

Report to APEC Economic Leaders



APEC Business Advisory Council





His Excellency Pedro Pablo Kuczynski

Chair, Asia-Pacific Economic Cooperation
President, Republic of Peru
Lima, Peru

Your Excellency:

It is our great honor to present to you the report and recommendations of the APEC Business Advisory Council (ABAC) for 2016.

We do so in a climate of unprecedented global concern about the pace and extent of trade liberalization and globalization. As business leaders, we are well aware that continuing economic reform has lifted millions from poverty and has enabled the development of new technologies and new business models, which have further contributed to job creation and new drivers of economic growth. In APEC, we have consistently sought to emphasize the need for economic growth to be inclusive through a range of policy measures, which address the needs of micro, small and medium enterprises (MSMEs), women and a younger generation. This work needs to be continued and expanded so that structural reform and trade liberalization continue to provide, along with capacity building, the pillars of sustainable economic growth.

At this time of continuing fragility in the global economy, it would be particularly damaging if governments failed to resist calls for protectionism. More effort clearly needs to be made by both governments and business to explain the benefits of open trade and investment to public stakeholders. More effort also needs to be taken to develop accompanying reform and social policies, which spread these benefits to all sectors of the community and mitigate any negative effects. Good governance, sound regulatory quality frameworks which encourage openness, the growth of services and innovation, address and discourage trade-distorting non-tariff barriers, and recognize the contribution of MSMEs, are indispensable for the region's economic future.

Significant steps need to be taken to accelerate the momentum for ambitious and comprehensive economic integration in the Asia-Pacific, notably through the proposed Free Trade Area of the Asia-Pacific (FTAAP) and its contributing pathways already identified: the Trans Pacific Partnership, the Regional Comprehensive Economic Partnership, and the Pacific Alliance. We remain fully committed to realizing FTAAP, as the best way forward to continue to reduce barriers to trade and investment and to enable goods, services and capital to flow freely among our economies. FTAAP will allow us to achieve the fundamental goals of the APEC vision. Once the APEC Collective Strategic Study is completed, we anticipate that APEC will be well-positioned to move to the next stage of the eventual realization of FTAAP. In this regard, we firmly believe that ambitious targets should be established, including a future timetable and concrete actions.

We reaffirm the primacy of the rules-based global trading system under the World Trade Organization and encourage the remaining APEC economies to implement the Trade Facilitation Agreement and the expanded Information Technology Agreement. We call for wider participation in and timely conclusion of negotiations for an Environmental Goods Agreement and the Trade in Services Agreement.

The services sector is of critical significance to quality growth. Technology is changing business models and the way companies deliver services. It is crucial that policy settings keep pace with that dramatic process of transformation brought about by technology. We applaud the goals of the APEC Services Competitiveness Roadmap to increase APEC's services trade beyond the average global level. This is a target which will require concerted APEC-wide efforts as well as unilateral actions by individual economies. The Roadmap should include interim targets with measurable goals and prioritize "backbone services" such as financial services, information and communication technology (ICT), telecommunications, transportation and logistics, education and health care.

MSMEs are the drivers of entrepreneurship and employment. Expanding their role in regional trade and investment is an important means to achieve quality growth and to reinforce the benefits of globalization. ABAC is leading MSME-related initiatives that include: mapping Incubators and Accelerators across APEC economies; APEC Cross-Border E-Commerce Training (CBET); APEC CBET Network; ABAC Digital Economy Work Plan; promoting inclusive business models to facilitate participation in global value chains; and efforts to improve the economic empowerment of women.

We reaffirm that food security is a vital component of an inclusive, healthy and integrated regional economy. We firmly believe that open trade and investment is critical for achieving and maintaining food security, along with practical measures to enhance the productivity of the rural sector, including through new technologies to reduce food waste and loss, better infrastructure and access to related services. Effective public-private partnership on food security is needed and will be crucial to advance these objectives.

We highlight the critical role of finance for sustained growth and avoiding the middle-income trap. Public and private sectors are working to advance the Cebu Action Plan's initiatives through the Asia-Pacific Financial Forum, the Asia-Pacific Infrastructure Partnership and the Asia-Pacific Forum on Financial Inclusion. The goal is to expand MSMEs' and households' access to finance, deepen capital markets, broaden the long-term investor base, facilitate cross-border capital flows, develop a pipeline of bankable infrastructure projects, promote financial innovation and cooperation, and strengthen disaster risk financing and insurance mechanisms. We urge Leaders to reinforce these efforts by encouraging legal, policy and institutional reforms and promote financing of infrastructure projects and regional financial integration.

Closing the connectivity gap remains one of the critical challenges to achieve sound quality growth, as envisioned in the APEC Connectivity Blueprint for 2015-2025. We ask you to strengthen efforts to develop digital infrastructures that will make the region more efficient, competitive and connected. We call on governments to lead by example and to incentivize the private sector to increase spending on ICT infrastructure. We urge public and private sector collaboration to promote policies that enable a strong internet and digital economy that is inclusive and addresses the digital divide. We recommend recognition of Digital Trade as a Next Generation Trade and Investment Issue and encourage innovation in the internet and digital economy through the use of cross-border data flows.

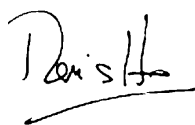
Finally, upholding the rule of law and promoting good regulatory practice are fundamental ingredients for achieving quality growth and human development as well as enhancing trade and investment flows. We urge governments to avoid over-regulation and promote regulatory quality through impact assessments, cost-benefit analysis, transparency, public consultation, consistent enforcement and coordination between domestic and international regulators. To enhance resilience and inclusiveness in our region, we would welcome your leadership to ensure APEC remains a showcase of best practice in the rule of law and regulatory quality.

We look forward to discussing the above recommendations in greater detail during our dialogue in Lima, Peru in November.

Yours sincerely,



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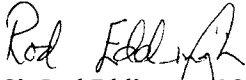


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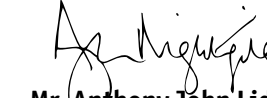
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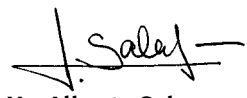
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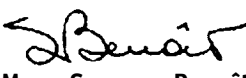
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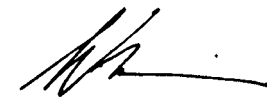
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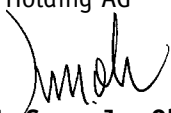


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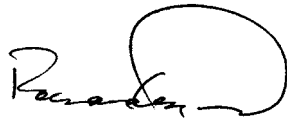


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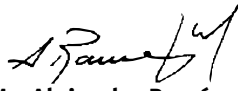


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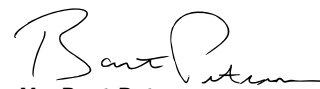
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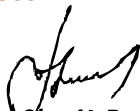


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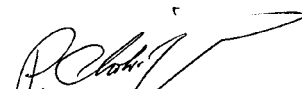


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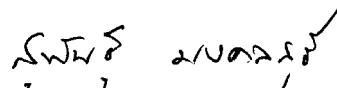
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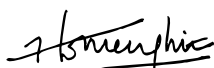


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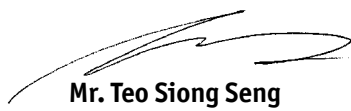


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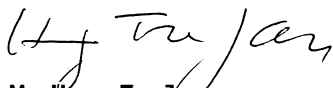


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EXECUTIVE SUMMARY

Executive Summary

The following is a summary of the key messages contained in this report:

1. Support the multilateral trading system.

ABAC reaffirms its commitment to the World Trade Organization (WTO), recognizing that a rules-based, transparent and non-discriminatory global trading system remains the best option to counter protectionism. ABAC urges the early implementation of the Trade Facilitation Agreement (TFA) and of the expanded Information Technology Agreement (ITA) as a signal of members' commitment to freeing up trade around the world to enhance global prosperity and development. ABAC encourages those APEC economies participating in the plurilateral Trade in Services Agreement (TiSA) negotiations to show leadership and ambition, recognizing the centrality of services to the global and individual economies. We urge more economies to join the Environmental Goods Agreement (EGA) negotiations.

2. Enable a Free Trade Area of the Asia-Pacific.

ABAC strongly supports the steps taken by APEC towards a Free Trade Area of the Asia-Pacific (FTAAP). ABAC urges APEC Leaders to instruct their officials to complete the Collective Strategic Study on Issues Related to the Realization of the Free Trade Area of the Asia-Pacific (FTAAP Study) with a high level of ambition. FTAAP should be forward-looking in incorporating business priorities, and more importantly, should converge beyond the levels of its pathways, aiming to be an ambitious, high-quality and comprehensive agreement.

ABAC anticipates that after the completion of the FTAAP Study, APEC will be well-positioned to move to the next stage of the eventual realization of FTAAP. Ambitious targets, future timetable and concrete actions are essential to ensure the direction and momentum of the FTAAP process.

ABAC is encouraged by the significant progress that has been made on pathways to an FTAAP. ABAC urges the participating economies to ratify the Trans Pacific Partnership (TPP) at the earliest opportunity, and is hopeful for a swift and successful conclusion to the Regional Comprehensive Economic Partnership (RCEP) negotiations. Together with the Pacific Alliance (PA), ABAC views the TPP and RCEP

as building blocks to an FTAAP. To be effective in that respect, they must be ambitious, high-quality, and comprehensive agreements that provide access for future members.

3. Pursue the new services agenda.

ABAC believes that services trade and investment are critical to the future growth of all APEC economies. Today, the services sector can no longer be seen in isolation as it plays a substantial role within a wide range of economic activities. Services facilitation also offers micro, small and medium enterprises (MSMEs) greater access to global markets, thereby benefitting companies of all sizes.

ABAC regards the APEC Services Competitiveness Roadmap as a key means to advance the services agenda regionally. ABAC also supports ongoing work within APEC to extend and promote the Services Trade Access Requirements (STAR) database, and welcomes and supports the establishment of the Asia-Pacific Coalition of Services Organizations to promote stronger advocacy for services industries.

4. Accelerate trade and investment liberalization and facilitation.

ABAC highlights the critical importance of pursuing further efforts to expand trade and investment liberalization and facilitation in the region. Despite efforts to reduce tariffs and other impediments to trade through the negotiation of free trade agreements (FTAs) and multilateral trade agreements, non-tariff barriers (NTBs) continue to increase globally. We urge APEC to address NTBs effectively, including by finding practical ways to engage and empower business to play an active role in these efforts. We call for continued support of the work of the Regional Investment Analytical Group (RIAG), established by ABAC, to enhance foreign direct investment (FDI) flows in the region and to develop a cohesive investment framework to assist policy makers. We welcome the APEC Policy Support Unit study and recommendations on Best Practices in Authorized Economic Operator (AEO) Programs as well as APEC's progress in implementing measures outlined in the Boracay Action Agenda in relation to AEOs. We welcome provisions in the WTO Trade Facilitation Agreement aimed at increasing the number and capacity of AEO participants within the region.

5. Growing global MSMEs. ABAC believes that in a highly competitive and integrated international market, innovative, integrative and sustainable solutions will let MSMEs meet the new demands of international markets and grow them into global MSMEs in the near future. We call on APEC to develop a stronger APEC agenda incorporating key enablers such as reliable information and communication technology infrastructure, low-cost internet access, business-friendly regulations and encourage the existence of e-commerce intermediaries to lower barriers for MSMEs to engage in cross-border e-commerce. ABAC recognizes the need to strengthen MSME participation in local supply chains and global value chains (GVCs) by boosting collaborative mechanisms between large corporations and small businesses. Toward that end, ABAC is developing a report that documents best practices of big businesses that enable MSMEs to access GVCs and seeks to identify policy recommendations to address challenges that hinder the growth of these types of partnerships. ABAC is currently working on MSME-related initiatives, including mapping of Incubators and Accelerators across APEC economies; APEC Cross-Border E-Commerce Training (CBET) program; APEC CBET Network; and ABAC Digital Economy Work Plan, which we believe would complement APEC's work in furthering MSME access to global markets.

