

APEC ECONOMIC LEADERS' DECLARATION

**Los Cabos, Mexico
27 October 2002**

We gathered in Los Cabos for the 10th annual APEC Economic Leaders' Meeting to strengthen economic growth by implementing the APEC vision of free, open and prosperous economies. We agreed on the importance of fighting terrorism, which poses a profound threat to our vision. We resolved to continue and accelerate progress towards the achievement of the Bogor goals as a central element to deliver our ultimate goal of equitable and shared prosperity, and concurred on the need to maximize political support for the pursuit of free and open trade and investment.

We acknowledged that APEC is engaged in the implementation of important measures, consistent with the theme of this year's meeting "Expanding the Benefits of Cooperation for Economic Growth and Development - Implementing the Vision." We are determined to translate our APEC vision into concrete benefits for the wider APEC community through greater assessment, accountability and action. We affirmed our commitment to a more inclusive world economy, notably through our individual and joint efforts on micro-enterprises, access to information, human capacity building, financing and health.

Implementing the APEC Vision of Free and Open Trade and Investment

We discussed the fundamental contribution of trade to economic growth, and the need for APEC to strongly support the multilateral trading system, while implementing our commitments.

- We called on Ministers to continue negotiations that will open markets and enhance the multilateral trading system, foster economic growth and poverty reduction particularly in developing economies, promote sustainable development, improve disciplines, improve WTO coherence with other institutions, and provide opportunities for all citizens of the world.
- We welcomed the launch of new multilateral trade negotiations in Doha and encouraged all economies to pursue substantive negotiations in all areas of the Doha Development Agenda (DDA) by the agreed timelines to ensure that the deadline of 1 January 2005 to conclude such negotiations is met. We called for progress across all areas in the lead-up to the 2003 WTO Fifth Ministerial Conference in Cancun.
- We agreed that these negotiations hold the prospect of real gains for all economies, and particularly developing economies, in the areas of agricultural reform, improved market access for goods and services, and clarification and improvement of trade disciplines.
- We agreed that one of the objectives of the negotiations should be the abolition of all forms of agricultural export subsidies, and unjustifiable export prohibitions and restrictions.
- We also remain committed to on-going work in the negotiating group on rules. Such negotiations are aimed at clarifying and improving disciplines under the Agreements on the Implementation of Article VI of the GATT 1994 and on Subsidies and Countervailing Measures, while preserving the basic concepts, principles and effectiveness of these agreements and their instruments and objectives.
- We agreed that APEC should further contribute to the DDA negotiations by encouraging and coordinating confidence building activities in all areas of the agenda, including investment, competition, trade facilitation, transparency in government procurement, and trade and environment.
- We welcomed work in APEC to ensure all economies develop the capacity to participate effectively in the DDA negotiations. We encouraged the WTO to build on APEC's leadership

towards more effective and coherent programs and delivery of trade-related technical assistance.

- We supported the early accession of Russia and Viet Nam to the WTO.
- We called for an exchange of views in APEC on regional and bilateral trade agreements, noting that these agreements need to be consistent with WTO rules and disciplines and APEC's goals and principles.

We discussed how to implement pro-growth policies in the Asia-Pacific region. Last year we agreed on an updated vision for APEC in the Shanghai Accord that stressed implementation of commitments to expand trade and investment, broadened the basic mission to include new economic developments, and underscored the need for economic and technical cooperation. We recognized the significant progress made during this year and acknowledged the importance of the timely implementation of the Shanghai Accord, which will advance our commitment to achieve the Bogor goals and support the multilateral trading system. Today, in Los Cabos, we:

- Endorsed the APEC Trade Facilitation Action Plan which will implement our commitment to cut transaction costs by five percent in the APEC region by 2006. We recognized the significant economic and trade benefits which can accrue from trade facilitation and took special note of the Action Plan's call for providing appropriate capacity building assistance to developing economies. We directed our Ministers to continue moving forward with the selection and implementation of trade facilitating actions and measures and to assess the benefits of associated transaction cost reductions.
- Adopted the attached Statement to Implement APEC Transparency Standards, and directed that these standards be implemented as soon as possible, and in no case later than January 2005. We agreed that economies that may implement these standards earlier, under domestic law or an international agreement, will accord their benefits immediately to all APEC economies.
- Endorsed Pathfinder Initiatives on advance passenger information systems; the revised Kyoto Convention on the Simplification and Harmonization of Customs Procedures; electronic SPS certification (e-cert); electronic certificates of origin; mutual recognition arrangement of conformity assessment on electrical and electronic equipment parts II and III; and corporate governance.
- Adopted the attached Statement to Implement the APEC Policies on Trade and the Digital Economy, which contains a set of targets related to trade policies for the New Economy, also as a pathfinder initiative.
- Urged all APEC members to consider participating in these initiatives and instructed officials to continue to identify pathfinder initiatives that will deliver real benefits to APEC members.
- Praised the strengthened Peer Review process of the Individual Action Plans for monitoring our process to achieving the Bogor goals.
- Endorsed the broadened Osaka Action Agenda, which reflects our strong commitment to the achievement of the Bogor goals, while responding to changes in the global and regional economy.

