

APEC Leaders Meeting in Auckland

LEADERS OF THE TWENTY ONE APEC member economies meet in Auckland on 11 and 12 September.

This is the seventh meeting of the leaders, previous meetings being held in Blake Island (USA), Bogor (Indonesia), Osaka (Japan), Manila (Philippines), Vancouver (Canada) and Kuala Lumpur (Malaysia).

The leaders Summit will be preceded by the Annual Ministerial Meeting (of trade and foreign ministers).

While the rationale of the Leaders Summits has always been to further the work of APEC, the meetings have always been interpreted in a broader political context.

There has been pressure for the leaders to come up with a substantial statement or named plan, hence the Bogor Declaration, the Osaka Action Agenda and the Manila Action Plan for APEC.

With the leaders of some of the world's largest and richest countries

meeting there is a media expectation that something has to happen. Last year's summit in KL was no exception, with domestic political events in Malaysia and the US and the regional economic crisis all being significant distracters from the ostensible purpose of the meeting.

Expected

The political climate will be different this time round. The focus of attention in trade liberalisation will be on the imminent negotiations in the WTO. APEC's lesser known agenda of economic cooperation will get a better run.

The host country has considerable influence on the agenda. It was agreed in Kuala Lumpur that APEC New Zealand 99's tasks must be to respond to the economic crisis and restore the regional economy to sustainable growth.

To this end, New Zealand has

proposed three main themes for the APEC 99 work program:

- expanding opportunities for doing business throughout the APEC region
- working with other economies to strengthen the functioning of markets
- broadening support for and understanding of APEC in the community.

The unexpected?

A possible wild card is the fact that this will be President Clinton's last chance to stamp his mark on the organisation. Next year's meeting will be after the US Presidential election, so while Clinton will still occupy the White House, a new president will be waiting in the wings.

Future chairs of APEC will be Brunei Darussalam 2000, People's Republic of China 2001, Mexico 2002.

New Trade Minister



New Trade Minister, Mr Mark Vaile

MR TIM FISCHER RESIGNED AS Deputy Prime Minister and Minister For Trade in July. Mr Fischer had served in these positions since the election of the Howard Coalition Government in March 1996. During this period Mr Fischer represented Australia at APEC fora and championed APEC within Australia as a key component of our trade policy.

Mr Mark Vaile has been appointed as Trade Minister. Mr Vaile who is a member of the National Party, has been MHR for the NSW seat of Lyne since 1993. Prior to

his appointment to the Trade Portfolio Mr Vaile served as Minister for Transport and Regional Development and as Minister for Agriculture, Fisheries and Forestry, both ministries with significant APEC involvement.

On his appointment Mr Vaile said "I am looking forward to my first APEC Trade Ministers Meeting in Auckland in September. It will provide me with a great opportunity to meet with my counterparts and to build on the substantial trade benefits achieved by APEC to date."

"I am also committed to using my discussions with Ministers to advance the cause of delivering benefits to Australia from a new round of WTO trade negotiations".

Mr Vaile will address the opening dinner of the CITER4 conference on Thursday 18 September. See page 6 for details.

APEC PROMOTES LIFE INSURANCE REGULATORY REGIMES IN ASIA

A KEY ELEMENT OF APEC's response to the Asian Financial Crisis has been efforts to strengthen the financial systems of member economies.

As part of the process of promoting economic stability in the Asia Pacific region, the Australian APEC Study Centre has developed a program to help strengthen life insurance regulation and supervision. The Program – *Enhancing Life Insurance Regulatory Regimes in Asia* – will be funded by the Australian Agency for International Development (AusAID), through its Asian Crisis Fund.

The program will consist of a symposium and training program. Colonial Limited and AXA will contribute additional funds to ensure the participation of key Asian economies. Both companies will also participate in the organisation and management of the program.

Symposium

The first phase of the life insurance program, and international symposium, will take place 17 and 18 November 1999, in Melbourne. It will bring together up to 24 senior level insurance supervisory and regulatory officials from China, India, Indonesia, Malaysia, the Philippines, Thailand, Vietnam and Fiji to take part in a private dialogue. Australia will lead the program. The symposium will also have invited representatives from the International Association of Insurance Supervisors (IAIS), the World Bank, the Asian Development Bank (ADB) and the Hong Kong and Singapore Regulatory Authorities to contribute to the program as guest speakers.