6. Expanding MSMEs' access to finance. ABAC has identified the main impediments to MSMEs' access to finance, including inadequate legal and institutional infrastructure to enable lenders to use business owners' transaction data and accept movable assets as collateral; regulatory issues; lack of enabling environments for equity-based financing and financial innovations; and MSMEs' lack of access to insurance. ABAC calls on APEC economies to work closely with the Financial Infrastructure Development Network (FIDN) in developing modern credit information, secured transactions and insolvency systems that can expand MSMEs' access to finance and better integrate them into the global economy. We encourage governments to collaborate with the Asia-Pacific Financial Forum (APFF) in holding dialogues on regulatory issues and emerging facilitators of trade and supply chain finance.

7. Enhancing women's economic empowerment.

ABAC applauds the creation of the Women and the Economy Dashboard and encourages policy makers to utilize the 80 various data points to identify gaps and best practices. ABAC is working to champion a Science, Technology, Engineering and Mathematics (STEM) challenge in 2016 and the adoption of other new disruptive technologies with a gender lens. ABAC also encourages APEC to intensify efforts in reducing barriers that disproportionately impact women-owned MSMEs so that they can access and benefit from the opportunities created by international trade. These barriers include inadequate access to capital and lack of ownership of land and resources.

8. Achieving food security.

Food security is a key component of an inclusive, healthy and integrated regional economy. ABAC has long championed the role played by open trade and investment in linking food supply with growing food demand in the region. We recognize that smallholder farmers are a critical part of the agriculture sector in the Asia-Pacific. Their development is critical to the achievement of food security, rural development and farmer advancement.

ABAC has also highlighted the important role that the private sector has to play, in partnership with governments, in finding practical, market-based solutions to the challenges of feeding growing populations with adequate supplies of safe, nutritious and sustainably-produced food. We encourage APEC Leaders to deepen the level of strategic engagement and dialogue with the private sector and continue to resist protectionism in all its forms, including by eliminating trade-distorting policies in relation to food production and trade.

9. Accelerating green growth.

ABAC encourages APEC to implement policies that will accelerate the use of renewable energy, and promote research and development and practical demonstrations of renewables as a sustainable energy source. ABAC supports global efforts to reduce greenhouse gas emissions, such as the Paris Climate Agreement.

10. Improving energy security. Energy security remains an important issue for the region as a whole as energy consumption will increase in line with economic growth throughout the APEC region. It is absolutely crucial that APEC continues to accelerate its efforts to break down barriers and to promote cross-border trade and investment in energy, in the interests of encouraging economic growth across the region.

11. Promoting a healthy and productive workforce. Economic growth and prosperity depend on healthy and productive workforces. Changing population demographics and the rising burden of non-communicable diseases require greater policy coordination to strengthen health and health care systems in the Asia-Pacific region.

We applaud the endorsement by Leaders of the Healthy Asia-Pacific 2020 Roadmap. ABAC supports APEC's focus on health as a critical issue for growth in the region. In 2015, APEC Leaders acknowledged the intersection of health and fiscal stability: "We recognize the importance of our health systems in promoting the development of human capital and inclusive growth and look forward to further work in 2016 to address the fiscal and economic impacts of ill health." ABAC encourages coordination in the policy dialogue between health, finance and economic ministers to achieve proactive investment in healthy workforces, and collaboration with the private sector to develop innovative solutions.

ABAC encourages governments to work closely with employers to determine the data science competencies in demand and develop an APEC "Data Science Competency Checklist" to enable APEC youth to secure the jobs of tomorrow and move with ease in changing labor markets.

12. Strengthening the rule of law and promoting good regulatory practices. In recent years, there has been an emerging recognition of the need to tackle behind the border issues that create unnecessary non-tariff barriers to free trade and investment. For businesses, and in particular MSMEs, higher compliance costs hinder international competitiveness and complicate the most efficient

deployment of economic resources. Over-regulation has been a major barrier for growth globally and most APEC economies see regulatory risk as rising. Upholding the rule of law and promoting good regulatory practices (GRPs) promote trade and investment. In this regard, ABAC urges APEC to strengthen implementation of the three GRPs agreed to by APEC Leaders in the Honolulu Declaration, as well as the three GRP tools identified in the APEC Bali Declaration. ABAC supports efforts to more closely align APEC economies' regulations with global best practices, utilize performance-based rather than prescriptive-based regulations, and design regulatory institutions that promote trade-friendly regulations.

Furthermore, consistent and transparent regulation could drive investment and trade strategies in the coming years. Therefore, regulatory quality reform must be assessed by measuring the quality of cost-benefit analysis of existing and new regulations. These regulations shall be implemented in consultation and with the engagement of private sector and non-governmental stakeholders that enhance accountability, promote mutual learning, and encourage the use of best practices. There should be transparency in the regulatory process, equal enforcement, and coordination both among regulators internally and internationally. Additionally, ABAC has identified that divergent political and legal systems make it harder for businesses to comply with rules or standards in their different economies of operation. Governments shall use international regulatory cooperation as a tool to promote regulatory harmonization. Lastly, new concerns must be addressed, in consultation with the private sector, in areas such as the digital economy on peer-to-peer trading, cybersecurity, digital currency, and other issues by providing market solutions and avoiding over-regulation in these new areas.

13. Promoting the development of the mining sector. The mining sector plays a vital role in the economic success of all of APEC member economies by providing essential resources to the global economy. Close cooperation between governments and the private sector is essential to

promote regulatory environments that facilitate sustainable mining practices that integrate new technologies and benefit investors, communities, and economies. ABAC encourages APEC economies to refrain from introducing regulation that unfairly targets the mining sector, and instead promote development of regulatory systems that encourage the development of new technologies through research and development.

14. Encouraging urban infrastructure development.

APEC economies must step up efforts to work with the private sector, multilateral development bank specialists, regional and global agencies, community groups and academics to foster sustainable and livable cities. As cities grow, both the public and private sector stakeholders should strive to find new solutions to efficiently utilize resources to meet the most pressing needs of urbanization.

ABAC has endorsed the work of the Urban Infrastructure Network (UIN) in developing a holistic policy framework for urban infrastructure planning, project development and financing at the various levels of government.

15. Facilitating the internet and digital economy.

The internet and digital economy is creating new opportunities and business models, and will require new policies relevant to the 21st Century. ABAC urges APEC economies to promote policies that enable a strong internet and digital economy that is inclusive and bridges the digital divide. An important step will be for APEC to engage business and stakeholders for their input on the digital agenda in the trade area, and encourage innovation in the internet and digital economy through the use of cross-border data flows and prevent customs and regulatory trade barriers. To encourage digital transformation among enterprises and citizens, governments should lead by example and increase spending on ICT infrastructure that benefits the general public. In addition, ABAC urges APEC Leaders to recognize digital trade as a Next Generation Trade and Investment Issue.

16. Enhancing supply chain connectivity. ABAC applauds APEC's efforts to enhance competitiveness in the region by making it easier, cheaper and faster to conduct trade in goods and services across borders. Initiatives advancing these goals include the APEC-wide initiative to achieve 10% improvement in supply chain performance in terms of time, cost and uncertainty by 2015. ABAC seeks greater private sector participation in the APEC Alliance on Supply Chain Connectivity, a public-private forum that works with economies to advance capacity building initiatives and projects. ABAC urges APEC economies to continue to work towards the adoption of a region-wide framework for global data standards (GDS). Such a framework would enhance supply chain performance and connectivity in the Asia-Pacific region, stripping out costs for business and consumers and allowing trade to flow more securely and smoothly for the benefit of Government, business and consumers, thereby helping fully to realize the Bogor Goals. GDS pilot projects currently underway around the region should help to demonstrate the potential costs and benefits from such a framework. ABAC welcomes the progress of work of the APEC Cooperation Network on Green Supply Chain (GSCNET), and will continue contributing to a well-functioning GSCNET.

17. Easing the mobility of skilled workers.

Demographic and technological changes are aggravating skills shortages region-wide. At the same time, barriers to the efficient movement of international skilled workers are adding business costs and impeding economic growth. ABAC urges APEC economies to build a reliable predictive "Skills Map" that can identify areas of emerging and acute skills shortage; improve the management of international skilled workers; and support initiatives to facilitate the region-wide recognition of qualifications.

18. Enhancing financial resilience in emerging economies. Effective risk management through micro-insurance is critical for low income individuals and micro and small enterprises, especially in developing economies. However, only around 5.2 percent of people in emerging markets

worldwide are currently covered by micro-insurance. Related to this, Asia-Pacific policy makers need to develop financial instruments to mitigate the impact of natural catastrophes in the world's most disaster-prone region. ABAC urges APEC economies to complete the roadmap for expanding micro-insurance coverage in the region; initiate steps to promote private disaster insurance schemes; and complete the stocktaking work on availability of risk exposure data as a step toward the development of regional risk sharing measures; and collaborate with APFF in drafting an APEC roadmap for disaster risk financing and insurance.

19. Promoting investment in infrastructure and capital markets. The APEC region needs investments to bridge its huge infrastructure gap. While investors have plenty of appetite for opportunities in infrastructure, too few bankable infrastructure projects are available due to insufficient capacity for project preparation in the public sector. A related issue is how APEC can help build and mobilize the region's long-term investor base, in particular insurers, pension funds and Islamic financial institutions. In addition, many of the region's local currency capital markets lack the depth and liquidity to effectively serve as channels for investment in infrastructure. ABAC calls on APEC economies to pursue a range of activities to help address the infrastructure gap, including through the Asia-Pacific Infrastructure Partnership, Public-Private Partnership Experts Advisory Panel, cooperation with the Global Infrastructure Hub and the Urban Infrastructure Network, establishment of an Islamic Infrastructure Investment Platform, participation in the Asia Region Funds Passport, and the development of a roadmap for improving regional financial market infrastructure. We also recommend that APEC economies establish mandatory retirement systems, introduce stronger tax incentives to promote retirement savings, promote regulations and accounting standards that enable insurers and pension funds to invest long term and encourage participation of relevant authorities in the seminar on expanding the region's long-term investor base that APFF plans to hold in 2017.

20. Enhancing the role of finance through cooperation and innovation. As economic cooperation within APEC progresses, we anticipate that demand for finance will grow significantly. Meeting this demand will require closer financial cooperation among governments and regulatory bodies and the support of multilateral development banks. It will also require innovations in financial services and platforms for various forms of collaboration among commercial financial institutions in the APEC region. ABAC calls for closer regional cooperation in modernizing financial policy and regulatory frameworks, particularly in response to developments in financial technology, and encourages policy makers and regulators to participate in APFF dialogues on these matters. Additionally, last year's Leaders' Declaration noted the need to further explore and address the fiscal and economic impacts of ill health. APEC Ministers also recommended the convening of cross-fora dialogue for this purpose. ABAC supports these calls and encourages finance and health officials to collaborate in developing solutions to deal with this issue.



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List of Acronyms

I. Introduction

Nearly a decade since the global financial crisis of 2007-2008, global economic recovery remains fragile, with global growth projected to be a modest 3.2 percent in 2016, albeit strengthening in 2017. The International Monetary Fund (IMF) notes a renewed episode of global asset market volatility, some loss of growth momentum in advanced economies and continuing headwinds for emerging economies and lower income economies. Significant downside risks remain, notably the return of financial turmoil; persistent slow growth, which may reduce potential output, consumption and investment; and developments such as growing income inequality and structural shifts, all of which could trigger protectionist policies.

ABAC believes that at this fragile time for the global economy, APEC's vision can only be attained by expanding trade and investment liberalization. Further, ABAC believes that APEC should give renewed attention to structural economic reform which promotes good governance and sound regulation and incentivizes further the growth of services and innovation in the region. This will also help economies in the region achieve quality growth and improve social stability.

ABAC's 2016 theme is therefore "Quality Growth and Human Development", the work program of which is focused on the following priorities:

- Consolidating progress towards the Free Trade Area of the Asia-Pacific (FTAAP)
- Facilitating micro, small and medium enterprises (MSME) development through access to global markets and new technologies
- Promoting economic growth, diversification and sustainability
- Strengthening the rule of law and economic and social sustainability

This report sets out practical steps APEC economies can take to achieve the above objectives and address current challenges facing economies in the region. Our recommendations are organized according to the five working groups set up this year to carry forward the ABAC 2016 work program.

