

MEETING OF APEC MINISTERS RESPONSIBLE FOR TRADE

**Arequipa, Peru
31 May - 1 June, 2008**

Statement of the Chair

We, APEC Ministers Responsible for Trade (MRT), met on 31 May – 1 June in Arequipa, Peru under the chairmanship of H.E. Ms. Mercedes Araoz, Minister of Foreign Trade and Tourism of Peru.

We welcomed the participation in the meeting of the Director General of the World Trade Organisation (WTO), the APEC Business Advisory Council (ABAC) and the APEC Secretariat.

Our discussions for advancing APEC's work this year were guided by the APEC 2008 theme: "A New Commitment to the Development of the Asia-Pacific". We took this opportunity to encourage initiatives that would make a substantial contribution to advancing APEC's goals of trade and investment liberalisation and facilitation in the region, as well as strengthening the focus on the social dimension of the APEC agenda.

We welcomed the report of the Chair of the APEC Senior Officials' Meeting (SOM) on the progress of APEC work and encouraged officials to continue their efforts in order to bring forward meaningful deliverables by the time we meet again for the APEC Ministerial Meeting (AMM) in November.

Continuing support for the multilateral trading system

We exchanged our views on supporting the multilateral trading system, for which we highly valued the report and comments of WTO Director General, Mr. Pascal Lamy, on the current situation of the Doha Development Agenda (DDA).

We stressed the crucial importance of the WTO rules-based multilateral trading system and agreed on the urgency of bringing the DDA negotiations to a prompt and successful conclusion this year. We reaffirmed our high level of ambition in agriculture, non-agricultural market access (NAMA) and all other areas of negotiations, in order to get a balanced and meaningful outcome which adequately addresses the developmental aspect of this Round. We issued a separate statement on the DDA, noting it had entered a new and crucial phase with the release of revised negotiating texts on agriculture and non-agricultural market access, and other Chair's reports on services and rules. We called for all WTO members to

engage constructively and work with a sense of urgency to reach an ambitious and successful conclusion of the Round.

We are pleased at the progress made on the Russian Federation's accession to the WTO and reaffirmed our strong support for a rapid conclusion to the negotiations.

Promoting Regional Economic Integration

We emphasised the importance of APEC's work to strengthen economic integration in the Asia Pacific region. In this regard, we reaffirmed our commitment to the Bogor Goals as a key organising principle and driving force for APEC, and discussed various ways to achieve APEC's objective of promoting economic growth and prosperity through free and open trade and investment, and increased regional economic integration (REI), including the long-term prospect of a Free Trade Area of the Asia-Pacific (FTAAP).

The 2007 Leaders Report on Strengthening Regional Economic Integration constitutes a comprehensive and ambitious work plan for APEC's agenda. We are committed to implementing the agreed actions as a way to achieve the Bogor Goals by all APEC economies. We welcomed the report of the Chair of the APEC Senior Official's Meeting on the Regional Economic Integration Priorities for 2008 and endorsed the list of deliverables for 2008 as key to advancing the REI agenda in a systematic manner under particular themes.

We reiterated the importance of further analysing the prospect of an FTAAP, including its implications, and instructed officials to continue the intensive work program being carried out in this regard. We welcomed the report from the SOM Policy Dialogue on the Study on Identifying Convergences and Divergences in APEC's RTAs/FTAs. This analytical study is a helpful tool for promoting better understanding of the similarities and differences among the provisions within the existing RTAs/FTAs in the region, enabling APEC economies to identify concrete ways to further examine the concept of an FTAAP.

We instructed officials to complete the deliverables for 2008 and develop the progress report requested by Leaders in 2007, by November's APEC Ministerial Meeting (AMM). Finally, we urged officials to identify proposals for concrete future steps that should be taken to achieve meaningful progress in the REI agenda in 2009 and beyond.

Furthering Trade and Investment Liberalisation and Facilitation (TILF)

We welcomed APEC's work plan on trade and investment liberalisation and facilitation, which contributes to the development of the Asia-Pacific region.

We acknowledged the progress made in the following areas:

- Regional Trade Agreements/Free Trade Agreements (RTAs/FTAs)

We agreed that high-quality and comprehensive RTAs/FTAs are key to strengthening regional economic integration and achieving APEC's Bogor Goals by increasing trade and investment liberalisation in the region, while serving as building blocks for the further development of the multilateral trading system.