The symposium will be two days of discussions to explore the problems that confront the life insurance industry in the region. Symposium participants will examine and

compare regulatory systems with a particular emphasis on prudential standards, solvency and capital adequacy. They will outline the types of capacity requirements needed to promote best practice and standards in the industry. Links between emerging trends in pension systems and the role of funds managers and the development of long-term capital markets in Asia will also be explored.

Training program

The second phase of the life insurance program will be a specialty-training program for up to 24 middle level regulators and supervisors working in the life insurance industry. This part of the program will take place in March 2000. Participants will come from China, India, Indonesia, Malaysia, the Philippines, Thailand, Vietnam and Fiji. The two week program will be based on the recommendations of the symposium participants. The training program will examine the process of establishing an effective and efficiently managed life insurance sector in different Asian economies. The program will also examine the relationship between life insurance sector regulation and over all economic performance and stability. The program will be 'hands-on' and practical in approach. It will be taught by Australian business practitioners, academics, and regulators.

APEC TELCOMS TRAINING PROGRAM

THE DEMAND FOR EFFECTIVE, accessible and affordable telecommunications services has grown tremendously in Asia in the past ten years. Demand has accompanied the rate of overall economic development in developing APEC economies including Indonesia, Korea, Malaysia, Thailand, and the Philippines.

At the Third Annual APEC Ministerial Meeting on the Telecommunications and Information Industry, which was held in Singapore in June 1998, Ministers endorsed principles to counteract the adverse impact of the crisis on telecommunication systems in the region. These principles aim to assist APEC economies to effectively promote universal access to communication technologies, thus contributing to overall social and economic development of the region.

In recognition of the need to pursue cooperative growth and development strategies, the Australian APEC Study Centre has developed the APEC Telecommunications Training Program. The program will target those developing APEC economies whose telecommunications and information systems are under threat of restricted investment and development. These economies include Indonesia, Korea, Malaysia, Thailand and the Philippines.

The APEC Telecommunications Training Program will provide training to 15 middle level officials; three from each participating economy. Relevant departments of communications and information technology in cooperation with the Australian Department of Communication, Information Technology and the Arts (DoCITA) and the Australian APEC Study Centre will nominate participants.

The program will aim to produce policy recommendations that could guide systems of best practice and reinspire investor confidence in the telecom sector. In addition, participants will outline specific areas of ongoing skills training need that will support this process.

The Program, which is funded by AusAID, will be run in December 1999.

Two Years On... How Australian Exporters Responded To The Asian Economic Crisis

IT IS JUST OVER TWO years since the collapse of the Thai baht ignited the 'Asia crisis'. The Asian crisis was predicted to destroy Australia's exports and send us into recession. The latest data suggests that Australia has 'weathered' the Asian storm.

Sure, the Asia crisis *did* affect exports. Trade data showed large reductions in exports to Asian trading partners. This was to some extent offset by increases in exports to the US, Europe and emerging markets. There is now some sign of recovery in Asian markets such as Korea.

But the economic data do not reveal the whole story. In past two years, Australian exporters have employed some smart strategies to cope with the fall-out in Asia. This is the most interesting part of the Australian side the story of the Asia crisis. Australian exporters did not panic or despair but adopted a pragmatic response to the impact of Asia on their businesses. These strategies can be classified under three headings: 'Through thick and thin', 'Trade diversion', and 'Third market Strategies'.

Through thick and thin

Australian exporters have worked hard to maintain existing business relationships in Asia. Keeping and nurturing long term business relationships in Asia is important and will bring dividends when market conditions change. In some instances this has occurred even when the effects of the crisis were felt sharply in dramatic fashion. For example, three Australian automotive component makers had long term contracts cancelled by a major Korean automaker at short notice. There was also a 60 % fall in the export of Holden engines to the Republic of Korea. However some opportunities have emerged for Australian companies too in Korea. For example, a Korean component maker importing sub-components from Australia that got into trouble joined in a strategic alliance with an Australian exporter. This allowed the Australian company to secure its own business and gain new domestic businesses inside South Korea for the complete component.

Trade diversion

The strategy of trade diversion enabled exporters to take advantage of the Americas, Europe, the Middle East and

Comment
by
Tim Harcourt

Indian Ocean region and the emerging economies when Asian markets were slow. An example is the Fremantle Fisherman's Co-operative which decided to sell lobsters to the United States when sales fell significantly in Asia. Examples like this

have allowed Australia to effectively absorb the adverse effects of the Asian crisis. However, these gains in new markets were complementary (not a substitute) to the strategy of maintaining business relationships in Asia.