II. Regional Economic Integration

Integrating the region and ensuring that goods, services and people move easily across borders is at the core of APEC's work. Over the years, APEC has achieved notable progress toward greater trade facilitation through aligning regulations across the region in some sectors; creating faster customs procedures at borders to promote the movement of goods and people; and engendering more favorable business climates. This year, ABAC has sought to provide advice aimed at taking the Asia-Pacific region to the next level of economic integration by focusing on the following key areas: supporting the World Trade Organization (WTO) and countering protectionism; strengthening building blocks for the FTAAP; supporting the services agenda; and accelerating trade and investment liberalization and facilitation.

A. Supporting the multilateral trading system

ABAC reaffirms its fundamental commitment to the WTO, acknowledging the primacy of the multilateral trading system and its vital role in promoting economic growth, job creation and sustainable development. ABAC recognizes that a rules-based, transparent and non-discriminatory global trading system remains the best way to counter protectionism in all its guises.

ABAC urges APEC members to make every effort to ratify and implement recent WTO agreements and decisions. In particular, while welcoming the outcomes agreed at the WTO's 9th Ministerial Conference in December 2013 and 10th Ministerial Conference in December 2015, ABAC remains frustrated at the slow progress made in bringing the Trade Facilitation Agreement (TFA) into effect. This Agreement will contribute to global economic development and the expansion of trade by reducing costs and increasing the efficiency of flows of goods and services across borders, and should be brought into effect as soon as possible. Likewise, ABAC encourages APEC economies to take the steps necessary to implement the expanded Information Technology Agreement (ITA), recognizing the core role that the information and communication technology (ICT) sector plays in promoting innovation, fostering global value chains (GVCs) and creating

jobs in both developed and developing economies. We also call on APEC economies to broaden participation in and conclude negotiations on the Environmental Goods Agreement (EGA) as soon as possible. This will facilitate economies' access to quality environmental goods at lower costs. The liberalization of trade in environmental goods can also be beneficial for development by assisting developing economies in obtaining the tools needed to address key environmental priorities as part of their ongoing development strategies.

Recognizing the growing importance of services trade to economic growth and job creation, including by fostering global value chains, ABAC urges those APEC economies participating in the negotiations for a new plurilateral Trade in Services Agreement (TiSA) to seek broad and meaningful progress and the ambitious and timely conclusion of the negotiations, in a way that complements and supports efforts towards global liberalization under the WTO.

Finally, while acknowledging the centrality of the WTO, ABAC recognizes that bilateral, regional and plurilateral trade agreements such as the Trans Pacific Partnership agreement (TPP), Pacific Alliance (PA), and those still under negotiation including the Regional Comprehensive Economic Partnership (RCEP), can complement and support efforts towards freeing up trade around the world. Care must be taken to ensure that such agreements genuinely complement and support eventual efforts towards global liberalization under the WTO.

Recommendations:

- Demonstrate leadership in global trade by taking the necessary steps to bring the TFA and the expanded ITA into force as quickly as possible.
- Support plurilateral efforts to liberalize trade, including the TiSA negotiations for the further liberalization of trade in services and the EGA negotiations, in a way that complements and supports efforts towards global liberalization under the WTO.

B. Enabling an FTAAP

1. Concluding pathways towards an FTAAP

APEC Leaders have agreed that eventual realization of FTAAP should be achieved by building on ongoing regional undertakings and be an ambitious, high-quality and comprehensive agreement that incorporates and addresses next generation trade and investment issues.

We are pleased that the TPP was signed by its Ministers on 4 February 2016, as it represents one of the concrete pathways towards realizing an FTAAP. As indicated in the ABAC FTAAP Study, the TPP agreement addresses both next generation issues and traditional issues covered in preferential free trade agreements (FTAs). At the same time, the TPP recognizes its members' different levels of development and diversity by establishing close cooperation, capacity building initiatives, and mechanisms to set forth new obligations. We urge the participating economies to promptly ratify the TPP. We are also hopeful for a successful conclusion to the RCEP negotiations. Together with the PA, the TPP and RCEP represent pathways to a future FTAAP.

We have noted that the TPP is attempting to address new issues such as access by small and medium-sized enterprises, e-commerce and the digital economy, regulatory coherence, transparency and anti-corruption, labor, environment and competitiveness, among others. Given that all of these issues are essential to conducting business in an innovative environment, ABAC strongly urges the participating economies to ratify and implement this ambitious, high-quality, and comprehensive agreement at the earliest possible opportunity.

Recommendations:

- Encourage parties to ratify the TPP at the earliest opportunity and to conclude negotiations for RCEP with a high level of ambition. We further urge all regional undertakings to remain open, transparent

and potentially accessible to all and to complement each other so as to contribute to trade and investment liberalization and facilitation in the region and the eventual realization of the FTAAP.

- Intensify implementation of the Beijing Roadmap for APEC's Contribution to the Realization of the FTAAP, in particular by enhancing transparency and implementing tailor-made capacity building through the APEC Information Sharing Mechanism and the second phase of the APEC Capacity Building Needs Initiative.

2. Shaping and realizing the FTAAP

ABAC has long encouraged APEC to incubate an FTAAP and ensure that its development is forward-looking and relevant to business over the long term.

ABAC recognizes that there are great opportunities in the Asia-Pacific's integrated but remarkably diverse market. It is true that due to the diverse economies, levels of development, capacity, and even the interests of APEC economies, the global economic slowdown may have prompted domestic measures to keep the ambitious objectives of an FTAAP in check. However, ABAC strongly believes that the current status of the world economy makes it all the more important for our economies to take concrete steps forward. Realizing the FTAAP pathways as soon as possible promises to expedite the region's economic recovery and contribute to its future prosperity.

To support APEC's desire to take meaningful steps towards an FTAAP, last year we submitted our contribution to the FTAAP Study and comments from the business sector on the APEC Officials' draft Collective Strategic Study. We concluded that the FTAAP Study should be more forward-looking in incorporating business priorities, and more importantly, an FTAAP should converge beyond the levels of its pathways aiming to be a high-quality agreement.

Business requires an ambitious, high-quality and comprehensive FTAAP that accommodates change in the modern and innovative business environment. FTAAP should be a "living" agreement that addresses next generation issues, and encourages consultation with the private sector. In addition, it should remain open to new members in the longer term, take into account the different stages of development of APEC member economies and be accessible to all.

ABAC anticipates that after the completion of the FTAAP study, APEC is well-positioned to move to the next stage of the eventual realization of FTAAP. Ambitious targets, clear timetable and concrete actions to take are essential to ensure the direction and momentum of the FTAAP process.

Recommendations:

- Ensure that an FTAAP converge beyond the levels of its pathways and aim to be the high-quality agreement incorporating as many merits of the pathways that will bring substantial benefits to businesses from all member economies. Accelerate the momentum towards an eventual FTAAP by identifying concrete actions and a future timetable to launch an FTAAP.
- Ensure that an FTAAP is designed for periodic review to continue as a "living" FTAAP.
- Engage in capacity building initiatives to promote mutual understanding of next generation trade and investment issues. Such engagement should be effective in ensuring that the process of regional economic integration remains responsive to the changing business environment.

C. Pursuing the new services agenda

ABAC recognizes that services trade and investment are critical to the future growth of all APEC economies. Today, the services sector can no longer be seen in isolation. Services are needed to support many activities ranging from manufacturing, financial and social services and

government. Services are increasingly embedded in manufacturing value chains. Further, services facilitation also offers MSMEs greater access to global markets, thereby benefitting companies of all sizes.

ABAC regards the APEC Services Competitiveness Roadmap as a key means to advance the services agenda regionally. The Roadmap will pave the way for a more transparent and efficient regulatory environment for services, and create more economic growth opportunities for APEC economies. ABAC also recognizes the importance of structural reform in the services sector, and supports the inclusion of structural reform in the Roadmap. ABAC also supports ongoing work within APEC to extend and promote the Services Trade Access Requirements (STAR) database that will promote greater transparency of services regulation in APEC economies. Finally, ABAC welcomes and supports the establishment of the Asia-Pacific Coalition of Services Organizations to promote stronger advocacy for services industries. ABAC will continue to organize Public-Private Dialogues on Services to facilitate the development of the sector.

Recommendations:

- Make progress toward the development and finalization of the APEC Services Competitiveness Roadmap as the region's long-term strategy for services trade and investment liberalization. The Roadmap should take into account private sector concerns and recommendations, include interim targets with measurable goals, and place early priority on work on "backbone services" such as financial services, ICT, telecommunication services, transportation and logistics, education and health care.
- Recognize the importance of structural reform for the services sector in the Roadmap; and in complement to that high-level goal, put in place a system of benchmarking APEC economies' services regulatory environments early. This will promote greater transparency of rules and "good governance" provisions in domestic regulations, and enable better clarity on how well individual economies and APEC as a region are addressing issues. With

the benchmarking put in place early, APEC can make guided adjustments to its policies and initiatives to facilitate a more adaptive APEC Services Competitiveness Roadmap.

- Push strongly to jointly address barriers that inhibit "backbone" services industries that support other major economic and social development activities, in order to unleash the maximum benefit attainable from reform of these sectors.
- Recognize how technology is changing business models and how companies deliver services, so that APEC can make the necessary changes to its policies and initiatives to facilitate innovation, growth and new opportunities.
- Support the development work of the APEC Services Cooperation Framework as an APEC-wide strategy and guiding priorities for regional collaboration to ensure that services remain dynamic and responsive to economic, market, and technological developments.

D. Accelerating trade and investment liberalization and facilitation

1. Addressing non-tariff barriers

While tariffs and other barriers at the border have been progressively lowered in many economies, non-tariff barriers (NTBs) are increasingly evident around the world. Even where such measures may not be intended to target cross-border activity, NTBs can distort trade flows including the smooth functioning of global value chains; add costs, including for consumers; inhibit investment; and are a source of continued frustration and concern to business. NTBs can be particularly burdensome for MSMEs. Accordingly, APEC economies should seek to foster the most open, predictable and transparent conditions possible for trade including in the development of non-tariff measures, while still meeting legitimate objectives in the domestic regulatory sphere.

NTBs can be difficult to identify, and their impacts subtle and challenging to measure. Recognizing this, APEC economies should seek to examine, and where necessary, establish

disciplines governing significant NTBs so that they have the least trade-distorting impact. Business can offer important insights into this work, and should be engaged and empowered to take the lead in identifying and developing approaches to address significant NTBs that make accessing markets more difficult. ABAC urges APEC to take account of the following principles:

- The processes to develop non-tariff measures should be transparent, consultative (including with business), timely, coherent, and non-discriminatory; and information about non-tariff measures should be readily available.
- Non-tariff measures should be based, as appropriate, on sound science or evidence, or closely aligned with international norms.
- Non-tariff measures should not discriminate against imported goods or services.
- Non-tariff measures should be the least trade-restrictive measure necessary to meet a legitimate objective, and should focus on outcomes rather than prescriptive approaches.

APEC economies should also seek to address NTBs, where possible, in negotiating trade agreements and arrangements.

Recommendations:

- Provide opportunities involving the private sector to discuss ways in which the impact of NTBs can be mitigated as far as possible while still allowing economies to achieve legitimate domestic objectives, taking note of a principled approach to NTBs.
- Provide leadership and support for high-quality multilateral, bilateral and regional trade agreements that seek to minimize the range of potential barriers at and behind the border, increase the level of utilization of those agreements by businesses, and ensure coherence and complementarity of multilateral and regional initiatives.

2. Facilitating investment flows

Recognizing the critical role of foreign direct investment (FDI) to continuing growth in the region, ABAC established the Regional Investment Analytical Group (RIAG) to collaborate with experts from multilateral organizations, officials and academia. RIAG aims to develop a cohesive investment framework through analysis of various stages of the FDI cycle. With the development of technology and available data, RIAG is identifying and applying potential measures of FDI for each stage of investment cycles to assist regional policy makers.

ABAC endorses this important and illuminating work and commends to all APEC economies RIAG's case studies, recently presented to the APEC Investment Experts Group, in respect of Chile, Peru and Viet Nam.