Strengthening Economic Fundamentals

We discussed economic recovery and noted that uncertainties on the strength and pace of the expansion still remain. In this context, it is crucial to strengthen the soundness and efficiency of financial systems, particularly through better credit culture and strengthening of banking supervision, and to continue with broader structural, regulatory and institutional reform, which

complement open market policies, promote sustained economic growth and good governance, withstand economic shocks and create a better business environment for all.

- We welcomed the outcomes of the Ninth Finance Ministers' Process. We firmly believe that prudent and transparent fiscal management will help maintain macroeconomic stability, lower interest rates and raise economic growth.
- We resolved to work towards avoiding structural fiscal deficits and enhancing the efficiency of public expenditure.
- We agreed to promote more openness, diversity, and competitiveness in our financial markets, including through the development of regional bond markets. In this connection, we commended the Finance Ministers' initiative to organize policy dialogues to identify impediments to the development of securitization and credit guarantee markets and to develop detailed action plans and report progress to APEC Leaders in 2003.
- We recognized that adequate levels of savings are necessary for economic stability and growth, and that it is essential to put in place the institutional framework and structural reforms that allow the most efficient allocation of savings so that both domestic and foreign savings are channeled into productive investment.
- We resolved to strengthen trust in markets and investor confidence by implementing measures to improve corporate governance standards and practices in APEC member economies and promote the transparency of policies affecting trade and investment. We recognized the need for member economies to regularly review their corporate governance practices to reflect the changing market environment.
- We welcomed the implementation of the e-APEC Strategy and called for accelerated work to put in place sound macroeconomic policies, a legal and regulatory regime that will stimulate investment and technology development to promote e-business and broadband networks, and programs to ensure that our people have access to the Internet and the skills to use it.
- We endorsed the commitment of APEC Energy Ministers to energy market reform and greater transparency to attract the significant private investment needed to ensure that our region's growth and development goals are supported by adequate energy infrastructure.
- We acknowledged the importance of structural reform in achieving trade and investment liberalization and facilitation and agreed to further promote dialogue and work in this area.

Counter-Terrorism and Economic Growth

We discussed the challenge posed to the region's security and prosperity by terrorist organizations, noting the need to strengthen security while maintaining the smooth flow of goods, capital and people that has been key to the region's economic growth. We welcomed the efforts of member economies and APEC fora in response to the 2001 Leaders' Statement on Counter-terrorism.

- We condemned in the strongest terms recent terrorist acts in the APEC region, and reaffirmed our determination to enhance cooperation on countering and responding to terrorism.
- We adopted the Los Cabos Statement on Fighting Terrorism and Promoting Growth, in which we commit to taking a series of concrete steps that will protect and make more efficient the flows of trade, finance, and information.
- We called for the development of capacity building programs to assure that all economies are able to implement all elements of the statement.

- We also endorsed the strengthening of energy security in the region under the mechanism of the APEC Energy Security Initiative, notably the reporting of monthly oil data, which was highly commended by the 8th International Energy Forum, last September.

Towards Equitable and Shared Prosperity

We discussed APEC's work on capacity building and economic and technical cooperation. In order to enhance our accountability, we instructed Ministers to improve the focus of our economic and technical cooperation and capacity building objectives and ensure that our actions are duly monitored and assessed, fully support APEC's trade and investment liberalization and facilitation goals and address the challenges of globalization.

We agreed on the need to build partnerships with international financial organizations and the private sector in the pursuit of APEC capacity building and economic and technical cooperation objectives.

We acknowledged that it is essential to assess our work to ensure that economic and technical cooperation and capacity building objectives are effectively implemented. The involvement of the APEC Secretariat in this work is fundamental, and we acknowledged the need to also involve other APEC stakeholders in this work such as ABAC, Women Leaders' Network and the APEC Study Centers.

We commended the realization of the Dialogue on Globalization and Shared Prosperity as a central effort to discuss the benefits and challenges of globalization in a constructive manner.