Third market strategies

These strategies enable Australian exporters to take advantage of changes in exchange rates to compete with European and American competitors in Asian markets. For example if Asian customers have to pay US suppliers in US dollars the fall in Asian exchange rates (relative to US dollars) makes the US export prohibitively expensive. This allows Australian suppliers to gain a competitive advantage as the Australian export is relatively cheaper than the US export as the Australian dollar is not as strong as the US dollar. Examples are Simplot Foods and Pizza Hut. Simplot took advantage of the weakening of the \$A/US exchange rate to supply Kentucky Fried Chicken (KFC) in Malaysia with French Fries winning the contract against a long-term California-based supplier. In South Korea, Pizza Hut suppliers of cheese from the United States and Europe were replaced by South Korean suppliers using Australian cheese. This is an example of Australia being able to capture greater market share, which will be beneficial, as the Asian economies recover.

In conclusion, the lesson of the Asia crisis is that exporters with the right strategies and the right information can survive major external shocks even of the magnitude of the Asia crisis. It is two years on and Australia is still exporting and creating employment (one in five jobs in Australia are due to exports). Whilst we must always be cautious about the future of the world economy given the behaviour of financial markets, Australian exporters in this recent episode have shown their flexibility and capacity to survive and grow.

Tim Harcourt is Chief Economist Australian Trade Commission

THE FIRST MONASH APEC LECTURE

THE FIRST MONASH APEC Lecture was held in Melbourne on Friday 18 June. The speaker was Kim Beazley, Leader of the Opposition. His lecture was titled "Winning in the global economy: Australia's trade policies for the new millennium"

Mr Beazley was introduced by Mr Hugh Morgan of WMC Ltd. Professor David Robinson, Vice Chancellor of Monash University chaired the event.

The APEC Lecture was well attended and the organisers are keen to make it a regular event.

Mr Beazley ranged over a number of issues relating to Australia's trade policy including a perceived decline in APEC's momentum, prospects for the WTO Round and emerging signs of protectionism during the lead up to US presidential elections.

He contrasted two options for government response to globalisation: the 'nightwatchman' state and the development of a knowledge based society. He argued for a strong government role in social policy to extract the full benefit of global engagement for all Australians.

The Australian APEC Study Centre wishes to thank Toyota Australia who assisted with sponsorship of the Lecture.

Full text of the Monash APEC Lecture available on from the Web site at <http://www.apec.org.au>, printed copies will be available on request from the centre.

DEMOCRACY AND FREE MARKETS IN ASIA IN THE TWENTY-FIRST CENTURY

THE ASIAN ECONOMIC CRISIS has demonstrated the importance of open political systems to economic growth and stability. A conference to explore these issues will be held in Melbourne on November 26 and 27.

This conference has been convened to bring together leading thinkers to look at the future of democratic institutions and free markets in the Asian Region.

The Conference has been organised jointly by the Australian APEC Study Centre, The Centre for Democratic Institutions, and The Asia Society AustralAsian Centre.

Sessions at the conference include

- Democracy and Prosperity
- Democracy and the Asian Economic Crisis
- One Party States and Free Markets
- Free Markets and Asia's Economic Recovery.

The Opening Dinner of the conference will be addressed by Khun

Anand Panyarachun, former Prime Minister of Thailand. He will be introduced by Hon Malcolm Fraser, former Prime Minister of Australia.

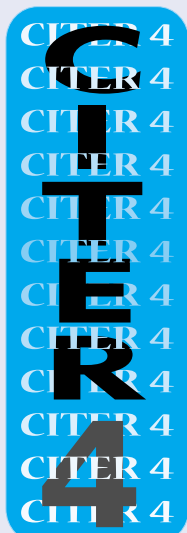
Other international guests who have accepted to date are:

- Tunku Abdul Aziz, Member, Executive Board, Transparency International
- Professor Alexander Likhotal, Green Cross International
- Dr Bernie Villegas, Dean of Economics, University of Asia and Pacific, Manila.