Recommendation:

- Encourage all APEC economies to note RIAG's continuing work and its contribution to enhancing FDI flows in the region and developing a cohesive investment framework in support of APEC's Investment Facilitation Action Plan.

3. Enhancing trade facilitation through Authorized Economic Operators

Despite the significant drop in oil prices that began in July 2014, APEC has been endeavoring to maintain its growth through reduced trade costs. According to the APEC Policy Support Unit (PSU) Study of APEC Best Practices in Authorized Economic Operator (AEO) Programs, APEC trade costs in 2014 were significantly lower than they were in 2010. One reason for this is the AEO scheme that has been adopted by an increasing number of APEC economies, along with Mutual Recognition Agreements (MRAs).

APEC member economies are also working on ratification and implementation of the WTO Trade Facilitation Agreement, which includes a provision on Authorized Operators (Article 7, Section 7), in line with the APEC AEO Action Plan, to increase the number and capacity of participants within the region.

It is expected that the TFA will result in substantial cost reductions for traders and improve customs and border management.

The Boracay Action Agenda adopted last year also promoted widening the base of the AEO scheme to include MSMEs. ABAC is pleased by the steady efforts that APEC is making to implement the measures outlined in its Action Plan and Agenda.

We also welcome the APEC PSU Study which tabled nine recommendations in relation to concerns and best practices. Of particular interest to ABAC are the numerous examples of private sector skepticism about the benefits of the program. Some of the most common complaints were that the AEO program only provides customs authorities with additional opportunities for inspections, that there is little or no return on investment for participating in the program, especially for MSMEs, and that the benefits of joining the program are not worthwhile and do not offset the costs involved.

Recommendations:

- Consider and respond to the recommendations on “Stakeholder Involvement and Benefits” in the PSU Study of APEC Best Practices in Authorized Economic Operator Programs.
- Take immediate steps to comply with the following recommendations which reflect business priorities:
 - Conduct private sector satisfaction and inclusion surveys
 - Compile MRA processes in the APEC region and design an APEC AEO MRA checklist
 - Consider development of an APEC-wide automated electronic data exchange system and compatible trade identification number systems
 - Conduct an impact evaluation quantifying the trade benefits of MRAs

III. MSME and Entrepreneurship

The modernization of MSMEs and their integration into global value chains is of key importance for APEC economies as these enterprises are the most important source of employment for their populations. However, often times these enterprises are not well integrated into the global economy due to their lack of knowledge, financial resources, access to distribution networks, or innovation.

ABAC has prioritized the following six areas in 2016 as crucial factors to enhance APEC MSMEs’ access to global markets: facilitating MSME access to international markets and global value chains; promoting innovation in MSMEs; building collaboration mechanisms between large firms and MSMEs; expanding access to finance; enhancing women’s economic empowerment; and strengthening business ethics for MSMEs.

A. Facilitating MSME access to international markets and global value chains

E-commerce is revolutionizing the way business is transacted across borders because it enables enterprises, businesses, and in particular MSMEs, to bypass the traditional intermediaries to reach clients beyond their conventional footprint. An APEC-wide study conducted by ABAC with the University of Southern California (USC) Marshall School of Business in 2015 cited that the single most critical limiting factor was the lack of readiness and capability of MSMEs to engage in e-commerce. Problems of awareness, technical ability, access to talent and financing all limit the potential of MSMEs to adopt e-commerce, especially in developing economies.

Recommendations:

- Develop a stronger APEC agenda incorporating these key enablers for MSMEs to engage in cross-border e-commerce: extensive and reliable ICT infrastructures; widespread and low-cost Internet access; business-friendly regulations and legislation; encourage the existence of e-commerce intermediaries to lower barriers to entry for MSMEs; and access to e-payment facilities.

- Intensify capacity building efforts to enable MSMEs to be e-commerce ready especially through hands-on e-commerce training programs similar to the APEC Cross-Border E-Commerce Training (CBET) developed by ABAC to increase the capacity of MSME to expand markets beyond their borders, and through the APEC CBET Network established to improve the scalability of the CBET program.
- Tap on ABAC's MSME-related initiatives, including mapping of Incubators and Accelerators across APEC economies; Cross-Border E-Commerce Training; APEC CBET Network; ABAC Digital Economy Work Plan; and our efforts in enhancing women's economic empowerment, which can help complement APEC's work in furthering MSME access to the global markets.

B. Promoting innovation in MSMEs

An ecosystem that supports enterprise creation and increases innovation capabilities of MSMEs is needed to allow MSMEs to penetrate global markets and global value chains. Partnerships and networking among innovation systems and MSME knowledge centers, including those involving large and small businesses, the academe, and the public sector needs to be supported as part of a strategy that promotes innovation in more effective ways. The Asia-Pacific Open Innovation Platform (AP-OIP), a voluntary initiative supported by ABAC, is one such model to assist MSMEs to bring new ideas to the market and promote cross-border collaboration.

To address the existing information gap and assist MSMEs and investors to collaborate and connect with each other, ABAC initiated the APEC Innovation Center Mapping Initiative which aims to provide a comprehensive and up-to-date interactive portal mapping incubators and accelerators across all APEC economies. The portal would provide solutions for startups, entrepreneurs, and MSMEs in emerging APEC economies to access innovation resources and promote the cross-fertilization of ideas among startups in the APEC region.

C. Building collaboration mechanisms between large firms and MSMEs

The evolution of global value chains has altered the way large corporations do business with MSMEs and offers great prospects in terms of job creation, competitiveness and economic prosperity. Such linkages between MSMEs and large corporations in the GVC draw out the full potential of MSMEs as partners in providing goods and services as well as creators of innovation, by facilitating transfer and upgrading of skills, knowledge and technology.

ABAC recognizes the need to strengthen MSME participation in local supply chains and GVCs by boosting collaboration mechanisms between large corporations and small businesses. To ensure their continued growth, it is crucial to identify and address challenges that hinder the development of these types of partnerships. Knowledge inputs and policy measures, based on careful analysis of behind the border, at the border and across the borders issues pertinent to the internationalization of MSMEs are key to addressing these. ABAC's continuing study with the Asian Institute of Management documents best practices of big businesses that enable MSMEs to access the global value chain and seeks to identify policy recommendations to address the challenges that hinder the growth of these types of partnerships.

Recommendations:

- Institutionalize and incentivize inclusive business models that promote MSME participation in global value chains to strengthen the role of MSMEs in generating growth that is balanced, inclusive, sustainable, innovative and secure.
- Adopt policies that address obstacles to partnerships between MSMEs and large enterprises, which include difficult or high cost of doing business, high market competition, government red tape and corruption, lack of technological capacity, lack of human resources with adequate skills and knowledge, among others.

- Establish a consultative and collaborative mechanism through the SME Innovation Centers in APEC for government and private sector representatives to develop conducive ecosystems to strengthen linkages between large firms and MSMEs.
- Enhance talent and innovation capacity by developing capacity building programs, tools and packages on financing, ICT and supply chain integration to enable MSMEs to strengthen linkages with large firms.
- Form exchange platforms such as trade fairs, conferences, fora, advisory centers or online platforms to bridge information gaps between multinational corporations and MSMEs.

D. Expanding MSMEs' access to finance

ABAC is also undertaking work on MSME finance which is discussed in the Finance section of this report.

E. Enhancing women's economic empowerment

"Quality Growth and Human Development" cannot happen without expanding the social and economic prospects for women. A 2015 McKinsey report estimates improving gender equity would increase world gross domestic product (GDP) by \$12 trillion USD by 2025. Barriers to women's full participation in the economy include inadequate skills training, restricted access to capital, unfavorable institutional frameworks that inhibit ownership of land and legal recourse. Cultural and social norms that oblige women to manage disproportionate household and family care duties also restrict their ability to participate in economically rewarding activities.

ABAC applauds a data-driven approach to policy development. The creation of the Women and the Economy Dashboard provides metrics that highlight policy gaps and opportunities for improvement.

One gap identified by the Dashboard is in Science, Technology, Engineering and Mathematics (STEM) opportunities for women and girls. ABAC is working to champion a STEM challenge in 2016 and the adoption of other new disruptive technologies with a gender lens. We are encouraged by the

organization of the APEC Policy Partnership on Women and the Economy STEM Camp for Girls and we hope other economies will use this camp as a model to encourage young women to pursue an education and career in the STEM field.

ABAC strongly supports the APEC Healthy Women, Healthy Economies (HWHE) initiative and urges implementation of recommendations in a Policy Toolkit developed on a public-private basis to address health-related barriers to women's participation in the workforce.

Recommendations:

- Intensify efforts to reduce barriers that disproportionately impact women-owned MSMEs so that they can access and benefit from the opportunities created by international trade.
- Utilize the 80 various data points in the Women and the Economy Dashboard to identify gaps and best practices.
- Explore mechanisms that encourage family-friendly work environments, including family leave and increased childcare options.
- Establish a public-private steering group to support ongoing implementation of the HWHE Toolkit's recommendations and pledge to share the outcomes of the August workshop within our respective economies and champion their implementation.

F. Strengthening Business Ethics for MSMEs

ABAC continues to support the Business Ethics for APEC MSMEs initiative, which has grown to serve as the region's largest collective action to strengthen ethical business practices. We welcome APEC economies achieving the Nanjing Declaration's goal to double the number of industry association codes of ethics in just three years, expanding high-standard ethical business practices to more than 19,000 enterprises – including 34 new codes across ten economies. We urge continued implementation of APEC principles for codes of ethics in target sectors, as well as the launch of multi-stakeholder ethical collaborations to strengthen the business environment by 2020.

IV. Sustainable Development

Since 1989, APEC's 21 member economies have been working to improve prosperity in the Asia-Pacific by promoting trade and economic ties while addressing sustainability and social equity. To help achieve sustainable, eco-friendly and stable economic and social growth, ABAC has focused this year on developing recommendations aimed at: boosting food security and promoting the blue economy; achieving energy security and sustainability; promoting a healthy and productive workforce; and strengthening the rule of law.

A. Achieving food security

Food security is a key component of an inclusive, healthy and integrated regional economy. ABAC has long championed the role played by open trade and investment in linking food supply with growing food demand in the region. ABAC has also highlighted the important role that the private sector has to play, in partnership with governments, in finding practical, market-based solutions to the challenges of feeding growing populations with adequate supplies of safe, nutritious and sustainably-produced food.

ABAC welcomed the establishment in 2011 of the APEC Policy Partnership on Food Security (PPFS), and continues to be a strong supporter of the Partnership and its work on advancing the priorities set out in the APEC Food Security Roadmap Towards 2020 and other commitments agreed in Beijing in 2014. A greater level of engagement by all Parties is needed to fully realize the potential of this partnership. ABAC urges a more energetic and effective participation in PPFS from all participants, including through a careful re-examination of its current structure and operation.

ABAC has also established the Asia-Pacific Food Industry Forum (AP-FIF) in order to enable the private sector to develop robust positions to share with both PPFS and with APEC Economic Leaders through ABAC's good offices. The group has met four times in 2015 and 2016.

Food industry participants in AP-FIF are conscious that recent developments in food trade and markets

pose risks for achieving durable food security in the region, and emphasize the following key messages:

- *Trade and investment liberalization matter.* Trade in food and related services play a critical role in food security. However, new trade restrictive measures continue to emerge, while ambitious trade-liberalizing agreements lag behind. We must continue to pursue the liberalization of trade and investment flows in the region.
- *Addressing non-tariff barriers is critical.* Many non-tariff measures (NTMs) are intended to meet legitimate objectives, but can be designed or applied in a way that is more trade-restrictive than necessary, and become NTBs. NTBs can impose significant burdens on business, disrupt trade flows and make food more expensive. ABAC has research underway to identify the most egregious NTBs and try to come up with practical solutions; the outcomes of this research deserve careful consideration.
- *Using new technologies (including biotechnologies) and "smart" farming are part of a process of positive disruption* to traditional agriculture and food production, which can be used to increase yields, reduce chemical use, prevent waste, optimize logistics, enhance cost efficiency and broaden opportunities for producers to adopt more effective approaches to food production. Governments and industry need to be partners in improving the way new technologies are developed and used.
- *Effective food regulatory systems can provide increased safety and quality assurance for consumers and prevent unnecessary delays in food trade.* Food safety should not be a commercial issue. Food traceability is an important part of this picture. The concepts of "equivalence" and regulatory coherence are key to avoiding the creation of trade complexity and non-tariff barriers to trade. The adoption of global data standards can help make complex supply chains operate faster, cheaper and with greater integrity.