We reaffirmed that APEC should maintain an active role in promoting high quality RTAs/FTAs. A key aspect of this effort is the development of model measures for RTA/FTA chapters as capacity-building tools and non-binding references to assist APEC economies in achieving such comprehensive and high-quality agreements, and to promote greater consistency and coherence among the RTAs/FTAs within the region. We endorsed model measures for the chapters on Competition Policy, Environment and Temporary Entry for Business Persons, and instructed our officials to accelerate efforts to complete the work on all remaining model measures in time for the AMM in November.

We welcomed the work on addressing the concerns of the business community regarding possible complexities caused by the proliferation of RTAs/FTAs in the region and the possibility of trade diversion, particularly in the area of preferential rules of origin. We encouraged officials to continue the interaction with the private sector and other stakeholders to ensure that APEC's work on RTAs/FTAs is responsive and relevant to their interests.

- Trade Facilitation

We reaffirmed our commitment to APEC's work on Trade Facilitation, recognising its growing importance for our business community, particularly in the key areas of customs procedures, standards and conformance, e-commerce and mobility of business people.

We welcomed the progress made on the implementation of the second Trade Facilitation Action Plan (TFAP II), with the objective of reducing trade transaction costs by an additional 5 per cent by 2010. In this regard, we endorsed the Key Performance Indicators (KPIs) and the reporting methodologies developed by sub-fora to measure progress of collective actions/pathfinders for the implementation of TFAP II and encouraged to further enhancement to the reporting methodologies.

We also welcomed the effort to foster closer relationships between APEC, the business community and other stakeholders, including the APEC Specialist

Regional Bodies with responsibility for trade facilitation related issues, in order to develop a range of activities with emphasis on communication and outreach, and capacity-building.

- Intellectual Property Rights

We acknowledged IPR as a tool for technological, economic and social development. In this regard, we acknowledged the importance of comprehensive and balanced intellectual property systems, as well as an environment that encourages creation and innovation and provides the tools for successful management and exploitation of IPR. We also recognised the importance of enhancing capacity building and encouraged further implementation of the IPR Guidelines on Capacity Building.

We reaffirmed our commitment to continue efforts to strengthen the protection and enforcement of IPR in the region. We encouraged work on satellite and cable signal theft in the region as outlined in the 2007 AMM Statement, and welcomed the continued work on enhancing education on IPR in order to assist SMEs in better protecting their rights, and welcomed work to meet the objectives of the APEC Cooperation Initiative on Patent Acquisition Procedures.

We recognised the importance of taking further steps to stop the proliferation of counterfeit and pirated goods through international cooperation and information sharing among IPR agencies, right-owners, enforcement authorities, and the private sector. In this regard, we called on economies to continue implementing the APEC Anti-Counterfeiting and Piracy Initiative. We also welcomed the first Intellectual Property Experts Group (IPEG) - Sub-Committee on Customs Procedures (SCCP) joint session and encouraged economies to intensify their own efforts, increase cooperation, and expand training and capacity building programs in this area.

We reaffirmed the importance of ongoing international discussions, especially in the WTO, including the relationship between the TRIPS Agreement and the UN Convention on Biological Diversity, regarding genetic resources, and the protection of traditional knowledge and folklore. We will continue to promote work on awareness raising and advancing shared objectives regarding these issues.

- Digital Economy

We welcomed APEC's work on trade and the digital economy, and recognised the on-going efforts in APEC to ensure that economies benefit from the digital economy. In this regard, we instructed officials to further efforts to assist economies in promoting the use and development of information and communication technologies (ICTs) through the completion of a policy/regulatory checklist to

advance digital prosperity in APEC economies. We encouraged further participation in the Pathfinder on Technology Choice Principles, as well as capacity building to bridge the digital divide in the region.

We reaffirmed the importance of the free flow of information across the Asia-Pacific region. In furtherance of this goal, we welcome the Electronic Commerce Steering Group's (ECSG) continued work on the Data Privacy Pathfinder, which promotes responsible and accountable cross-border information flows and effective privacy protection without creating unnecessary barriers to such flows; and encourage economies to join this initiative.

