

MEETING OF APEC MINISTERS RESPONSIBLE FOR TRADE
Cairns, Australia
5-6 July, 2007

We, APEC Ministers Responsible for Trade (MRT), met on 5-6 July in Cairns, Australia under the chairmanship of the Hon Warren Truss MP, Minister for Trade of the Commonwealth of Australia.

We welcomed the participation in the meeting of the APEC Business Advisory Council (ABAC), the Pacific Economic Cooperation Council, the Association of South-East Asian Nations, the Pacific Islands Forum and the APEC Secretariat.

Promoting dynamism in the Asia-Pacific Region

The Asia-Pacific region remains one of the fastest growing and dynamic regions in the world, but a number of challenges lie ahead of us. Greater economic integration, demographic and technological changes, social and environmental issues, including climate change, are impacting on the region's economic landscape. These challenges require collective solutions for the benefit of all our people. APEC is already making an important contribution but needs to remain attuned to further opportunities to promote sustainable growth, improve living standards and reduce poverty.

Continuing support for the multilateral trading system

We reaffirmed the importance of supporting an open, rules-based, multilateral trading system under the World Trade Organization (WTO) for global economic growth and development. We noted the urgency of advancing the DDA negotiations and issued a separate Statement on the DDA.

We also welcomed the continued work to achieve progress of the Russian Federation in the WTO accession negotiations and underlined the importance of efforts to expedite conclusion of these negotiations.

Creating an enabling environment for economic growth through trade and investment liberalisation and facilitation

- *Regional Economic Integration*

We had a broad-ranging and constructive discussion about ways and means to promote regional economic integration. We discussed various ways to achieve free trade in the region, including the possibility of developing a Free Trade Area of the Asia-Pacific (FTAAP) as a long term prospect. In this regard, we reaffirmed our commitment to the Bogor Goals. We agreed that the time is right to further examine the prospect for an FTAAP, including its implications. We agreed that scope exists for more intensive activity across APEC's agenda in support of regional economic

integration. We provided guidance to officials to finalise the draft report for September's APEC Ministers Meeting (AMM) recommending a range of practical measures to further promote economic integration in the region, building on APEC's current work program.

- *Regional Trade Agreements/Free Trade Agreements (RTAs/FTA)s*

High-quality and comprehensive RTAs/FTAs can advance economic openness in the region and strengthen regional economic integration. They can also serve as building blocks for the further development of the multilateral trading system, and they can bring the realisation of the Bogor Goals nearer.

We took note of the concerns of the business community over possible complexities caused by the spread of RTAs/FTAs and the possibility of trade diversion. To this end we have instructed officials to examine, in close cooperation with the business sector, the scope for a rationalisation of preferential rules of origin and other relevant provisions of such agreements and to report to us when next we meet. The model measures for RTA/FTA chapters are a pioneering contribution by APEC to promote greater consistency and coherence among the RTAs/FTAs within the region. They are also an effective capacity-building mechanism. Ministers reaffirmed that the model measures would serve as a reference for APEC member economies to help them achieve comprehensive and high-quality free-trade agreements and reiterated the non-binding and voluntary nature of the model measures. We noted the progress in developing model measures for additional RTA/FTA chapters and have instructed our officials to accelerate efforts to complete model measures for at least three additional chapters in time for the APEC Ministerial Meeting in September.

- *Trade Facilitation*

We endorsed APEC's second Trade Facilitation Action Plan (TFAP II) which sets out a framework and timetable for achieving the goal of another 5 per cent reduction in trade transaction costs by 2010. APEC's current trade facilitation work on customs procedures, standards and conformance, e-commerce and mobility of business people is already providing substantial benefits. We welcomed the greater focus in TFAP II on collective actions, the role of capacity building and its linkage with APEC's wider business facilitation agenda. This reinforces the important role trade facilitation measures and APEC's behind-the-border reform agenda have to play in facilitating economic growth as recognised in APEC's Busan Business Agenda.

We acknowledged the call by business that Key Performance Indicators (KPIs) be developed to measure TFAP II progress. We have instructed officials to develop appropriate KPIs when implementing TFAP II collective actions and measures.

We welcomed the study commissioned for APEC from the World Bank on "Transparency and Trade Facilitation in the Asia-Pacific: Estimating the gains from reform", which indicates that the collective trade performance of APEC economies

would be boosted by USD\$148 billion from greater trade policy predictability and simplification. We instructed officials to consider how the findings of the study can be used in APEC's trade facilitation and transparency work.

We welcomed agreement to launch a Data Privacy Pathfinder at the Sydney AMM and the expansion of the APEC Business Travel Card (ABTC) scheme to more economies by creating a transitional membership category.

- *Intellectual Property Rights and the Digital Economy*

We affirmed that APEC should remain at the forefront of strengthening protection and enforcement of IPR in the region, underscoring that trade in counterfeit and pirated goods continues to stifle investment, innovation and economic development. We also acknowledged the importance of a comprehensive and balanced intellectual property system, as well as an environment that encourages creation and innovation and provides the tools for the successful management and exploitation of intellectual property rights.

We encouraged economies to contribute to the Best Practices Paper on Innovative Techniques for IPR Border Enforcement and undertake greater information exchange among IPR authorities and enforcement authorities. We acknowledged and encouraged the continuing implementation of the APEC Anti-Counterfeiting and Piracy Initiative, including through implementation of the five existing IPR Guidelines. We endorsed the IPR Guidelines on Capacity Building and welcomed the continued work on the Education and Awareness Project and seminars and workshops on IPR. We encouraged work to develop the APEC Cooperation Initiative on Patent Acquisition Procedures.