- *We need better infrastructure* – including road, rail, ports, cool chain and others – to grow production and trade while minimizing waste. APEC economies should be more open to outside investment in large infrastructure projects.
- *Addressing the sustainability of the food supply is an ongoing challenge.* Consumers are demanding greater assurances that food is sustainably produced; for business, enhanced sustainability makes good business sense. There is an ongoing debate over definitions and approaches but an international consensus on principles would be valuable. The private sector can play an important leadership role here.
- *Food is mainstream business.* Too often food is seen as a sectoral issue which is handled by specialist committees. Food needs to be considered along with other business issues with a direct link to sustainable and inclusive economic growth.
- Improve opportunities for smallholder farmers that focus efforts on sustainably increasing productivity, and create policy environments that facilitate their integration into complex supply and value chains while not distorting production or trade.
- Resist protectionism in all its forms and eliminate trade-distorting policies in relation to food production and trade, noting the key messages on food security developed by AP-FIF, including in relation to the importance of trade and investment liberalization; the need to address non-tariff barriers to food trade; recognition of the valuable role that new technologies and smart farming can play; the centrality of the concepts of equivalence, regulatory coherence and end-to-end traceability in food safety; the need for enhanced and robust food infrastructure; and the critical need to address “sustainability” in food production and trade, and the leadership role that the private sector can play in this.

ABAC believes that smallholder farmers are a critical part of the agriculture sector in the Asia-Pacific. Their development is critical to the achievement of food security, rural development and farmer advancement. We stress that smallholder farmers face crucial challenges in addressing globalization, increasingly complex food supply and value chains, pressures on natural resources and the adverse effect of climate change. We support efforts that aim to enable small stakeholders to make substantial contributions to ensuring food security, poverty alleviation and the fulfillment of the 2030 Sustainable Development Goals, while not distorting production or trade.

Recommendations:

- Continue APEC’s focus on food issues and the priority it attaches to inclusive and equitable access to safe, nutritious and sustainably-produced food, while also recognizing that food is mainstream.
- Deepen the level of strategic engagement and dialogue with the private sector, to improve the understanding of the economic and commercial context for food, including making PPFs more accessible to the private sector drawing on advice of ABAC and AP-FIF.

B. Accelerating green growth

To enable low-carbon economies, it is essential that APEC continues with research into a variety of energy sources that could serve as an alternative to fossil fuels. One example is hydrogen, a secondary source of energy that does not emit carbon dioxide (CO₂) at use. When hydrogen is produced by renewable energy it is carbon-free. Once the relevant technology becomes viable, it will enable reducing CO₂ emissions across the APEC region. As hydrogen can be produced using different methods from a diverse range of primary energy sources, it has the potential to diversify energy sources and make a real contribution to energy security within the region. ABAC encourages APEC to implement policies that will accelerate the use of renewable energy, and promote research and development and practical demonstrations in the field of hydrogen, as a promising energy source that ties in with energy measures for the future.

In addition, ABAC urges APEC economies to accelerate their efforts to reduce tariff rates on environmental goods to 5% or lower, as committed by APEC Economic Leaders, in an effort to break down barriers to trade in environmental goods and services (EGS).

ABAC supports the Paris Agreement as agreed in the twenty-first session of the Conference of the Parties (COP21) that sets the new climate agenda underpinned by the pledge and review system creating an environment for all economies to join in the pursuit to bring down greenhouse gas (GHG) emission. APEC should actively contribute to finding solution to the global warming problem and its negative impact. In order to achieve an overarching objective of the Paris Agreement endorsed by the world leaders holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels, APEC economies should initiate an intense discussion on possible ways to bring down GHG emission, create climate-resilient economy and secure sustainable development, helping to improve livelihoods, social and economic well-being and ensure effective environmental management.

Recommendations:

- Promote energy conservation, use of energy saving equipment, and support technical innovation in the field.
- Promote greater use of renewables and support technical innovation.
- Where infrastructure utilizing the latest Clean Coal Technology is planned, provide the necessary assistance including capacity building and financing in association with international bodies and accelerate support for technical development and facilitate empirical research for Carbon Capture Utilization and Storage to make it commercially viable.
- Push forward with policies on hydrogen energy production, storage, transport, and use, the promotion of research and development and practical demonstrations, as well as share the results of our efforts, while comparing hydrogen against other energy technologies from a long-term perspective.
- Fulfill the commitment to reduce applied tariff rates for the 54 environmental goods items to 5% or less by the end of 2015.

- Take decisive actions on environmental services.
- Identify and eliminate non-tariff barriers to EGS.
- Explore every opportunity provided by the Paris Agreement.

C. Improving energy security

Energy is the foundation of all economic activity. Current shifts in the energy market, including falling prices and volatility, will have serious repercussions for both the public and private sectors. Energy security remains an important issue for the region as a whole as energy consumption will increase in line with economic growth throughout the APEC region. It is absolutely crucial that APEC continues to accelerate their efforts to break down barriers and to promote cross-border trade and investment in energy, in the interests of encouraging economic growth across the region. ABAC continues to recommend the following key actions in order to promote trade and investment in energy.

Recommendations:

- Create policy certainty ensuring sanctity of contracts.
- Establish open and fair competition on a level playing field devoid of local content rules, quotas, tariffs, restrictions on foreign ownership and investment.
- Ensure market-based pricing, undistorted by subsidies.
- Relax liquefied natural gas (LNG) destination clauses to create favorable conditions for trade and investment.
- Create diversified and flexible LNG trading mechanisms.
- Establish independent government regulation.
- Promote effective inter-governmental coordination that is transparent, rules-based, predictable, and allows stakeholder consultation.

- Establish viable legal systems that resolve commercial disputes on a timely basis and protect intellectual property.
- Promote banking systems which allow free transfer of capital.

D. Promoting healthy and productive workforces

“Quality Growth and Human Development” is intrinsically linked to strengthening health and health care systems in the Asia-Pacific region as economic growth and prosperity depend on healthy and productive workforces. Demographic shifts such as ageing populations and increases in non-communicable diseases (NCDs) have significant fiscal and economic impacts. APEC economies face GDP losses of between 6-8.5% over the next 15 years due to the current and projected steep rise in NCDs such as cancer, cardiovascular disease, and mental illness, coupled with ageing populations. The curve is steep and effects will be felt in the next five years.

A 2015 study commissioned by ABAC and the APEC Life Sciences Innovation Forum showed an average of an additional 2% in lost GDP from early retirement due to ill health, with NCDs as the main contributing factor. This is putting pressure on public sector and corporate pension and health schemes. At the same time, the demographic trend of ageing populations and dwindling workforces paying into retirement systems is putting further pressure on pension obligations.

The fiscal implications of health are significant, and require creating fiscal space for innovation and financial stability in health budgeting.

ABAC recognizes that jobs requiring a familiarity with data analysis are forecasted to dramatically rise, resulting in a massive shortage of employees. ABAC is deeply concerned that this shortage of data science-enabled managers and analysts is costing billions of dollars in lost revenue annually. We urge swift action to avoid data-illiteracy becoming a significant constraint to economic growth.

Recommendations:

- Create coordination in the policy dialogue between health, finance and economic ministers to achieve proactive investment in healthy workforces and collaboration with the private sector to develop innovative solutions.
- Work toward implementation of the Healthy Asia-Pacific Roadmap by strengthening health systems, improving emergency preparedness, and improving the prevention and management of non-communicable diseases.
- Work with employers to determine the data science competencies in demand and develop an APEC “Data Science Competency Checklist” to enable APEC youth to secure the jobs of tomorrow and move with ease in tomorrow’s labor market.

E. Strengthening the rule of law and promoting good regulatory practices

The rule of law includes open and transparent government, absence of corruption, and consistent regulatory enforcement. ABAC seeks governments’ support to ensure that regulations are clear, publicized, stable, justified and non-discriminatory. Governments must also ensure that such regulations are duly administered and enforced.

Though the attention since last year has focused on domestic policies affecting trade and investment within borders, we should not ignore that increasingly divergent political and legal systems around the APEC region are making it harder for businesses to comply with rules or standards in the economies in which they operate without transgressing their home economy’s laws. This situation affects many multinationals, regional businesses, and MSMEs in the Asia-Pacific, as more types of businesses grow with the digital economy or become more specialized for a global market. International regulatory cooperation must be used as a tool to promote regulatory harmonization thus efficiently reducing barriers to trade, investment and economic growth.

Looking forward to promote good regulatory practices (GRPs) in all APEC economies, ABAC urges governments to support initiatives such as the GRP conference, and urges APEC to strengthen implementation of the three GRPs agreed to by APEC Leaders in the Honolulu Declaration as well as the three GRP tools identified in the APEC Bali Declaration. ABAC also solicits governments to establish formal channels through which to engage in policy dialogue to improve in areas where legal systems are hindering trade and investment.

Recognizing that corruption undermines the ability of businesses and governments to operate effectively and ethically, ABAC will continue to promote the enforcement of the APEC General Elements of Effective Voluntary Corporate Compliance Programs. The private sector has an important role to play in tackling corrupt practices. We commit to reach out to our respective business communities on the General Elements, facilitating training workshops to help companies to implement them. ABAC encourages all economies to continue the implementation of the Beijing Declaration on Fighting Corruption, enforce anti-corruption laws rigorously, participate in the APEC Network of Anti-Corruption Authorities and Law Enforcement Agencies (ACT-NET) and work towards implementation of the APEC Codes of Conduct at the local level.

Recommendations:

- Strengthen implementation of the three good regulatory practices agreed to by APEC Leaders in the Honolulu Declaration as well as the three GRP tools identified in the APEC Bali Declaration.
- Utilize performance-based rather than prescriptive-based regulations and design regulatory institutions that promote trade-friendly regulation.
- Provide an environment of legal certainty, transparency, and regulatory quality.
- Support the GRP conference to build high-level support for regulatory reform by strengthening public-private cooperation through the use of consultation mechanisms to enhance

accountability, promote mutual learning, and encourage best practices.

- Establish a benchmark score based on regulatory quality indicators to be included in data sets for analysis.
- Encourage the sharing of best practices between APEC economies as well as lessons learned and more closely align APEC economies' regulations with global best practices.
- Further implement the Beijing Declaration on Fighting Corruption, enforce anti-corruption laws equally among governments, businesses and citizens, participate in ACT-NET, and take concrete steps to implement locally the APEC Codes of Conduct.
- Use international regulatory cooperation as a tool to promote harmonization and reduce barriers to trade, investment and economic growth.
- Address new concerns in areas such as the internet and digital economy on peer-to-peer trading, cybersecurity, digital currency, etc. by providing market solutions and avoiding over-regulation in these new areas.
- Develop a set of recommendations based on the preliminary results of the Regulatory Quality questions of the APEC CEO Survey.

F. Promoting the development of APEC's mining sector

The mining sector plays a vital role in the economic success of all of APEC member economies by providing essential resources to the global economy. Close cooperation between governments and the private sector is essential to promote regulatory environments that facilitate sustainable mining practices that integrate new technologies and benefit investors, communities, and economies.

ABAC applauds APEC's decision to extend the mandate of the Mining Task Force (MTF), which has proven to be an effective venue for public and private sector collaboration. Building on

the success of public-private dialogues in 2014 and 2015, ABAC looks forward to continuing its engagement with the MTF on investment-related matters, sustainability, and community engagement. Toward that end, ABAC calls on APEC economies to monitor and report on the key performance indicators for the 10 mining principles agreed to by APEC Mining Ministers in 2007. ABAC encourages APEC economies to refrain from introducing regulation that unfairly targets the mining sector, and instead promote the development of regulatory systems that encourage the development of new technologies through research and development.