- We noted the importance of addressing the social dimensions of globalization and acknowledged the need for developing social safety nets to minimize the costs of structural change.
- We recognized that globalization is the driving force of economic progress and agreed on the need to aim our economic and technical cooperation activities to empower people, as well as micro, small and medium enterprises, through improved access to information, human capacity building, financing and health care.
- We noted that Internet use in APEC had more than doubled since we set our connectivity goal in Brunei in 2000. We reiterated our commitment to realizing our goal of universal access by the year 2010 and we recognized the importance of focusing on further action on connectivity for rural areas; micro, small and medium enterprises; women; youth; and the disabled.
- We noted the contribution of the e-APEC Strategy, the Beijing Initiative on Human Capacity Building and the APEC Human Capacity Building Strategy for the New Economy as an effective response to the need for transforming the digital divide into a digital opportunity. We welcomed the expansion of cyber-education and called for more activities aimed at improving teacher quality, promoting language study and facilitating more use of distance learning. We also welcomed significant progress in the revitalization of the APEC Education Foundation and expansion of the Consortium for APEC Cyber Education Cooperation.
- We welcomed the outcomes of the Meeting of Ministers Responsible for SMEs and noted the progress on the APEC Integrated Plan of Action for the Development of SMEs (SPAN), including the incorporation of micro-enterprises development issues. We also acknowledged the substantial contribution of micro, small and medium enterprises to trade and economic development in the APEC region. In this context, we called on ministers and officials to develop programs to remove obstacles inhibiting their growth, including as regional exporters.
- We welcomed the outcomes of the High Level Meeting on Micro-enterprises and believe that attention to micro-enterprises is key to making progress towards our objectives of gender

equity, economic growth, poverty alleviation, and the strengthening of social safety nets. We welcomed the decision made by the Ministers Responsible for SMEs to establish a sub-group for micro-enterprises development. We call for coordination in developing the sub-group's action plan, taking into account the work being conducted by relevant APEC fora and other APEC stakeholders.

- We agreed that micro-financing is crucial for the expansion of micro-enterprises, and we praise efforts to develop and promote market-based micro-finance to assure micro and small businesses and entrepreneurs have access to capital. We agreed that government action should create an enabling policy environment and a legal and regulatory framework for the growth and expansion of sound and sustainable micro-financing intermediaries, fostering their gradual and full integration into the domestic financial system.
- We acknowledged that investing in health will benefit economic growth, worker performance and productivity, and poverty alleviation. We need to be more effective with our investment at every stage of the health care process, including primary prevention against disease risks, and focusing on most vulnerable populations.
- We instructed Ministers to build on work underway to establish a regional public health surveillance network and an early warning system to monitor and respond to critical disease outbreaks in the region, and critical threats such as bio-terrorism.
- We directed Ministers to assist developing economies to build the capacity to establish their own self-sustaining health-care services accreditation regimes.
- We called for the establishment of a life-sciences innovation forum comprising government, private sector, and academia representatives to develop a strategic plan for life-sciences innovation in the region. This should include, as a priority, addressing the challenges of risk detection and prevention, treatment and cure of the communicable and lifestyle diseases which afflict our people.

We pledged to accelerate the safe use of biotechnology products based on sound science and welcomed the conclusion of the first Agricultural Biotechnology Dialogue. We called for capacity building initiatives that support our goals.

We recognized that a healthy environment and a focus on the quality of life of our citizens are essential to sustainable economic growth. In this regard, we welcomed the contribution of APEC Energy Ministers, Ministers responsible for ocean related matters and other APEC fora to the World Summit on Sustainable Development (WSSD). We agreed to continue making valuable contribution and follow-up work to the WSSD. We commended progress under the 21st Century Renewable Energy Development Initiative, and noted the importance of oceans for food security and sustainable economic development.

Reaching Out to our Communities

We discussed efforts to engage in meaningful dialogue with our communities, particularly business people, women, and youth. We also discussed the need to involve a larger community in APEC's activities.

- We welcomed the work of Ministers in updating APEC guidelines on non-member participation to make them more encouraging of genuine engagement with our communities and directed Ministers to implement the guidelines by ensuring APEC fora are proactive in identifying and engaging outside organizations.
- We welcomed ABAC's report on "Sharing Development to Reinforce Global Security". We place great value on ABAC's contribution to the APEC agenda and have instructed Ministers to consider the report carefully. We noted that APEC is already pursuing a number of initiatives identified by ABAC in areas such as counter-terrorism, corporate governance,

promotion of micro-enterprises development and support for the WTO Doha Development Agenda.

- We endorsed APEC's work on gender issues and welcomed the recommendations of the Second Ministerial Meeting on Women. We recognized the need to eliminate gender inequalities in social and economic life, particularly recognizing the value of the multiple roles that women play in the economy. We also recognized the unique challenges globalization presents for women, including indigenous women.
- We welcomed the outcomes of the APEC Young Leaders' and Entrepreneurs Forum with Social Responsibility, which provided a valuable opportunity for young entrepreneurs to discuss the opportunities afforded by the new economy.
- We reaffirmed our belief in APEC's fundamental principles, including voluntarism, consensus-building, individual and collective actions, flexibility, and open regionalism.