We reaffirmed the importance of the role that the Information Technology Agreement (ITA) has played in promoting trade, investment, and economic growth in APEC economies over the last ten years. We expressed concern about products covered by the ITA that may no longer be receiving duty free treatment because of their technological innovations. We expressed further concerns that these recent developments will undermine the ITA, and agreed to work together to ensure that the integrity of the ITA is maintained.

- Investment

We reaffirmed the central role of investment liberalisation and facilitation in fostering economic growth in the region, and their important contribution to the improvement of the investment climate in our economies; thereby, ensuring sustainable development, accelerating regional economic integration, and reducing barriers to investment.

We welcomed the continued work by officials on a study of bilateral investment agreements and core investment-related elements of existing FTAs in the region, which is being undertaken with a view to developing core principles for investment agreements.

We endorsed the Investment Facilitation Action Plan (IFAP) for 2008-2010 which constitutes a significant achievement for APEC this year. It aims to strengthen regional economic integration, competitiveness, and sustainable economic growth; and therefore, it will contribute to expanding prosperity and employment opportunities in the Asia Pacific region and to achieving the Bogor Goals.

We instructed officials to continue the work on IFAP by developing a work program on implementation of the actions agreed in the IFAP, including the development of methodologies for reporting progress.

We reaffirmed the importance of implementing capacity building and conducting public-private sector dialogues under IFAP in order to improve the investment environment of APEC economies.

- Environmental Goods and Services

Recalling our earlier direction to APEC officials to “continue their work on environmental goods and services”, we welcomed the progress made in APEC in this area. We now instruct officials to elaborate a work program to advance APEC work on environmental goods and services.

These efforts would contribute to climate change and international trade policies reinforcing each other, including in the WTO.

- Individual Action Plans (IAPs)

As Ministers Responsible for Trade, we recognised the important role of Individual Action Plans (IAPs) and the IAP Peer Review process for economies to learn from the experiences of one another and track their progress towards the Bogor Goals. We welcomed the successful conclusion of the IAP Peer Reviews of Canada, Peru and the United States in March, and look forward to the conclusion of the IAP Peer Reviews of Chile, Mexico and Singapore later this year.

We emphasised the importance of providing complete and transparent information on the economies’ trade and investment regimes in order to make APEC’s work as accountable as possible in monitoring the progress of member economies towards trade and investment liberalisation and facilitation.

Improving the Business Environment and Structural Reform

We re-emphasised the importance of structural reform in promoting sustainable growth in the region and increasing Asia-Pacific prosperity by improving market efficiency. We noted that reducing behind-the-border barriers by implementing structural reforms strongly complements APEC’s work on trade and investment liberalisation and facilitation. In this sense, we welcomed the Economic Committee’s efforts to intensify the on-going work on the five priority areas of the Leaders’ Agenda to Implement Structural Reform (LAISR) towards 2010.

We noted APEC’s important role in promoting and supporting structural reform in member economies, through information and experience sharing, targeted research and analysis and capacity building activities.

We recognised the importance of providing high level support to maintain the momentum for the structural reform agenda, and welcomed the successful SOM Policy Dialogue. We reviewed preparations for the Ministerial Meeting on Structural Reform to be held in Melbourne, Australia 3-5 August 2008, which will provide further impetus to APEC's structural reform agenda, including through addressing the political challenges of successfully implementing structural economic reform, a focus on how regulatory reform policy can drive structural reform, and identification of future structural reform priorities for APEC's work and capacity building.

We welcomed the revised work plan to accelerate activities conducted under the Private Sector Development Agenda, which aim to further improve the business environment in the region through, inter alia, enhanced regulatory practices, transparency, and access to financing. We agreed that APEC should continue its efforts to create an enabling environment for small and medium-sized enterprises, as well as to enhance their competitiveness.

Economic and Technical Cooperation (ECOTECH): Building capacity and sharing technical expertise and assistance

Strengthening regional economic integration aids economic development through the creation of a better business environment and increased levels of trade and investment. We strongly supported the development of a more focused and long-term approach to APEC's capacity-building efforts. We instructed officials to develop a concrete proposal to apply this new approach in order to deliver more meaningful and effective results that directly benefit our communities.