Recommendations:

- Continue strong MTF engagement with private sector stakeholders through public-private dialogues and collaboration in capacity building projects.
- Adhere to APEC's 10 Mining Principles in the development and regulation of the mining sector.
- Support domestic efforts to create transparent, fair, and predictable investment and tax environments for companies in the mining sector. Such efforts should support use of green technology in the mining sector.
- Promote education and training efforts in the mining sector.
- Promote development of regulatory systems that encourage the use of new mining technologies through research and development.

G. Facilitating urban infrastructure development

ABAC welcomes the major outcomes of the APEC High-Level Urbanization Forum 2016, including the Ningbo Initiative, in which member economies resolved to conduct dialogue and enhance cooperation in eight key areas such as boosting inclusiveness and dynamic development of cities, improving urban infrastructure, building smart and green cities, etc.

ABAC believes that APEC economies must step up efforts to work with the private sector, multilateral development bank specialists, regional and global agencies, community groups and academics, and at various levels of government to foster sustainable and livable cities. Cities are growing rapidly as the central focus of economic development and livability of economies of the region.

As cities grow, both the public and private stakeholders strive to find new solutions to efficiently utilize resources to meet the most pressing needs of urbanization. Solutions to urbanization challenges vary greatly from one city to another, and different paths are pursued in building a more livable, healthy and sustainable urban environment. However, some basic principles and best practices are common to meeting the challenges of urbanization.

ABAC has endorsed the work of the Urban Infrastructure Network (UIN) in developing a holistic policy framework for urban infrastructure planning, project development and financing at the various levels of government. The UIN Secretariat released "A Report on Urban Infrastructure Development in the APEC Region: Proposed Best Practice Policy Framework and Action Plans." The Framework sets out some basic principles of best practices and their application to guide economies in managing complex urbanization processes. The report also proposed action plans that relate to economies and municipalities at different stages of capability in handling the infrastructure challenges of urbanization.

ABAC through the UIN can support APEC economies in applying measures set out in the Action Plans to enhance the capacities of various levels of governments to meet the challenges of urbanization.

Recommendations:

- Take note of the report and encourage the use of the best practice principles and Action Plans by relevant levels of government in APEC economies to meet capacity building needs to improve urban development, planning and financing.

- Support efforts to mobilize public and private sector resources to support investment in urban infrastructure.
- Encourage closer collaboration and solution sharing among APEC cities and private and public stakeholders, including regional and international organizations, to facilitate the development of more livable, sustainable, and competitive cities in APEC.
- Commend ongoing work of the UIN in fostering and implementing the recommendations under the auspices of ABAC.

V. Connectivity

ABAC welcomes the progress made in implementing the APEC Connectivity Blueprint for 2015-2025 by all member economies under the pillars of physical, institutional and people-to-people connectivity, and encourage further action to ensure continued implementation of this Blueprint and to promote regional and sub-regional connectivity in the Asia-Pacific region.

Recognizing that removing barriers to greater regional connectivity will help APEC strengthen and deepen regional economic integration, improve the region's quality of growth, and contribute to the economic resilience of the Asia-Pacific region, ABAC pursued work this year on a connectivity agenda that was intended specifically to complement and give practical reinforcement to APEC's own Connectivity Framework. As such, ABAC's connectivity efforts were organized into three broad areas: institutional connectivity, people-to-people connectivity, and physical connectivity.

A. Facilitating institutional connectivity

1. Encouraging structural reform

Structural reform is a priority for boosting economic growth. Slowing trade growth across the APEC region and increasingly disruptive innovation point to a need for economies to look closely at the fundamental drivers for economic performance. It is clear that these are

in large part structural. Economic activity can be choked by onerous regulatory frameworks; by contrast, reform in economic policy settings can help to energize GDP growth and enhance living standards for all. While ABAC continues to champion the liberalization of trade and investment, we also recognize that economies' true potential can only be fully reached if domestic structural reform is part of the picture. Such reforms will also indirectly help to reduce and eliminate non-tariff barriers to trade. Structural reform in both the regulatory environment and in governance settings has the potential both to improve economic performance and lift living standards.

Given the importance of services for productivity growth, ABAC welcomes efforts to address regulatory restrictions on services (and on services-related investment), including restrictions on cross-border services trade. The work of the APEC Economic Committee is making a valuable contribution in that regard. ABAC urges that APEC economies ensure that the final APEC Services Competitiveness Roadmap contain strong structural reform elements.

Good governance frameworks and a stable rule of law likewise contribute to enhanced economic growth. ABAC highlights the importance of open and transparent government, the absence of corruption, effective regulatory enforcement, and the protection of fundamental rights, order and security. A business-friendly environment of legal certainty can best be fostered by laws that are clear, publicized, stable and fair. ABAC encourages APEC economies to share and adopt best practices in this regard.

Recommendations:

- Continue to seek to align domestic regulation with global best practice; work towards greater regional regulatory coherence (including through enhanced international regulatory cooperation); design regulatory institutions in a way that promotes trade-friendly regulation, and strengthen public-private cooperation in the development of regulatory settings.

- In particular, focus on reform of regulatory restrictions on services (including restrictions on cross-border trade in services and services-related investment), and ensure that the eventual APEC Services Competitiveness Roadmap contain robust structural reform elements.
- Provide an environment of legal certainty, transparency, and judicial independence, and foster greater region-wide engagement on rule of law issues.

2. Improving internet and digital connectivity

Businesses and governments have recently come to recognize the profound economic and social transformation being driven by the digital economy, and digital technologies are fundamentally changing how all businesses operate. At the same time, they are creating unimagined opportunities for new businesses, new ways of doing business, and new opportunities for entrants (in particular MSMEs traditionally confined to local markets) into the global market place.

ABAC is continuing a robust internet and digital economy work program given the importance of these issues to the broader global economy. To date, we have shared private sector perspectives on the Internet of Things, big data and data analytics, broadband connectivity and STEM education, and their contribution to innovation. As APEC officials pursue next generation trade and investment issues, they are finding that the digital economy affects a myriad of sectors, from leading edge digital industries to traditional industries adopting digital technologies. In this regard, ABAC welcomes and supports APEC's work plan for Facilitating Digital Trade for Inclusive Growth as a Potential Next Generation Trade and Investment Issue. The econometric research conducted by McKinsey¹ indicates that global flows of goods, FDI and data have increased current GDP by roughly 10% or \$7.8 trillion in 2014, with data flows

accounting for a substantial portion of the increase - \$2.8 trillion. The digital economy is creating new opportunities and business models, and will require new policies relevant to the 21st Century. ABAC also welcomes the progress made by the Ad Hoc Steering Group on the Internet Economy, including the holding of two stakeholder engagement sessions in the margins of ABAC meetings this year.

Recommendations:

- Promote policies that enable a strong internet and digital economy that is inclusive, beneficial to all, and bridges the digital divide. An important step will be for APEC to engage business and stakeholders for their input on the digital agenda in the trade area, and encourage innovation in the internet and digital economy through the use of cross-border data flows, and prevent old style customs and regulatory trade barriers. This will create an enabling environment to accelerate economic growth, regional integration and innovation.
- Adopt Digital Trade as a Next General Trade and Investment Issue as part of the APEC officials' 2017 work program which will kick off in Viet Nam.
- Recognize the transformative power of technology and the speed with which services, players and industries emerge and thus the need for flexibility when considering policy approaches, including regulation.
- Embrace further individual and collective efforts to promote STEM to prepare for the workforce of the future in the Asia-Pacific, including greater participation of economies in the world-wide Hour of Code during Computer Science Education week in December 2016 as well as continue to emphasize the role of computer science education as integral to work force development.

¹McKinsey Global Institute, March 2016. <http://www.mckinsey.com/business-functions/mckinsey-digital/our-insights/Digital-globalization-The-new-era-of-global-flows> .

- Contribute to work underway within APEC and in other fora, such as the WTO, as it renews work on e-commerce and the digital agenda and develops its forward agenda in the trade area, including by sharing work to date on issues of substantial relevance, such as data privacy. ABAC appreciates the workshop convened in Japan on cross-border data flows as part of this work.
- Develop policies that attract the necessary talents that will enable governments and businesses to reap the benefits of digitization. Technical, management, policy and planning skills are all necessary, and should be proactively cultivated. ICT literacy is crucial, as it affects how digital content is consumed and adopted by people at large.
- Partner with more stakeholders to lay a solid foundation, encourage cross-domain cooperation, and collaborate with the private sector to create an ecosystem for digital transformation.

3. Enhancing supply chain connectivity

ABAC applauds APEC's efforts to enhance competitiveness in the region by making it easier, cheaper and faster to conduct trade in goods and services across borders through initiatives such as the APEC-wide 10% improvement in supply chain performance in terms of time, cost and uncertainty by 2015.

ABAC seeks greater private sector participation in the APEC Alliance for Supply Chain Connectivity (A2C2), a public-private forum that works with economies to advance capacity building initiatives and projects. Furthermore, ABAC encourages APEC economies to utilize the A2C2 as a tool to expedite their commitment to the WTO TFA.

ABAC welcomes the progress that has been made this year on pilot projects on global data standards (GDS). These pilot projects include projects funded by APEC and self-funded by member economies and private sector covering

agri-food, beverages and pharmaceutical products. GDS provide a practical and effective means to address supply chain connectivity, traceability and supply chain integrity, thereby improving the operation of regional supply chains and advancing APEC's trade facilitation goals. On pharmaceutical products, ABAC is piloting a project with two economies to demonstrate the ability to verify serialized pharmaceutical products from various scan locations to source data stored in distributed databases using GDS. The outcome of the pilot projects should offer important learnings for policy development and regulatory and operational coherence around the region.

ABAC welcomes the progress on the work of the APEC Cooperation Network on Green Supply Chain (GSCNET), including the launch of a bilingual website operated by GSCNET Tianjin Pilot Center. ABAC is glad to see new members who have joined the GSCNET and encourage more members to nominate more institutions and experts to join and contribute to a well-functioning GSCNET.

Recommendations:

- Continue to support existing GDS pilot project initiatives and identify further GDS pilot projects to build capacity and overcome supply chain chokepoints, as identified in APEC's Supply Chain Connectivity Framework.
- Continue to work towards a region-wide framework to facilitate a coherent deployment of GDS.
- Utilize A2C2 as a tool to expedite implementation of the WTO TFA commitments and leverage the knowledge of companies that have valuable experience in moving goods and services seamlessly, quickly, and inexpensively throughout the region.
- Continue contributing funding to the APEC Trade and Investment Liberalization and Facilitation Sub-Fund for Supply Chain Connectivity.

- Implement full electronic documentation in the issuance of bills of lading and sanitary certificates and the submission of customs forms.
- Simplify tax systems for international trade.
- Create a common APEC platform dealing with sanitary norms at both origin and destination.
- Adopt policies that facilitate innovation and increased and more efficient flows of trade and investment, such as measures to promote regulatory coherence.
- Continue contributing to the development of GSCNET.

B. Facilitating people-to-people connectivity

1. Easing the mobility of skilled workers

Improving the region-wide mobility of skills remains a high priority among the APEC region's businesses. There is mounting concern over demographic and technological changes that are aggravating skills shortages region-wide. At the same time, barriers to the efficient movement of international skilled workers is adding to business costs and impeding economic growth. As a result, ABAC has devoted significant efforts over the past decade to ameliorate these mounting challenges, and has begun to work with various APEC governments to make practical progress.

ABAC efforts are focused on three specific initiatives: building a reliable predictive "Skills Map" that can identify areas of emerging and acute skills shortage; improving the management of the movement of international skilled workers; and supporting initiatives to facilitate the region-wide recognition of qualifications.

ABAC's proposed Earn, Learn, Return (ELR) initiative to improve the management of internationally mobile labor is being considered by leaders, with detailed proposals now being discussed in key APEC working groups.

ABAC continues to encourage member economies to contribute data to the APEC Skills Mapping initiative which currently has input from just six members.

