the IT product in the market should be removed as far as practicable;
- Study TEL work and experiences of economies and discuss principles of regulatory bodies that are separate from any supplier of basic telecommunication services and that are separate from the telecommunications policy-making authority;
- Study the effects of subsidies for infrastructure and service providers, and inequitable regulatory treatment on competition in telecommunications markets and the ultimate prices paid by end users;
- Endorse the prompt completion of implementation of the WTO Agreement on Basic Telecommunications, and encourage the adoption of the GBT Reference Paper. Recommend the adoption of these principles by non-members of the WTO as they work towards WTO accession; and
- Endorse the accession of all economies to the WTO Information Technology Agreement, including the adoption of ITA provisions by non-members of the WTO.

2. Access to Information and Telecommunications Services

Access has two main components, on the supply side, competitive access by infrastructure technology/equipment, electronic commerce and internet service providers; and on the demand side, affordable, reliable, and sustainable access for all users, whether individuals, schools, government organizations, libraries, businesses and so on. The correct investment climate and economic and social policies will maximize the private sector's ability to provide access for all.

APEC's work shows that the level of access varies among local populations based on income, education, gender and location, among other factors. Competition and liberalization are essential policies to lower the price of access and increase effective demand among all user groups. These policies in a coherent investment climate enhance the private sector's ability to provide access for all. Government has an important role to play in demand creation by bringing government programs and services on line, and in education and training and supporting demand by those groups outside the market. Effective government programs are characterized by leadership, partnerships, policy coherence, consistency with market forces and ensuring sustainability of demand.

Goals

- To develop indicators of the levels of access and ensure that all groups within an economy have access individually or through community-based services to the internet by 2010. As a first step toward this goal APEC aims to triple the number of people within the region with individual and community-based access by 2005;
- To establish a facilitative investment climate, and economic and social policies that will maximize the private sector's competitive provision of access; and
- To encourage cooperation between governments and the private sector to supply sustainable supply models to underserved communities.

Actions

- Continue to develop the policy framework to encourage investment, competition and lower prices for internet services and government policies that increase the availability of education, training, and support for underserved groups;
- Work with the private sector to address gaps in the basic infrastructure in remote and underserved areas and share economy experiences and information regarding access for all; and
- Share information on cost-effective provision of services to underserved areas, especially remote communities.

C. The New Economy Value Chain Services

1. Non-IT Services and Distribution Channels

The New Economy requires a number of support services provided by business and government,

such as access to the infrastructure, efficient transport, express delivery services, efficient customs, and capable banking and payment systems. The development of the IT infrastructure cannot compensate for a lack of development and liberalization of the “traditional” business services and distribution systems. To drive the benefits of the New Economy, supporting services and distribution must be reliable, fast and affordable. Removing barriers in key areas such as logistics and transport, customs, and delivery sectors can improve the pace of economies’ participation in the New Economy.

Both consumer and business e-commerce transactions are dependent on specialized support to enable international transaction settlements. Consumer transactions are at present dominated by the use of credit cards as the most convenient payment method. Many new electronic payments systems and technologies are under development and in trial. The regulatory environment for support services, including advanced payments systems, should facilitate access by business and consumers to a competitive market in these services.

The internet raises business and consumer expectations by allowing goods and services to be offered real-time on a global basis. These expectations include a problem-free experience that will provide a complete solution from order entry and confirmation to payment and delivery. The regulatory environment that emerges should facilitate access by business and consumers to a competitive market in these services.

Goals

- To establish reliable, fast and affordable supporting services and distribution systems by removing barriers to logistics and transport, customs and delivery services; and
- To ensure the availability and usage of appropriate electronic systems to facilitate the efficient and effective working of these support services.