We welcomed work underway to examine possibilities for twinning arrangements between APEC economies to help developing economies secure access to and increase their public sector technical expertise. We were confident that the program will help establish and reinforce inter-agency relationships within APEC. We also look forward to strengthening APEC's engagement with other multilateral organisations and ABAC to make effective and appropriate use of available expertise and resources for the long-term benefit of economies in the region.

Food Price Escalation

We discussed the crisis caused by recent dramatic increases in prices of many food products which are undermining our fight against poverty and exacerbating economic and social problems in the region.

The price increases of many important commodities, including wheat, rice and maize are having a deeply damaging effect especially on the poorest families in our

region. We agreed that APEC economies can play an important role in the global response to this crisis by maintaining our commitment to open markets and trade and investment liberalisation.

The current food price escalation has increased the urgency to achieve substantial improvements in market access and reductions in market-distorting measures in global agricultural trade. We agreed that a rapid completion of the WTO Doha Round, with an ambitious and balanced outcome, will be one of the important factors in overcoming this serious international situation.

Export restrictions on food products may prolong and deepen the severity of the crisis by putting further pressure on global food prices and discouraging the agricultural investment needed now to increase future production.

We agreed that increasing the productivity of agriculture worldwide is critical to global welfare, particularly of developing economies, and to ensuring long-term and adequate world food supplies. In this regard, we reaffirmed the importance of sufficient levels of investment in agricultural technologies, as well as economic and technical cooperation to increase agricultural productivity. We also agreed on the importance of increased support to food aid programs and to ensure that they are managed in a way that does not distort markets.

The FAO High-Level Conference provides an opportunity for serious discussions on this issue in order to develop a deeper understanding of the causes, effects and possible solutions.

We welcomed ABAC's proposal to review the APEC Food System and update it in the light of the food challenges we now face.

Addressing human security challenges and ensuring the sustainability of business facilitation and trade liberalisation

We affirmed human security is essential to the sustainable economic growth and prosperity of APEC economies.

We understand the risks posed by terrorist activity and natural disasters on APEC economies and the threat to our shared prosperity. We welcomed work on trade recovery, food defense, and on combating terrorist financing, specifically on the misuse of non-profit organisations by terrorists, bulk cash smuggling and illicit cash couriers. We also recognised the need to enhance security, through cybersecurity, transportation security, food safety, energy security, enhancement of public-private partnerships to fight terrorism, and other crucial issues of collaboration among APEC economies.

We expressed our deepest sympathies to the People's Republic of China for the terrible damage and loss of life caused by the recent earthquake in Sichuan Province. APEC continues to play an important role in regional efforts to prepare for and respond to such natural disasters. In this regard, we were pleased at APEC's efforts to develop and implement a program of capacity-building projects designed to strengthen community resilience to natural disasters and other emergencies and encouraged ongoing engagement with the private sector to help mitigate disruption to business. We looked forward to the outcomes from the Emergency Management CEO Seminar to be held in Peru in August.

We welcomed initiatives to strengthen food and consumer product safety standards and practices in the region through enhanced coordination and programs to ensure the health and safety of our populations, without creating unnecessary impediments to trade. In particular, we noted the importance of the new multi-year capacity building projects on developing technical infrastructure and increasing food and product safety. We encouraged continued work to strengthen product safety and to facilitate trade, including through sector-specific product safety efforts, as well as work in promoting good regulatory practices.

We reiterated our continuing support for the Secure Trade in the APEC Region (STAR) Initiative. We looked forward to a successful Sixth STAR Conference to be held in Lima in August this year. STAR VI will reinforce APEC's secure trade agenda by working in partnership with the private sector to identify ways of mitigating security risks, without compromising the flow of trade.

Promoting Transparency and Fighting Corruption

We were pleased that APEC continues to make a valuable contribution to fighting corruption and ensuring transparency in the region. We supported the implementation by all economies of the APEC Code of Conduct for Business, the Code of Conduct Principles for Public Officials and complementary Anti-Corruption Principles for the Private and Public Sectors, within the fundamental principles of each economy's legal system. We also supported the implementation of APEC actions for Fighting Corruption through Improved International Legal Cooperation which reaffirms our strong commitment to prosecute acts of corruption and to strengthening cooperation on extradition, mutual legal assistance and the recovery and return of proceeds of corruption.