ABAC has given strong endorsement to the APEC Education Network initiative to improve the region-wide recognition of qualifications. Given the immense technical complexity of this task, ABAC is working with officials to identify "pilot" sectors in which to prioritize activity. At present, priority is being given to "allied health workers" and the tourism sector, in collaboration with the APEC Tourism Working Group. ABAC commits to facilitate private sector input in these pilot sectors.

Recommendations:

- Collaborate on practical development of sector-specific ELR Best Practice Model Cases, with the ultimate aim of developing a region-wide ELR Best Practice Template applicable to many sectors. This collaboration should identify and resolve obstacles to implementation.
- Provide "skills needs" data to the APEC Skills Map as a matter of urgency.

2. Improving business mobility

The extension of the validity of the APEC Business Travel Card (ABTC) scheme has demonstrated APEC's ability to respond to business needs. This year, APEC's Business Mobility Group (BMG) took another step towards meeting conditions that have been emphasized by the private sector. The implementation of an APEC-wide online application lodgment functionality has been made one of the highest priorities for 2016. This change was in response to recommendations by ABAC and APEC's End-to-End Review in which ABAC participated.

ABAC agrees with the BMG's view that the 20-year old ABTC stands to lose its standing as an innovative and desirable initiative to facilitate business travel if APEC fails to provide suitable online lodgment capabilities. Such capabilities need to be in sync with

technological innovations adopted by the business community in the region.

ABAC continues to monitor steps being taken by transitional economies to acquire full membership in the ABTC which would benefit their own business communities.

Recommendations:

- Encourage all 21 economies to adopt online lodgment to expedite and simplify the ABTC process.
- Support APEC BMG in its efforts to realize online lodgment, including by providing appropriate support to a workshop to be held in Australia late in 2016.
- Encourage transitional economies to complete domestic processes towards full membership status in the ABTC scheme.

C. Facilitating physical connectivity

The third critical pillar of APEC's Connectivity Framework is a program of activity to improve physical connectivity both within APEC economies, and between them. ABAC has been focusing on four areas of physical connectivity for priority attention: building physical infrastructure like roads, railways, airports and ports; improving maritime connectivity across the region; addressing the fast-intensifying problems of managing air space across the region, including deepening skills shortages; and building digital infrastructure to enable internet-based business to flourish.

1. Encouraging infrastructure investment through best practices and public-private partnerships

It is predicted that \$57 trillion in infrastructure investment will be required over the next two decades and transport infrastructure will comprise a significant portion of this spending. The private sector is an important source of the foreign direct investment that is required for infrastructure development. To attract the needed capital and compete globally for FDI, a stable, non-discriminatory and transparent

legal, regulatory and investment environment is required to give businesses the certainty and predictability required for long-term, capital intensive investments.

Additionally, expertise and capital from the business community can be harnessed through public-private partnerships (PPP). PPP mechanisms can be utilized to create sustainable and attractive infrastructure projects that are funded throughout their lifecycle, including through measures to reinvest in existing assets through proper maintenance. ABAC encourages APEC to further build capacity in PPPs, including through measures that address best practices related to transparency in project design, contracting, division of responsibilities, performance measures, risk apportionment and neutral and objective mechanisms to prevent and resolve disputes. Further, ABAC invites APEC economies to leverage dialogues that include the private sector such as the Asia-Pacific Infrastructure Partnership (APIP) that facilitate additional capacity building.

To bring the range of issues that affect private sector investment in infrastructure together and encourage further interagency dialogue on effective policies, ABAC has developed a unique infrastructure investment checklist that has served as an important self-assessment tool for economies. Several governments have completed the Checklist and provided the business community with useful feedback that will inform future discussions.

Recommendations:

- Work closely with ABAC to further build capacity in PPPs focused on developing physical infrastructure.
- Leverage dialogues that include the private sector such as the APIP that facilitate additional capacity building.
- Encourage governments to better understand the private sector's needs by reviewing frameworks such as ABAC's Infrastructure Investment Checklist and engaging in partnerships with ABAC.

2. Improving maritime and air connectivity

ABAC has begun a multi-year initiative to develop practical recommendations that will help governments to improve the region's maritime and aviation infrastructure, with the aim of reducing travel and transport times between destinations, improving transport efficiencies, harmonizing regulatory and operating environments, and in lowering logistics costs. In aviation, this also includes developing recommendations on how to manage pressures that are intensifying as a result of rapid growth in passenger and cargo services. Particular emphasis should be placed on harmonizing regulatory standards in the realms of air pilot training, air safety education and resource efficiency, in order to reach a region-wide "Single level of safety" and to bolster further innovation in the aerospace sector.

ABAC plans to build closer links with the APEC Transportation Working Group (TPTWG), to input business concerns, identify strategic business sector challenges, and to develop synergies with initiatives being prioritized by the TPTWG.

3. Strengthening the APEC region's digital infrastructure

Separate from, but complementary to the ABAC digital initiatives in Institutional Connectivity, ABAC is driving an initiative to facilitate the development of strong physical digital infrastructures across the APEC region. This is underpinned by recognition that many of the ambitious aspirations being created by the "digital revolution" will remain unfulfilled while the physical infrastructure to enable fast and reliable internet infrastructures remains un- or under-developed. Governments should lead by example and increase spending on ICT infrastructure that benefits the general public.

Recommendation:

- Encourage and incentivize investment in strong digital infrastructures, in order to enhance broad-based productivity

and efficiency, and to make possible (in particular to MSMEs previously blocked from competing for international business) the use and development of many new services being delivered by the digital revolution.

VI. Finance and Economics

A key ABAC objective this year is to provide support to APEC in building bigger, robust and inclusive financial markets. Priority areas include: promoting the innovation and integration of capital markets while also addressing the new risks arising from these developments; stimulating public and private investment for infrastructure; enhancing MSME access to finance; and shaping pension and insurance development.

A. Expanding access to finance

Enabling MSMEs to effectively participate in economic activities and global value chains is an important objective for APEC member economies. However, most MSMEs lack access to finance due to inadequate credit information systems, secured transaction frameworks and valuation practices that lenders need to manage credit risks. In addition, many low-income individuals also lack access to a host of financial services. To help address these issues, APEC Finance Ministers adopted ABAC's proposals to launch the Financial Infrastructure Development Network (FIDN), the Asia-Pacific Financial Forum (APFF) and the Asia-Pacific Forum on Financial Inclusion.

Recommendations:

- Work with FIDN to develop modern credit information systems and regionally consistent legal and institutional frameworks for secured transactions and insolvency.
- Collaborate with the APFF in holding public-private dialogues on regulatory issues and emerging facilitators of trade and supply chain finance.
- Encourage policy makers and regulators responsible for financial inclusion and MSME finance to study the report of this year's Financial Inclusion Forum and to participate in the 2017 Forum.

- Encourage member economies to host roundtables with ABAC, the International Valuation Standards Council (IVSC), valuation professional organizations (VPOs), and other relevant stakeholders to improve valuation practices in the region.

B. Enhancing financial resilience

Effective risk management through micro-insurance is critical for low income individuals and micro and small enterprises, especially in developing economies. However, only around 5.2 percent of people in emerging markets worldwide are currently covered by micro-insurance. Related to this, Asia-Pacific policy makers need to develop financial instruments to mitigate the impact of natural catastrophes in the world's most disaster-prone region.

Recommendations:

- Undertake joint activities with APFF in 2017 to complete the roadmap for expanding micro-insurance coverage in the region.
- Undertake a workshop with APFF to identify economies and perils of priority as an initial step in promoting private disaster insurance schemes, and complete the stocktaking on availability of risk exposure data as a step toward the development of regional risk sharing measures.
- Enjoin officials and regulators to collaborate with APFF in drafting an APEC roadmap for disaster risk financing and insurance, involving experts from the public and private sectors and multilateral institutions.

C. Promoting investment in infrastructure and capital markets

The region needs investments to bridge its huge infrastructure gap. While investors have plenty of appetite for opportunities in infrastructure, too few bankable infrastructure projects are available due to insufficient capacity for project preparation in the public sector. A related issue is how APEC can help build and mobilize the region's long-term investor base, in particular insurers, pension funds

and Islamic financial institutions. In addition, many of the region's local currency capital markets lack the depth and liquidity to effectively serve as channels for investment in infrastructure.

Recommendations:

- Encourage Finance Ministers to integrate and coordinate its various infrastructure initiatives through the PPP Experts Advisory Panel.
- Expand cooperation with the Global Infrastructure Hub.
- Continue holding APIP dialogues in 2017.
- Promote urban infrastructure development in collaboration with the Urban Infrastructure Network.
- Establish an Islamic Infrastructure Investment Platform (I3P) to facilitate collaboration among public, private, international and academic experts in addressing key obstacles to the expansion of cross-border infrastructure investment by Islamic financial institutions.
- Encourage more member economies to join the Asia Region Funds Passport (ARFP).
- Jointly hold workshops with APFF to help economies develop classic repo and derivatives markets and improve the availability and quality of information for capital market investors.
- Convene a regional symposium in 2017 to develop a roadmap for improving the regional financial market infrastructure.
- Consider the establishment of mandatory retirement systems to effectively channel the region's huge savings currently concentrated in short-term bank deposits into longer term institutional investments.
- Introduce stronger tax incentives to promote the retirement savings market and encourage retirement income products should be put in place.

- Remove regulatory and accounting impediments to insurers' and pension funds' long-term business models and promote policies that are suitable for long-term investment products and insurance business.
- Encourage participation by all relevant agencies and institutions in a two-day seminar APFF plans to convene in 2017 where the public and private sectors can jointly examine ways to expand the region's long-term investor base.

D. Enhancing the role of finance through cooperation and innovation

As economic cooperation within APEC progresses, we anticipate that demand for finance will grow significantly. Meeting this demand will require closer financial cooperation among governments and regulatory bodies and the support of multilateral development banks. It will also require innovations in financial services and platforms for various forms of collaboration among commercial financial institutions in the APEC region. Policy makers will also need to address the growing role of financial technology (Fintech), which raises new opportunities and risks with respect to the development of inclusive and efficient financial markets and services in the region. Additionally, last year's Leaders' Declaration noted the need to further explore and address the fiscal and economic impacts of ill health. APEC Ministers also recommended the convening of cross-fora dialogue for this purpose. ABAC supports these calls and encourages finance and health officials to collaborate in developing solutions to deal with this issue.

Recommendations:

- Encourage closer financial cooperation among policy makers and regulators in modernizing financial policy and regulatory frameworks, and encourage them to participate in APFF dialogues on financial regulations.
- Welcome the APFF's work on definitions of infrastructure and real assets in the context of developing an enabling environment for investment by Islamic financial institutions.

- Establish a regional platform for the public and private sectors to collaborate in identifying concrete ways to help member economies harness financial innovation to build bigger, robust, inclusive and integrated financial markets.
- Encourage policy makers and regulators to participate in APFF workshops on cybersecurity, Know-Your-Customer (KYC) rules and ePayments to facilitate innovation in the region's financial market infrastructure.
- Encourage policy makers to discuss innovative financing options that would drive more equitable financing, strengthen health systems and expand access to health care, pensions, and disability coverage.

VII. Industry Dialogues

A. Chemical Dialogue

The Chemical Dialogue's work on regulatory cooperation and coherence is strongly supported by ABAC. ABAC welcomes the endorsement of the Dialogue's Best Practice Principles Checklist and encourages economies to apply those principles during the regulatory review process. ABAC urges a more coordinated approach to implementation of the Globally Harmonized System of Classification and Labeling of Chemicals (GHS) and welcomes efforts to address divergences in GHS implementation in order to facilitate trade. ABAC welcomes efforts to streamline chemical import procedures through the consideration of a customs self-certification form. ABAC continues to support collaboration between the Chemical Dialogue and the Oceans and Fisheries Working Group on innovative solutions to mitigate marine debris. In particular, ABAC welcomes efforts to identify and reduce definitional, regulatory, and financial barriers to deploying sustainable waste management systems and create enabling environments for waste management infrastructure investment.

B. APEC Life Sciences Innovation Forum

The 6th High-Level Meeting on Health and the Economy hosted by the Minister of Health of Peru is especially timely, given the critical importance of health to the economy. As a joint initiative of the APEC Life Sciences Innovation Forum (LSIF) and the APEC Health Working Group, the meeting brings together diverse stakeholders to discuss whole of government, whole of society and a whole of region approach to health and related economic challenges.