Actions

- Report on implementation steps for effective services to support the New Economy through appropriate APEC fora including customs procedures, transport services, standards and conformance, and payment systems and business mobility;
 - Consider adding other support services such as advertising, content distribution, computer services and educational services.
- Identify necessary distribution services for effective and timely delivery of goods in the New Economy;
- Analyze developments in sea and air container tracking and tracing technology in the APEC region and undertake case studies which examine the application of these technologies and their integration across supply/demand chains between economies;
- Prepare paperless trading individual action plans for submission to the October Leaders Meeting

for ultimate review by the MRT in 2002;

- Provide competitive transportation infrastructure and continue to develop, for voluntary implementation by economies, recommendations for more competitive air services with fair and equitable opportunity;
- Draw recommendations from pilot studies on paperless trading implementation and post lessons learned on the internet;
 - Explore adding pilot projects building on APEC work in the Shanghai Model Port Project, such as customs, air express and intellectual property to demonstrate efficiencies.
- Review how APEC fora has responded to the 2000 MRT call to develop capacity building programs to assist economies to implement paperless trading; and
 - Explore adding training projects building on APEC TPT-WG work providing face-to-face and online training over the internet to the transport industry on electronic commerce.
- Enhance the transparency and quality of government services through promoting e-government.

**III. Enhance human capacity Building
and PROMOTE ENTREPRENEURSHIP**

Enhanced human capacity building and entrepreneurship are fundamental to maximizing the benefits of the New Economy. Achieving these objectives requires an improved awareness and appreciation of ICT, and will involve APEC economies in encouraging and developing innovation-oriented policies and promoting the participation of SMEs in New Economy activities.

ICT has enormous potential to assist economies in achieving specific social and economic development goals, and can play a key role in broader development strategies. Its power lies, not only in the technology itself but also in ICT's ability to create influential social and economic networks, dramatically improving communication and enhancing information exchange.

The *Beijing Initiative on APEC Human Capacity Building* (2001) indicates that human capacity building must be integrated into the economic and social strategies of APEC economies. The World Bank has concluded that a holistic approach to policy development and integration will be crucial in ensuring that the digital divide does not remain one of the greatest impediments to development.

A. Addressing the Digital Divide

Many factors contribute to the unequal distribution of ICT applications among various APEC economies. Disparities in infrastructure, connectivity costs, knowledge, capital, technology, human resources (including income levels), education, gender and geographic location are influential forces which result in part from differences in cultures and traditions, different stages of economic development and varying levels of understanding.

Inequality of access to ICT between developed and developing economies, or within an economy, is an essential feature of the digital divide. In sparsely networked regions, where access to the internet is limited, growth and development are likely to be delayed. The key to narrowing the digital divide is allowing all people to have easy and affordable access to ICT. A rapid transition toward "digital inclusion" for everyone is crucial in ensuring maximum development potential. This will require leadership, not only at the economy level, but also at local and regional levels as well as partnerships between government, business, education, and social institutions. Moreover, a comprehensive and holistic approach is the most effective way to benefit from available synergies and to ensure the impact of ICT deployment is optimized.

Goals

- To transform the digital divide into a digital dividend in order for APEC economies to benefit from the opportunities presented by a networked environment; and
- To prepare APEC economies and all of our people to use the information

revolution as a passport to the New Economy.

Actions

- Complete and adopt the TEL's Digital Divide Blueprint for Action to address digital divide issues identified by Leaders in Brunei;
- Further work to implement OAA (1995) Telecommunication and Information Common Policy Concepts in promoting diversity of content on the internet, including cultural and linguistic diversity;
- Enhance the construction by economies of appropriate information infrastructure, including access on a community level (e.g. cyber kiosks, telecenters, community technology centers);
- Encourage economies to make greater investment in ICT education;
- Encourage the APEC Knowledge Clearing House initiative to facilitate experience sharing among developed and developing economies;
- Encourage implementation of the outcomes of the UNDP's Digital Opportunity Initiative to assist APEC economies to develop ICT strategies and comprehensive frameworks to use and deploy ICT, including:
 - Adopting policies to facilitate the spread of internet enabled wireless communications; and
 - Promoting activities to encourage experience-sharing and practical application of ICT experience.
- Promote the APEC-wide adoption of the recommendations in the Asian Development Bank's 2001 strategy "Toward e-Development in Asia and the Pacific" to promote growth and development and reduce the uneven access to the internet;
- Promote on-going work within APEC to identify policy attributes that support and undergird successful ICT access and rollout environments;
- Capitalize on programs relevant to the region such as the G8, Dot Force, GBDe, and the e-ASEAN initiative to create a knowledge network as a resource for examining digital opportunities and policy positions to link ongoing resources and contacts in APEC economies to expand digital capability and skills; and
- Consider development of a network of Skill Development Centers (SDCs) and programs across the Asia Pacific region, in close collaboration with the business/private sector.

