

**STATEMENT OF  
THE BUSINESS ROUNDTABLE,  
THE CONSEJO MEXICANO DE HOMBRES DE NEGOCIOS, AND  
THE CANADIAN COUNCIL OF CHIEF EXECUTIVES**

**PROMOTING ECONOMIC GROWTH IN APEC**

**OCTOBER 26, 2002**

The Leaders meeting, the Ministerial meetings, and the CEO Summit in Los Cabos will provide an opportunity for the Asia Pacific Economic Cooperation (APEC) forum “to enrich, update, and sharpen its vision for the future.” In preparation for those meetings, the three leading organizations of business CEOs in North America have prepared this Joint Statement on how APEC can continue to provide global leadership and promote greater economic growth in the Asia-Pacific region. The recommendations in this Statement are derived from our own experiences as CEOs of multinational corporations working with governments, and the lessons we have learned from regional integration through the North American Free Trade Agreement (NAFTA). In this regard, the NAFTA has been an extraordinary success because economic partners at different levels of development have achieved higher levels of growth, trade, and job creation. Thus, NAFTA presents important lessons for future APEC action.

The October 2002 meetings come at a propitious moment. The markets received a strong positive signal from the Members of the World Trade Organization who decided last year in Qatar to press ahead with the Doha Round. This commitment was reinforced in the United States in August 2002 when the U.S. Congress completed action on new trade promotion authority. For the first time in many years, the governments of the world have agreed to support greater market liberalization and economic integration. They recognize that the benefits of economic growth need to be more widely shared, not just among countries, but within them as well.

**OF THE MANY ENDURING ECONOMIC LESSONS THAT HAVE BEEN LEARNED OVER THE PAST DECADE, THE MOST IMPORTANT MAY BE THAT MARKETS FUNCTION OPTIMALLY ONLY WITHIN AN INSTITUTIONAL FRAMEWORK BASED ON THE RULE OF LAW, DEMOCRACY, AND TRANSPARENCY.**

Of the many enduring economic lessons that have been learned over the past decade, the most important may be that markets function optimally only within an institutional framework based on the rule of law, democracy, and transparency. The need for such a framework exists at all levels of governance and at all stages of economic development.

This Joint Statement has three parts. Part I looks at ways that APEC countries can improve their domestic policies. Part II considers prospects for international cooperation and offers recommendations. Part III discusses the role of business leadership in promoting broader prosperity.

## I. EFFECTIVE POLICIES AT THE NATIONAL LEVEL

Based on our collective experiences as CEOs operating global businesses, we are convinced that a dynamic and vibrant private sector is the sine qua non for economic development and investment is the engine for growth. That was the conclusion reached in the U.N. International Conference on Financing for Development, held in Monterrey in March 2002. At that conference, the governments agreed that “Foreign direct investment contributes toward financing sustained economic growth over the long term” and “is especially important for its potential to transfer knowledge and technology, create jobs, boost overall productivity, enhance competitiveness and entrepreneurship, and ultimately eradicate poverty through economic growth and development.”

Happily, each government has the wherewithal to promote greater private investment by adopting and maintaining an appropriate set of domestic and trade policies. Effective policies will attract investors, both foreign and domestic, and the absence of such policies will discourage them. The “Monterrey Consensus” states that “To attract and enhance inflows of productive capital, countries need to continue their efforts to achieve a transparent, stable and predictable investment environment, with proper contract enforcement and respect for property rights . . . .” Another way of saying this is that the people in every country deserve good governance and respect for the rule of law. Independent judicial systems and mechanisms to combat corruption are essential in this respect. Valuable work on these challenges is being carried out by APEC’s group on “Strengthening Economic Legal Infrastructure.”

Transparency is critical to the development and functioning of strong economies and markets. We urge governments to ensure that laws and other governmental decisions are published before they are enacted, and to establish procedures for interested persons to offer input into the decisionmaking process. These types of consultation procedures have a proven record in helping to promote the sound and predictable rules necessary for economic development and sustained growth.

Another core component of effective governance is assuring public safety and security. Citizens look to governments to maintain safe public space through policing and the criminal justice system. The tragic events of September 11, 2001 awakened the world to the need for better counterterrorism policies, which should be implemented to minimize disruption of legitimate commercial activities. For example, “smart border” technologies can enable governments to achieve security while maintaining open channels of trade. Also, taking measures to ensure cyber-security can maintain resiliency while respecting privacy.

The challenge of ensuring sound domestic policy within a framework of macro-economic stability faces every APEC country. Although there is no single formula that will operate

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everywhere, all our countries should pursue policies that encourage greater competition, inclusion, and innovation. To promote more competition, every nation should look for opportunities for the privatization of state-run enterprises while providing effective regulation. This is especially important in those sectors that are enablers of development such as telecommunications, banking, and energy.