We agreed to further strengthen international cooperation to combat money-laundering and to raise awareness of illicit finance challenges posed to our economies by transnational organised crime and corrupt entities. We reiterated our

strong support for those member economies yet to ratify and implement the United Nations Convention against Corruption to do so.

Gender

We welcomed the reports from the Gender Focal Point Network (GFPN) and Women Leaders' Network (WLN), and recognised the importance of integrating gender considerations into the development of trade policy, and the need to strengthen APEC's capacity in this regard.

We welcomed initiatives for the promotion of women exporters in the APEC region, particularly in developing economies, and reinforced the importance of continued cooperation between APEC and the business community to ensure that women entrepreneurs are able to both contribute to and benefit from free trade in the Asia-Pacific region.

Developing Corporate Social Responsibility in the Asia-Pacific

We discussed the role that APEC can play in developing Corporate Social Responsibility (CSR) in the Asia-Pacific. CSR has been developing at different speeds and in different directions within all APEC economies over recent years with each approach reflecting local factors, distinct business cultures and economic structures. It is an issue that complements and supports APEC's agenda of promoting economic development and improving the business environment in the region. Robust companies' CSR policies are increasingly important for their successful international trade and investment. The integration of economic, social and environmental considerations into everyday business practice is essential for promoting sustainable development in the region.

CSR is most effective when it is led by the private sector and takes into account different development approaches for different levels of development. Many member economies, companies, and international organisations have developed effective CSR practices and guidelines that could serve as useful models for other companies in our region. We agreed that APEC, especially through ABAC, could play a promoting and facilitating role in CSR awareness and best practices in both the public and private sectors. We encouraged officials to work closely with ABAC to develop an APEC CSR agenda for consideration by APEC Leaders in 2008.

Interaction with the Business Community

- Dialogue with the APEC Business Advisory Council (ABAC)

We reiterated the valuable role of ABAC in providing advice on how to improve the business environment in the Asia-Pacific region. We emphasised the need to continue strengthening the linkages between public and private sectors.

We welcomed the closer engagement achieved with ABAC to progress the work across the APEC agenda, including on support for the Doha negotiations, regional economic integration and trade and investment liberalisation and facilitation.

We welcomed ABAC's Letter to Ministers Responsible for Trade, which identifies some of the key business challenges which need to be addressed, and agreed to take these into account in our future work. We committed ourselves to take ABAC's recommendations into account, where appropriate, as we pursue an ambitious agenda and concrete outcomes.

- Industry Dialogues

We welcomed the work done by the industry dialogues to raise awareness of initiatives outside APEC that may affect trade and competitiveness of the industries within the region.

We recognised the importance of the cooperative work undertaken by the public and private sectors in the industry dialogues, as an effort to enhance trade facilitation, transparency and the reduction of barriers to trade and investment.

We welcomed the progress in the implementation of the Life Sciences Strategic Plan, including the development of the study on the benefits of investment in health innovations and checklists on enablers of investment in this important area, and the broad range of the capacity building projects, including anti-counterfeiting, regulatory harmonisation and the promotion of Public Private Partnerships in life sciences innovation.

We also emphasised our concerns over the potential negative impact of the EU's Chemical Policy (REACH) and reiterated our position that these measures should not constitute unnecessary obstacles to trade in chemicals and downstream products. We endorsed the Report on Best Practices for Chemical Regulations and the report of the Globally Harmonized System (GHS) Virtual Group as APEC contributions to Strategic Approach to International Chemicals Management (SAICM), and welcomed the initiation in the Chemical Dialogue of the Chemical Regulators Forum.

APEC Reform: Keeping APEC at the forefront of regional economic integration

We remain committed to ensuring that APEC is the pre-eminent forum for economic cooperation and integration in the Asia-Pacific. We are therefore pleased that the process to establish a Policy Support Unit attached to the APEC Secretariat is now underway. The unit will provide analytical capacity, policy support and assist in guiding related capacity building for APEC's trade, investment and economic reform agenda and related ECOTECH activities. We also noted the work currently underway to develop proposed conditions, responsibilities and accountability mechanisms related to the appointment of an APEC Executive Director for a fixed-term.