B. Building People's Capacities

In order to establish a winning position in the New Economy, it is vital for APEC to develop a society and culture that place a high value on education and training. Enabling economies to access knowledge-based prosperity will involve governments and other stakeholders in providing comprehensive, high-quality education and training and skills development programs including basic education and distance learning. APEC economies should recognize the importance of ICT as a core competency for teaching and learning programs across APEC economies.

Goals

- To maximize access to high quality education, life-long learning and training through strong partnerships between governments, academic and business communities;
- To develop human resources capable of responding to the demands of the New Economy;
- To promote the development of skills to use the internet, especially for disadvantaged groups in society; and
- To utilize new learning technologies and practices provided by ICT.

Actions

- Continue efforts to achieve basic education for all;
- Continue APEC's efforts, as emphasized by the directive to share strategies on the "Best Uses of IT in Education" from Education Ministers to promote quality education with an emphasis on ICT, to share information on challenges, opportunities and developments including distance learning and regional development programs;
 - Support the continuation and expansion of the EDNET project, Use of IT in a Learning Society: Exchanges and a Web Portal.
- Refine teaching capabilities, provide wider training opportunities, strengthen life-long learning, and cyber-education;
 - Encourage greater utilization of the APEC Education Foundation as a vehicle for advancing cyber education;
 - Support the APEC Cyber Education Cooperation Consortium, including the establishment of a web portal on teaching;
 - Initiate programs that utilize ICT to improve the quality of curricula, teaching methods and instructional materials;

- Encourage the development of programs to increase computer literacy amongst teachers and students, internet utilization and ICT-based education in APEC economies;
 - Encourage the development of web-based language learning programs that include web-based instruction and direct communication; and
 - Encourage the development of effective vocational training programs that enables the workforce to face the rapid changes faced by industry.
- Encourage further work on special training programs sponsored by APEC economies and other organizations, including:
 - The Japanese funded ADB program for IT-related training;
 - The World Bank/Australia's "Virtual Colombo Plan" initiative on distance learning;
 - The APEC Youth Internet Volunteers Program and other plans and programs to encourage knowledge sharing, teacher exchange and cyber-education cooperation; and
 - Digital learning projects led by industry.
 - Encourage APEC economies to adopt and implement closer public-business partnerships to invest in education and bring innovative ideas and resources into the education system so as to improve access to affordable quality education;
 - Maximize the opportunities provided by ICT to deliver quality distance, technical and vocational training and tertiary programs as well as improving the efficiency and effectiveness of scientific research networks and education administration; and
 - Encourage broader information-sharing by APEC symposia in the areas of New Economy education, human resource development and internet-based skills.

C. Cooperation and Information Exchange

ICT has dramatically improved communication and information exchange, and has created and strengthened new economic and social networks. APEC economies

must broaden cooperation to redress imbalances in ICT distribution and to harness the social and developmental benefits of the New Economy.

Using ICT to pursue development contributes to broad-based economic growth and specific development goals, and enables economies to distribute the benefits to all levels of the community.

Goals

- To overcome the social, economic and regional inequalities in the distribution of knowledge; and
- To foster cooperation, dialogue and consensus, so that all sectors of the community may work together to maximize the potential benefits of the New Economy.

Actions

- Develop best practice examples and menus of policy options to enable all APEC economies to promote social development through regional ICT expertise and resource sharing;
- Encourage APEC economies to participate in policy coordination on public internet resources governance, including activities of the Internet Corporation for Assigned Names and Numbers Government Advisory Committee (ICANN GAC);
- Ensure more extensive technical cooperation;
- Foster social inclusion of all sectors of the community in the New Economy by encouraging the establishment of mechanisms such as:
 - Multipurpose telecenters, community multimedia centers, distance education and skills building courses directly aimed at improving livelihood activities in the community;
 - Expanding access to telecommunications and information systems to impoverished communities through projects such as the ADB's Grameenphone Telecommunications Project; and
 - Using ICT to enable health networks to extend medical services to a wider community and to address basic health issues.
- Promote networking amongst skill training providers within APEC economies toward mutual support and sharing of resources and experiences; and
- Strengthen cooperation with other organizations including the World Bank and the Asian Development Bank.