A related challenge is to understand when deregulation is appropriate. On the one hand, deregulation is essential when existing laws and regulations serve only to protect vested interests and impede market access and competition. On the other hand, there are situations where the functioning of markets may require more effective regulation, such as the need to ensure more effective corporate financial reporting and independent auditing. E-commerce will often require an updating of old laws. Many countries also need more effective environmental laws that are based on science and draw upon market mechanisms whenever possible.

Achieving greater economic inclusion is also vital. Too often in the past, economic growth has occurred in an unbalanced way that left too many people behind. Our countries—no matter what their level of development—can do more to improve their training systems, establish adjustment assistance in response to economic dislocations, and promote lifelong learning. In an increasingly digital world, it is important to increase access of the public to the newest technologies. These goals will only be achievable if governments and the private sector work together to further human capacity building.

Innovation is also vital to growth. Respect for intellectual property rights, and the enforcement of laws to guarantee them, will be critical to fostering innovation by the private sector. Governments also need to widen access to the study of science in schools and colleges, recognizing the central role of science in the “new economy,” if they are to help foster and sustain a culture of innovation.

In recent years, recognition has grown about the importance of better policies for public health and disease control. Effectiveness in this area requires a blend of private and public investment and the adoption of appropriate science-based regulations that respond to local circumstances. All countries face problems of infectious disease. In many countries, food safety and clean water cannot be assumed. Others face the challenges of aging societies. Addressing all these various challenges is certainly a governmental responsibility, but the private sector can, and indeed should, play a supportive role.

Biotechnology offers the prospect of improving the nutrition in food while lowering its cost. The degree to which our societies can benefit from this new technology will depend on the regulatory approach each adopts. The recent declaration by governments at a “World Food Summit/Five Years Later” states that “The introduction of tried and tested technologies including biotechnology should be accomplished in a safe manner and adapted to local conditions to help improve agricultural productivity in developing countries.” We agree with that statement.

As business leaders, we support steps by all countries to slow down the trends toward global warming. Actions are needed to reduce the intensity of greenhouse gas emissions and to search for breakthrough technologies for carbon sequestration. Governments should create incentives for the private sector, for public enterprises, and for the consumer, to foster development of clean energy sources and to avoid wasteful use of energy. A key to success in addressing global warming will be effective partnerships between the public and private sector. Reforestation projects, for instance, can be undertaken by the private sector, often working in partnership with governments.

The recent World Summit on Sustainable Development was successful in pointing to the importance of public-private partnerships for improving environmental performance more generally. The APEC meeting in Los Cabos should look for ways to facilitate such partnerships in

the Asia Pacific region. It may also be possible to transfer some of the positive lessons from the North American Commission on Environmental Cooperation to broader cooperation throughout APEC.

## **II. BETTER POLICIES AT THE INTERNATIONAL LEVEL**

The Los Cabos meeting will provide an opportunity for strengthening the commitment to achieve the Bogor Goals of free and open trade and investment in the Asia Pacific by 2010 for developed countries and 2020 for developing countries. We are convinced that these goals can only be achieved if APEC economies act in a way that promotes shared prosperity in the region. We exhort APEC Leaders and Ministers to rededicate themselves to the goals of trade and investment liberalization in all available fora—bilaterally, regionally, and multilaterally.

In support of those long term goals and in parallel with them, the APEC economies are engaging in numerous forms of cooperation, including Economic and Technical Cooperation (ECOTECH), and are actively promoting trade and investment liberalization and facilitation. In this brief section of the Statement, we discuss a few of these initiatives and offer specific recommendations for action.

**THE APEC TRANSPARENCY ACCORD SHOULD BUILD ON THE NUMEROUS TRANSPARENCY OBLIGATIONS THAT EXIST IN WTO AGREEMENTS AND, WHEN POSSIBLE, GO BEYOND EXISTING WTO RULES.**

We applaud the ongoing efforts to achieve a strong APEC Transparency Accord. This would fulfill the pledge made by the APEC Leaders last year in Shanghai. The primary beneficiaries of transparency are a country's own citizens. Yet there are also good reasons for governments to agree on minimum transparency principles so that interested parties throughout the Asia Pacific region will gain the benefits of timely information about new rules, and an opportunity to provide comments to officials before decisions are made. The APEC Transparency Accord should go beyond existing WTO rules, and create a standard for all other economies to match.

We completely endorse the recent outcome of the APEC Fifth Ministerial on Energy to recognize energy as an essential resource to maintain and enhance growth in the Asia-Pacific region. Furthermore, we encourage APEC Ministers and Leaders to move forward quickly on the creation of transparent and reliable regulatory frameworks on energy.