We welcomed APEC's on-going work on trade and the digital economy and encouraged economies to further intensify their efforts on bridging the digital divide. We welcomed the announcement by Malaysia to join the Pathfinder on Technology Choice Principles and encouraged other members to join. We also encouraged officials to explore further steps to address concerns that some technologically advanced versions of products covered by the Information Technology Agreement may be in danger of no longer receiving duty-free treatment.

- *Investment*

We stressed the importance of further investment liberalization and facilitation in meeting our development and infrastructure needs and agreed that reducing behind-the-border barriers to investment was necessary to help achieve this. We welcomed the analytical work undertaken in APEC and the policy dialogue conducted in collaboration with ABAC to identify those behind-the-border barriers in the APEC region that have the greatest impact on deterring investment. We will provide greater coherence to APEC's investment work by exploring a possible Investment Facilitation Action Plan. This would bring together public-private sector dialogue, policy

recommendations and identify capacity building needs in improving the investment climate.

We called for additional work, including capacity building, to promote better understanding of the elements of a sound investment policy regime.

- *Transparency and Anti-Corruption*

We reiterated our stand in fighting corruption and welcomed the report on APEC economies' progress in implementing the APEC Transparency Standards. We pledged to close those remaining gaps in implementation, including through targeted capacity building activities and other initiatives where appropriate.

We reiterated the high priority we attach to fighting corruption, which poses a significant threat to economic growth by undermining the rule of law, distorting markets and deterring investment. We endorsed a model Code of Conduct for Business, a model Code of Conduct Principles for Public Officials and the complementary Anti-Corruption Principles for the Private and Public Sectors. This work gives practical impetus to APEC's commitment to combat corruption and the commitment expressed by our Leaders towards a cleaner and more honest and transparent community in the Asia-Pacific region.

- *Individual Action Plans (IAPs)*

We noted the commencement of the current cycle of IAP Peer Reviews of Individual Action Plans and in particular those concluded involving Australia; China; Hong Kong, China; Japan; Korea; New Zealand; and Chinese Taipei. The new improved IAP peer review process, which includes consideration of members' broader trade policies, is proving to be an effective way for economies to learn from the experiences of one another and monitor progress toward the Bogor Goals.

- *Improving the Business Environment and Structural Reform*

We re-emphasised the importance of structural reform for the full realisation of the benefits of trade and investment liberalisation. We welcomed the Economic Committee's new policy focus to reflect this and its on-going work to progress the Leaders' Agenda to Implement Structural Reform (LAISR) towards 2010. This includes measures to improve market efficiency in areas such as regulation, competition policies, transparency and corporate and public sector governance with benefits to trade, investment and economic growth. We welcomed APEC's important role in support of reform efforts through information sharing and targeted research and analysis, including identifying better practice approaches. We have called for officials to explore ways to accelerate the work being conducted under the Private Sector Development Agenda to promote better regulatory and business practices by using the World Bank's Ease of Doing Business indicators as a guide to best practice.

In order to support APEC's work on trade, investment and structural reform, we welcomed a proposal to establish a Policy Support Unit attached to the APEC Secretariat to provide analytical capacity and policy support for APEC's trade and economic agenda.

Securing trade and people movement to ensure continued prosperity in the region

We discussed the importance of developing coherent regional policy responses to the major human security challenges facing APEC members, including cross-border issues such as terrorism, pandemic diseases, natural disasters and energy security and the importance of this to sustaining growth and prosperity in the region. We welcomed the findings of the 5th APEC Secure Trade in the APEC Region Conference, in particular its call for greater public-private partnerships in secure trade to mitigate risks, while containing costs. We look forward to APEC further developing its close engagement with the private sector in secure trade and building on our cooperation in transport security, customs procedures, border controls, food defence, terrorist financing and other areas. We encouraged officials to explore the scope for improving the interoperability of supply chain security measures.

We noted that energy security and sustainable development are of vital interest to APEC and that climate change and clean development will be a key focus for APEC Leaders in 2007. We recognised the need to take strong and early action to address the challenge of climate change taking into account the need to balance environmental concerns and economic growth. We represent a unique mix of energy exporting and importing economies and our common energy interests are heightened by our growing regional economic integration. As Ministers Responsible for Trade, we have a particular interest in promoting well-functioning energy markets that are characterised by free and open trade, secure and transparent frameworks for investment, market-based price signals, market transparency, good governance and effective competition. Such frameworks are important in encouraging greater energy efficiency and the adoption of new, lower-emission and more energy efficient technologies. We urged APEC economies to continue their work on environmental goods and services and explore ways to reduce trade barriers in this area. We also urged further work on remanufactured products in APEC. We welcomed the proposal by APEC Energy Ministers for an APEC Energy Investment and Trade Study and Roundtable to take forward these objectives.

Ensuring APEC is responsive to the changing needs of the Asia-Pacific community

We discussed the need for APEC to become more efficient and results-oriented and to maintain cooperative links with key stakeholders in order to remain responsive to the changing economic landscape.

We encouraged continuing efforts to strengthen and professionalise APEC's institutional base. We noted work by officials to develop a package of reform measures which will further strengthen APEC's operational capability. We urged them to complete this work in time to make recommendations to the AMM in September.

We noted the on-going and constructive dialogue between APEC and ABAC and other forums, which informs APEC's work to promote and enhance economic prosperity in the Asia-Pacific region. We welcomed the closer engagement between ABAC and Ministers and officials this year to progress work across the APEC agenda including on support for the Doha negotiations, trade facilitation and regional economic integration.

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 account of these in our future work. We also commended public-private cooperation in the industry dialogues, and in this regard, welcomed work on expediting customs for low-risk shippers, expressed concern over the negative impact of the European Commission's chemicals legislation on the chemical sector, and called for a study on the benefits of investment in health innovations.

We endorsed the SOM Chair's Report on APEC's 2007 work program.