

Monday, October 29, 2001

Volume 37, Issue 43; ISSN: 0511-4187

APEC Economic Leaders' Declaration, Shanghai, China

October 21, 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 under-take 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 Microenterprises 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, consensusbuilding, 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 I 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 percent 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.

NOTE: The joint statement was made available by the Office of the Press Secretary but was not issued as a White House press release. An original was not available for verification of the content of this joint statement.