Several other APEC sectoral initiatives are underway. The APEC Chemical Dialogue is a good example of the value of an APEC-wide public-private partnership. The sectoral Dialogues promote better harmony of policies within APEC economies. They also provide an opportunity for examining regulations and directives in other economies that may have an adverse impact on APEC business, and for engaging those countries, as was the case with the European Union concerning chemical issues. Another important ongoing APEC initiative is mutual recognition arrangements for testing and certification of electrical and electronic equipment and of telecommunications equipment. Such agreements facilitate trade and avert disputes. We would like to see similar arrangements in other sectors.

One of the most creative cooperative efforts in APEC is the Business Travel Card which makes it easier for travelers to cross borders for temporary business purposes. At present, 13 APEC

economies participate in this program, including one country in the Americas (Chile). While we recognize that security concerns are paramount, we hope that all APEC economies will eventually be able to join this program.

As APEC governments work to enhance customs security, we urge officials to seek input from the relevant stakeholders on ways to avoid disruptions of commerce. Traders and governments alike have a common interest in achieving cargo integrity at the minimum social cost. Increasing governmental cooperation will be key to those efforts.

### THE WTO TRADE ROUND

APEC counts among its members some of the most dynamic as well as some of the biggest trading nations in the world. They are, as a group, in a strong position to promote continued forward momentum on the “Doha Development Agenda” at the WTO. The Los Cabos meeting should endorse completion of the WTO negotiations by the target date of January 1, 2005, and APEC leaders should put in place concrete steps to promote success at the WTO Ministerial in Cancun, Mexico next September.

Perhaps the most important issues in the Doha Round are the built-in agenda of services, agriculture, and tariffs. Trade in services is of ever increasing importance to evolving economies. Many services also have an enabling effect of enhancing growth across the economy. Financial services, for example, will help both manufacturing and agriculture. Facilitating the movement of natural persons will remove an impediment to foreign investment. Significant barriers to trade in services exist in the lack of coherence and compatibility among national regulatory systems. In addition, market access and national treatment commitments are often undercut by a lack of regulatory transparency. Our countries should lead the way in addressing these problems.

We also hope that the Los Cabos meeting will result in a strong statement in favor of using WTO negotiations to pursue a comprehensive approach to the reduction or elimination of industrial tariffs. To facilitate these negotiations, it is important for governments that rely on tariffs for revenue to develop more sustainable sources of taxation.

Agriculture is one of the key issues of the WTO round. We urge APEC governments to give a boost to these difficult negotiations. Specifically, APEC should endorse the goal of eliminating agricultural export subsidies in all countries and of significantly reducing tariffs and trade-distorting domestic agricultural support. Today, the world average tariff on agricultural products is an astounding 62 percent. Reducing the barriers to agricultural imports into industrial countries would greatly benefit many of the poorest countries in the world.

Although the quartet of “Singapore issues” are given parallel treatment in the Doha Declaration, no reason exists for these issues to be linked going forward. The rationale for WTO negotiations on Transparency in Government Procurement and Trade Facilitation is clear to everyone, and there will be opportunities in each for mutually beneficial outcomes. We also see benefits in continued discussions in the WTO on competition and investment.

A core objective of the trade round is to help developing countries gain more benefits from trade. We support that objective in the interest of global equity and also because the prospects for economic growth in the North are tied to economic conditions in the South. Since Doha, the WTO

has greatly expanded its capacity-building efforts for developing countries. Many APEC governments, with the support of business groups, have been major contributors to these efforts. Given the large amount of money that is being put into such efforts, however, we believe it is appropriate to begin independent evaluations of how well the trade-related technical assistance and capacity-building programs are working.

It is also important for the WTO to consider the challenges of external transparency in the operations of the organization, particularly in the dispute settlement process. Two significant rules changes should be relatively easy to accomplish. One would make public all government submissions to panels (with the exception of confidential information). The other would permit all WTO Member governments to observe panel hearings.

We are pleased that two APEC economies, China and Chinese Taipei, have become Members of the WTO this year. The broad-scale efforts by China to train administrators and judges in WTO law is quite impressive. No other new member of the WTO has done as much as China in conducting such training. These programs should make it easier for China to implement its WTO obligations.

At present, only two APEC members, the Russian Federation and Vietnam, are not yet WTO Members. Both countries have been seeking to join the world trading system since the mid-1990s and we hope that these processes will be completed in the near future. Taking on the obligations of WTO membership would be an important milestone for both of those countries, and would improve their economic prospects.

Finally, we welcome the Honorable Supachai Panitchpakdi as the new WTO Director-General and the first person from a developing country to hold that post either in the WTO or the General Agreement on Tariffs and Trade. It is perhaps not coincidental that the current and previous WTO Directors-General both came from the APEC region where there is so much trade leadership in the public and private sectors.