Australian presenters who will participate include

- Mr Michael Backman, Author
- Ms Mara Bun, Australian Consumers Association
- Mr Alan Oxley, APEC Study Centre
- Dr Michael Porter, Macquarie Bank, Sydney
- Mr Roland Rich, Foundation Director, Centre for Democratic Institutions
- Mr Kevin Rudd MP, Australian Parliament
- Dr Andrew Southcott, MP, Australian Parliament
- Mr Dick Woolcott AO, Founding Director, AustralAsian Centre of the Asia Society

Details can be obtained from the Australian APEC Study Centre or from the website.



CITER4: THE MILLENNIUM ROUND

THE FOURTH INTERNATIONAL TRADE conference organised by the Australian APEC Study Centre, the Asian Economics Centre at the University of Melbourne, and Victoria University's Department of Applied Economics will be held on 16 to 18 September. The theme of the conference will be the WTO Millennium Round.

The Opening Dinner to be held on Thursday September 16 will be addressed by the new Trade Minister Hon Mark Vaile. As usual an impressive line up of academics, officials and experts will present papers to the conference.

Conference sessions will be held on the significance of the round, industrial products, services, agriculture, clothing and textiles, intellectual property, anti-dumping, dispute resolution, competition policy, regionalism, environment and trade, developing countries and the WTO, labour rights and the civil society.

The conference program and registration forms are available on the Web page or can be obtained by telephoning the Centre.

A full report of the conference will be given in the November issue of *APEC Currents*.

APEC HRD MINISTERIAL MEETING

THE THIRD APEC HUMAN Resources Development Ministerial Meeting was held in Washington, D.C., from 28-29 July. The theme was *HRD Challenges and Opportunities in the New Millennium: Addressing the Human Resource and Social Impacts of the Asian Crisis.*

The meeting was aimed at encouraging regional cooperation and strengthening the capacity of member economies to mitigate the effects of future economic volatility on workers and their families.

The three sub-themes that were discussed by Ministers were:

- options for developing labour market systems,
- how governments can strengthen social safety nets
- how improving workplace practices can improve productivity.

Informative discussions were held under the sub-themes which each had strong relevance for Australia. In the context on labour market systems, the key role the private sector can play in providing employment services was discussed, as well as the role of the Internet in facilitating job matching. On the issues of social safety nets, Australia was able to share its experience of mutual obligation in social security arrangements.

At the meeting, Ministers asked economies to ensure the needs of vulnerable populations, including indigenous people, are adequately met by labour market systems and social safety nets. There was also constructive dialogue on workplace relations issues with Australia noting the importance of direct and cooperative relations between employees and employers.

The meeting also recognised the need to facilitate and coordinate the exchange of information about best

practices, labour market systems and social safety net issues. For example, Australia's contribution through the publication *Innovative Labour Market Adjustment Policies and Programmes in APEC Member Economies* was identified as a useful aid to policy makers, in the context of the economic and financial crisis in Asia. The meeting also confirmed the important role HRD issues play in complementing APEC's trade and investment agenda.

The Ministerial Statement and Plan of Action will be available on the APEC Secretariat Website at <http://www.apecsec.org/>

APEC FOOD RECALL GUIDELINES

A KEY ASPECT OF ANY effective food control system is the ability of the regulatory bodies to recall or withdraw unsafe products from the market place.

To help developing APEC member economies advance their own food recall systems, the APEC Sub-Committee on Standards and Conformance has developed a set of *APEC Food Recall Guidelines*.

As an adjunct to the *APEC Food Recall Guidelines*, the APEC Sub-Committee on Standards and Conformance has endorsed an *APEC Arrangement for the Exchange of Information on Food Recalls*.

The *APEC Arrangement for the Exchange of Information on Food Recalls* is a practical example of the way in which member economies could exchange information should they become participants to the APEC Mutual Recognition Arrangement on Conformity Assessment of Foods and Food Products (APEC Food MRA).