D. Entrepreneurship

Entrepreneurs play a key role in generating new ideas, developing new technologies, and bringing new products into the marketplace in a cost-effective manner. ICT provides increased scope for entrepreneurs to create innovative products, pioneer new markets and to drive forward economic development and social evolution.

Fostering enterprise and innovation requires a consistent, predictable and transparent legal structure and a tolerant and supportive social environment. Developing an environment that stimulates innovation and enterprise is a major task for government.

Goals

- To create an environment for encouraging enterprise and innovation to promote growth in business and new technologies; and
- To foster the development of innovation systems and venture capitalists' entrepreneurial skills.

Actions

- Encourage APEC to develop Best Practice Guidelines for Entrepreneurship and Start-up Companies;
- Develop a series of best practice examples to promote entrepreneurship in APEC economies;
- Encourage setting up of policies to facilitate financing for entrepreneurs to start businesses;
 - Increase opportunities for young entrepreneurs from APEC economies to share experiences for innovation, entrepreneurship, trade and investment; and
 - Share experience on various APEC economies' innovation systems.
- Encourage the SME Work Group to develop "a scorecard for entrepreneurship" as called for by PECC and ABAC;
- Take necessary steps to improve the basic infrastructure and technology by expanding bandwidth with greater accessibility and speed to rural areas and industrial parks; and
- Encourage business to undertake more activities with e-commerce such as order application, delivery, processing sales orders and procurement, and electronic sales transactions, which are currently not widely used, as these applications require a substantial amount of investment.

E. SMEs

SMEs are central to the economic development of APEC economies. Developing SMEs is a priority in promoting employment and growth, particularly for developing APEC economies. SMEs and micro-businesses are well-springs of creativity and innovation, and their success is essential for sustained economic growth of the APEC region.

The internet boom and the rapid diffusion of internet technology has given SMEs new opportunities to enhance their competitiveness and expand market access. SMEs are benefiting from new opportunities to enter the global marketplace and compete with large companies, and their importance in the emerging New Economy has been underscored.

Goals

- To create a competitive environment for SMEs in terms of market entry, cross-border trade and financial/tariff policies with more opportunities to promote their business; and
- To create a pro-SME environment for utilizing external resources at lower cost.

Actions

- Take steps to set up an APEC-wide mechanism for sharing information on startup enterprises, venture capital and capital markets;
- Make financial and capital markets more accessible to SMEs;
- Increase transparency in rules and regulations, and provide information and business contacts to SMEs, including through e-government initiatives;
- Provide avenues for SMEs to improve their knowledge and skills through participation in APEC Human Capacity Building programs;
- Promote strategic alliances between large firms and SMEs, on the one hand, and strategic alliances among SMEs such as through industrial clusters, on the other hand, in the area of supply chain management;
- Increase the involvement of SMEs in relevant projects across APEC fora; and
- Prepare SMEs to remain productive in the face of rapid economic and technological changes;
 - Consider the establishment of an APEC SME portal linked to the APEC Website.

F. ICT Applications

A key element for the success of enterprises in the New Economy is the ability to effectively utilize ICT. ICT offers firms or individuals numerous opportunities to develop new ways to do business and results in reduced costs and improved efficiency. ICT also facilitates the transaction of business across geographical boundaries using innovative business models and the creation of new industries.

ICT can also provide opportunities for developing economies to make rapid economic progress and leapfrog stages of economic development, through increases in productivity, promotion of exports, improved markets and high-quality government services.

Goal

- To promote the extensive and effective utilization of ICT technology within the APEC region.

Actions

- Encourage greater application of ICT in traditional industries and SMEs to improve their economic performance;
 - Further develop APEC SME e-commerce training programs;
 - Progress the recommendations of the TEL Report, *APEC e-Business: What Do Users Need?*; and
 - Continue TEL vendor training programs.
- Build confidence in the use of ICT for business and consumers;
- Encourage more organizations, enterprises and individuals to acquire or exchange information via ICT;
- Encourage the electronic exchange of documentation for trade transactions by implementing APEC's paperless trading action plans;
- Encourage the active participation of enterprises in the e-marketplace and global market and support e-commerce development programs for enterprises; and
- Encourage joint public and private sector cooperation in APEC wide activities to provide new opportunities in the ICT industry.