### **III. ROLE OF BUSINESS**

We recall that the APEC Economic Leaders' Declaration of October 2001 noted that there is an ongoing public debate on the benefits and costs of globalization, and stated that "The time has come for APEC to come forward and lead the public debate in a constructive manner."

**THE APEC MINISTERS RESPONSIBLE FOR TRADE HIGHLIGHTED THE IMPORTANCE OF COMMUNICATION STRATEGIES TO DISSEMINATE AND MAKE UNDERSTANDABLE TO ALL STAKEHOLDERS THE BENEFITS AND CHALLENGES OF GLOBALIZATION.**

**WE SUPPORT SUCH INITIATIVES AND ARE EAGER TO COOPERATE WITH OTHER BUSINESS GROUPS IN THE REGION, AND WITH THE GOVERNMENTS, TO BETTER COMMUNICATE THE BENEFITS OF ECONOMIC INTEGRATION AND TRADE LIBERALIZATION.**

Furthermore, we recall that the APEC Ministers Responsible for Trade in May 2002 highlighted the importance of communication strategies to disseminate and make understandable to

all stakeholders the benefits and challenges of globalization. We support such initiatives and are eager to cooperate with other business groups in the region, and with the governments, to better communicate the benefits of economic integration and trade liberalization. By better informing the public in each country, and by learning from them, our political leaders will maximize the opportunities for achieving free trade and investment in the region.

We welcome opportunities for enhanced dialogue between governments and business stakeholders. The experience shows that a system of private sector advisory committees can provide constructive guidance to governments in conducting trade negotiations and in building public support for ratifying those agreements. We urge all APEC countries to consider establishing such committees if they are not yet in place, or reviving them.

More dialogue can help to defeat misconceptions about globalization and impact of direct foreign investment. Although some groups claim that so-called corporate-led globalization undermines social standards, the reality is the opposite. Investments by large multinational enterprises typically raise local environmental and labor standards by importing socially-responsive practices. In recent years, The Business Roundtable has published reports to highlight “best practices” by U.S. companies in their foreign operations. More reporting of this type could be useful to companies in all APEC countries as we benchmark our own efforts and look for better ideas to enhance the corporate role in economic development.

The sharing of experience is also important on the vital issue of corporate governance. It is not surprising that many principles of good corporate governance resemble principles of good public governance. Both private and public sector institutions must respect the rule of law. And, just as governments have an obligation to keep the public informed, corporate officials have an obligation to communicate to shareholders the true financial condition of the company. We believe that just as APEC governments should be committed to developing and implementing new and more effective economic and regulatory policies, APEC companies should be in the forefront of efforts to promote good corporate governance.

APEC already benefits from a vibrant APEC Business Advisory Council (ABAC) which is composed of three senior business representatives from each of APEC’s 21 member economies appointed by their respective heads of economy. In its meeting in Sydney in May 2002, the ABAC reviewed all the recommendations it had made to APEC Leaders over the past five years, and noted that some recommendations have yet to be addressed. The ABAC will present a new report in October and we urge government officials to examine it closely.

## CONCLUSION

The visionary APEC process has already generated economic dividends and will continue to do so in the years ahead. As business leaders in North America, we renew our commitment to support the APEC process and to work closely with other business groups on a common agenda for regional prosperity.

### **ABOUT THE BUSINESS ROUNDTABLE**

The Business Roundtable is an association of chief executive officers of leading corporations with a combined workforce of more than 10 million employees in the United States and \$3.7 trillion in revenues. The chief executives are committed to advocating public policies that foster vigorous economic growth and a dynamic global economy.

### **ABOUT THE CONSEJO MEXICANO DE HOMBRES DE NEGOCIOS**

The Consejo Mexicano de Hombres de Negocios - Mexican Business Council - is a non-profit organization established in 1963, grouping the CEO s of the largest Mexican private Companies, most of whom also have controlling interest in them. Its mandate is to provide initiatives and efforts for Mexico's growth and development, and to promote the image of Mexico abroad. The Council has 34 members, who in the last five years invested more than 40 billion US dollars, exported nearly 55 billion and provided direct employment to almost 850,000 persons.

### **ABOUT THE CANADIAN COUNCIL OF CHIEF EXECUTIVES**

The Canadian Council of Chief Executives is Canada's premier business association. Composed of the chief executives of the country's 150 leading enterprises, member companies administer \$2.3 trillion in assets, have an annual turnover of approximately \$600 billion, and are responsible for the vast majority of Canada's exports, investment and research and development. The Council is acknowledged as the private sector leader in Canada in advancing the Canada-United States Free Trade Agreement and the NAFTA. It focuses primarily on fiscal, monetary, trade, investment, environmental and global economic and security issues.