Australia announced its participation in the Arrangement on

continues

APEC MEETINGS 1999 – 2000

1-6 Nov	Gold Coast, Qld Australia	3rd APEC Technomart
8-12 Nov	Hong Kong, China	16th Meeting Transportation Working Group
18-19	Wellington New Zealand	18th Meeting of the Energy Working Group
6-7 Dec	Tokyo, Japan	Economic Committee Symposium on APEC Economies Beyond the Asian Crisis
2000		
25-28 Jan	Sapporo, Japan	21st Meeting of the Human Resources Development Working Group
March	Lima, Peru	12th Meeting of the Trade Promotion Working Group
20-24 March,	Thailand	18th Meeting of the Industrial Science and Technology Working Group
6-7 April,	Singapore	2nd APEC Education Ministerial Meeting
May/June (tba)	Peru	13th Meeting of the Marine Resources Working Group
June,	Cancun, Mexico	4th APEC Ministerial Meeting on Telecommunications and Information Industry
21-23 June,	Bandar Seri Begawan, Brunei Darussalam	Small and Medium Enterprises Ministerial Meeting
29-30 June	Darwin, Australia,	Meeting of APEC Ministers Responsible for Trade
12-13 Nov	Bandar Seri Begawan, Brunei Darussalam	APEC Ministerial Meeting
15-16 Nov	Bandar Seri Begawan Brunei Darussalam	APEC Leaders Meeting

2 June 1999. For more information on this and other APEC related Standards and Conformance matters contact: *Mr Guy Wilmington, Department of Industry, Science and Resources Ph:(02) 6213 6605*

HISTORIC APEC MEETING EXAMINES FISHERIES AND MARINE ISSUES

DESTRUCTIVE FISHING PRACTICES and their impacts on coral reefs, integrated coastal management, and development of biochemical and ocean disaster indicators were among the issues discussed at an historic joint meeting of the APEC Fisheries Working Group (FWG) and APEC Marine Resources Conservation Working Group (MRCWG) in Cairns in May.

Other issues discussed included the outcomes from the 1998 APEC Oceans Conference, the utilisation of decommissioned offshore oil platforms as artificial reefs, and consideration of Marine Protected Areas.

The inaugural Joint Session which occurred as part of the 10th meeting of the FWG and the 12th meeting of the MRCWG, signified a major step in working closer and addressing issues of interest to both fora.

Discussions highlighted the benefits of the two fora meeting and while it was agreed to continue meeting jointly every two years. There was also support for a US proposal to hold a joint workshop on coral reef issues.

The FWG also held an Aquaculture Session during its meeting that reviewed the progress of existing aqua-culture-related projects being undertaken by the FWG which include:

- *Collaborative APEC Grouper Research and Development Network*
- *Collaborative Aquaculture Education Program*
- *Women in Aquaculture*

The Aquaculture Session included a

report on outcomes of the workshop held in Thailand in April 1999 which focused on research priorities to address the use of cyanide and related chemical residues, food quality issues relating to the transport, storage and handling of live reef fish, and combating destructive fishing practices.

Three new project proposals endorsed by the FWG that were submitted to the APEC Secretariat in Singapore for funding. These projects are:

- *Development of a Health and Husbandry Manual for Grouper Farming*
- *Development of a Regional Research Program on Grouper Virus Transmission and Vaccine Development*
- *Joint APEC/FAO/NACA Ad Hoc Expert Consultation on Trans-boundary Aquatic Animal Pathogen Transfer and the Development of Harmonised standards on Aquaculture Health Management.*

The FWG endorsed Australia to continue as Lead Shepherd of the Working Group until June 2001. Significantly, this will allow Australia to continue to drive the fisheries agenda in APEC.

APEC ENERGY WORKING GROUP (EWG) – FORTHCOMING MEETINGS

THE SECOND MEETING OF the APEC Energy Working Group Business Network (EBN) will be held on 6-8 September 1999 in Wellington, New

Zealand. The EBN is chaired by Mr Barry Leay (CE Ecodyne, New Zealand). Australia is represented by Dr Roland Williams (recently retired Chairman, Shell Australia) and Mr Barry Cusack (Managing Director, Rio Tinto Australia).

The objective of the EBN is to provide strategic input from a business sector perspective into the EWG. The meeting will allow business to contribute to the activities of the EWG. This includes consideration of a proposed study on the inter-connection of electricity grids. The EBN will also make recommendations on the monitoring of policy principles for Independent Power Producers and the Natural Gas Initiative.

The 7th meeting of the APEC Energy Regulators' Forum (ERF) will be held in Wellington, New Zealand on 17 November with the 18th meeting of the APEC EWG to follow on 18-19 November 1999. The EWG meeting will consider the reports from the EBN and ERF meetings as well as the reports on two current projects, namely, *Assessing the Impacts of Liberalising Energy Trade and Investment in APEC Member Economies* and *Environmentally Sound Energy Infrastructure*.

The APEC EWG Secretariat is part of the International Energy Branch, Department of Industry Science and Resources. The APEC EWG Website can now be found at: <http://www.isr.gov.au/resources/apec-ewg>

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