ABAC values the collaboration with the LSIF on assessing the returns on investment that innovations bring to health systems and strongly supports a dialogue this year between health and finance officials and expert stakeholders to address the fiscal and economic impacts of ill health and ensure that our workforce remains healthy and competitive. We welcome the outcomes from the joint ABAC-LSIF projects on pharmaceutical serialization and verification and note their contribution to APEC's broader efforts to promote the use of interoperable global data standards. In addition, ABAC welcomes initiatives to facilitate the use of big data analytics in bio-medical research and decision making, the initiative to lower barriers to SME innovator entry to the health value chain, and the continued activities of the LSIF training center for the commercialization of biomedical research.

ABAC strongly echoes the call by APEC Ministers for regional convergence on regulatory approval procedures for medical products by 2020. To that end, ABAC welcomes progress made to establish APEC Training Centers of Excellence in Regulatory Sciences including in multi-regional clinical trials, biotherapeutics, good registration management, and global medical product quality. ABAC also welcomes the collaboration between the APEC LSIF and the Global Health Security Agenda on platforms and partnerships to address the scourge of health care associated infections, and boost

antimicrobial stewardship, and the establishment of the APEC blood safety partnership network. These types of government/industry/academic partnerships illustrate well the capacity of APEC to bring significant resources and skills to bear to build the necessary innovative capacity in the region and assure pandemic preparedness.

VIII. Conclusion

This report has laid out practical actions which APEC economies should take to achieve the APEC vision while addressing the quality and social dimensions of growth. The report augments and reinforces ABAC's inputs and messages delivered over the course of the year through its ongoing interaction and engagement at various levels in the APEC process. It is ABAC's hope that the Leaders, ministers and officials would find the recommendations useful as they continue to intensify efforts to deepen integration in the region to pave the way for a more prosperous Asia-Pacific community.



ANNEXES



27 April 2016

Hon. Magali Silva Velarde Alvarez

Chair, Meeting of APEC Ministers Responsible for Trade
Minister of Foreign Trade and Tourism
Peru

Dear Minister Silva:

On behalf of the APEC Business Advisory Council (ABAC), I am pleased to submit to APEC Ministers Responsible for Trade our views on key issues which we believe will contribute significantly to achieving our common objective of promoting quality growth and human development in the region. We believe strongly that, at this fragile time for the global economy, the APEC vision can only be attained by expanding trade and investment liberalization and by a renewed attention to structural economic reform which promotes good governance and sound regulation and incentivizes further the growth of services and innovation in the region.

First and foremost, we remain firm in our conviction that a free and open environment for global trade and investment is the foundation for achieving this growth path as envisioned by APEC. We urge APEC to take concrete steps towards the realization of a Free Trade Area of the Asia-Pacific (FTAAP). To that end, we encourage economies to accelerate the momentum towards an eventual FTAAP by identifying possible approaches and a future timetable. Prompt ratification of the Trans Pacific Partnership (TPP) by contracting parties and completion of the Regional Comprehensive Economic Partnership (RCEP) negotiations would be welcomed which, together with the Pacific Alliance (PA), provide the pathways to FTAAP. To be effective FTAAP pathways, these must be high-quality, ambitious and comprehensive agreements which provide for accession by additional economies.

The APEC Collective Strategic Study provides a unique opportunity to advance the FTAAP concept. We urge you to pay close attention to the views we have submitted in the context of the study we commissioned as part of this process. We are ready to provide any further perspectives that are required to ensure that an eventual FTAAP remains relevant to business and takes account of constantly evolving circumstances through a process of continuing review.

Second, we continue to emphasize the importance of the World Trade Organization (WTO) as the framework for the global trading system. We welcome the outcomes of the WTO Ministerial Conference in Nairobi, including the historic agreement to eliminate agricultural export subsidies and congratulate the parties on the successful conclusion of the Information Technology Agreement (ITA) expansion. We urge more economies to join the Trade in Services Agreement (TiSA) as well as the Environmental Goods Agreement (EGA) negotiations. These achievements provide significant encouragement for future WTO multilateral negotiations. We urge early implementation of the Nairobi package and prompt ratification of the Trade Facilitation Agreement (TFA) by APEC WTO members.

Third, the region's dynamic services sectors provide the key to a more competitive, efficient and inclusive economy. We view the APEC Services Competitiveness Roadmap as an important initiative to promote further services trade liberalization and to pave the way for more coherent, transparent and efficient regulatory environments for services. We call on APEC to press on with the development and promotion of the Services Trade Access Requirements (STAR) database to increase the transparency of services regulation in APEC economies, to seek better ways to produce services-related statistics, and to look at services from a sectoral perspective so that we can address issues on a more focused basis. We will continue to work through the Asia-Pacific Coalition of Services Organizations to support regional dialogues and information exchanges on matters critical to the sector's development.

Fourth, we encourage APEC economies to establish policy frameworks that promote foreign direct investment. We support actions that promote coherence in investment agreements affecting the region, including the examination of mechanisms to achieve a broader investment policy framework. In this regard, we will continue the work of the Regional Investment Analytical Group (RIAG) and undertake a study of existing agreements.

Fifth, given the importance of micro, small and medium enterprises (MSMEs) as drivers of entrepreneurship and employment, we believe expanding their role in regional trade and investment is an important means for achieving quality growth and reinforcing the benefits of globalization. We call on APEC to expand efforts to promote MSMEs' access to global markets, services, new technologies and finance.

Sixth, recognizing that a fundamental element of inclusive growth is food security, we continue to call for a strong, strategically focused partnership between governments and the private sector on food security. We would welcome robust action to achieve the reduction in trade barriers, including non-tariff barriers that impede market access, investment and efficient flow of food and agricultural goods, as well as practical projects to bring about greater cohesion among regional food markets.

Seventh, we underscore the importance of strong and deep connectivity for regional economic integration. A key component of effective integration is the efficient movement of goods, services and capital, delivered through global value chains, infrastructure investment, global data standards, and digital trade channels. We call on APEC economies to work closely with business to reduce behind the border barriers to trade and investment, and develop regulations that are internationally coherent and transparent.

Finally, we believe that upholding the rule of law and promoting good regulatory practices are fundamental to quality growth. We urge governments to address over-regulation and promote regulatory quality through impact assessments, cost-benefit analysis, transparency, public consultation, consistent enforcement and coordination between domestic and international regulators.

A more detailed report on initiatives being developed by ABAC is provided in the attachment.

We look forward to discussing these recommendations with you in greater detail at your meeting in Arequipa.

Yours sincerely,



Juan Francisco Raffo
ABAC Chair 2016

Progress Report to APEC Ministers Responsible for Trade of Relevant ABAC Initiatives

1. **Concluding pathways towards an FTAAP.** ABAC strongly supports the steps taken by APEC towards a Free Trade Area of the Asia-Pacific (FTAAP). ABAC is encouraged by the significant progress on the pathways to achieve an FTAAP. ABAC encourages economies to accelerate the momentum towards an eventual FTAAP by identifying possible approaches and a future timetable. Prompt ratification of the Trans Pacific Partnership (TPP) by contracting parties and completion of the Regional Comprehensive Economic Partnership (RCEP) negotiations would be welcomed which, together with the Pacific Alliance (PA), provide the pathways to FTAAP.

ABAC notes that the TPP is attempting to address new issues such as access issues for small and medium-sized enterprises, e-commerce, regulatory coherence, transparency and anti-corruption, labor, environment and competitiveness, among others. As all of these issues are essential to conducting business in an innovative environment, ABAC hopes that participating economies will also negotiate and develop an ambitious, high-quality and comprehensive agreement at the earliest possible opportunity.

2. **Enabling an FTAAP.** ABAC has long encouraged APEC to incubate the FTAAP and ensure that its development is forward looking and relevant to business over the long term. ABAC recognizes that there are great opportunities in an integrated but remarkably diverse market in the Asia-Pacific region. ABAC notes the opportunity provided by the Collective Strategic Study on Issues Related to Realization of the FTAAP and will continue to contribute to ongoing work.

The current status of the world economy brings renewed imperative for our economies to take concrete steps towards the realization of the FTAAP pathways as soon as possible to contribute to economic recovery and future prosperity.

Business requires a “living”, high-quality, comprehensive and ambitious FTAAP that accommodates change in the modern and innovative business environment, tackles next generation issues, encourages consultation with the private sector and remains open to new members in the longer term.

3. **Supporting the WTO.** ABAC recognizes the importance of the World Trade Organization (WTO) as the foundation for the global rules-based trading system and as a bulwark against protectionism in all its forms, even as bilateral and regional free trade agreements continue to grow apace. ABAC welcomed the historic agreement at the WTO Ministerial Conference in Nairobi in December 2015 to eliminate all forms of agricultural export subsidies, along with other important outcomes. Conscious of unfinished business, however, ABAC urges APEC economies which are Members of the WTO to accelerate the ratification of the Trade Facilitation Agreement (TFA), to help reduce costs and increase efficiency in the movement of goods and provision of services. ABAC also welcomes progress on other plurilateral efforts to liberalize trade in services and in environmental goods. In this regard, ABAC urges more economies to join the Trade in Services Agreement (TiSA) as well as the Environmental Goods Agreement (EGA) negotiations. ABAC emphasizes that care must be taken to ensure that any new plurilateral, regional and bilateral agreements genuinely complement and support efforts towards eventual global liberalization under the WTO.
4. **Facilitating trade and investment liberalization.** Recognizing the rise of bilateral investment treaties (BITs) and investment provisions in multilateral trade agreements affecting the region such as the PA, the TPP and the possible RCEP, ABAC wishes to explore the possibility of achieving a more concerted regional investment framework, as a further step in greater regional economic integration. ABAC will undertake an analysis of investment treaties and investment clauses in regional trade agreements, in order to better understand their impact on investment and business practices in the APEC region, and to understand the overall picture of the current regional investment framework.

The Regional Investment Analytical Group (RIAG), including representatives of the World Bank, the OECD, UNCTAD, ASEAN and the APEC Policy Support Unit, is considering gaps in existing investment indicators, exploring ways to enhance indicators to support investment flows in the region, including

sectoral foreign direct investment (FDI) statistics and analysis. Its preliminary recommendations will include the implementation by all APEC economies of IMF and related standards on the recording of sectoral investment flow data.

As the counterpart to the flow of goods and services, direct investment and freer financial capital flows, when prudently managed in support of financial stability, raise the productivity of labor and economic output overall. To that end, ABAC requests Ministers work to reduce barriers to both domestic and cross-border investment, including capital controls and restrictions on foreign participation in domestic capital markets where feasible and safe to do so. ABAC further urges them to promote greater connectivity, increased transparency in laws and regulations governing financial transactions, and equal access to reliable and comparable financial market information.

- 5. Pursuing the new services agenda.** Services trade and investment continues to be of critical importance to APEC economic growth. Further liberalization and facilitation of the services sector will be important to facilitate further growth in trade in goods, as many services are embedded in or related to manufacturing value chains. Micro, small and medium enterprises (MSMEs) can also rely on services to access wider markets.

ABAC regards the APEC Services Competitiveness Roadmap as an important piece of work. The Roadmap, which will pave the way for more coherent, transparent and efficient regulatory environments for services, will serve to benefit all economies.

In this regard, ABAC calls on APEC to press on with the development and promotion of the Services Trade Access Requirements (STAR) database, to increase the transparency of services regulation in APEC economies. ABAC also calls on APEC to seek better ways to produce services-related statistics and increase the number of APEC economies with indices for measuring the regulatory environment in services, taking into account, as appropriate, existing indices maintained by other fora such as the OECD. ABAC calls on APEC to look at services on a sectoral basis so that it can address issues on a more focused basis.

ABAC welcomes and supports the establishment of an Asia-Pacific Coalition of Services Organizations to achieve greater strengthening and advocacy for services industries. Meanwhile, ABAC continues to organize the Public-Private Dialogues on Services to facilitate the development of the sector.

- 6. Promoting the internet and digital economy.** ABAC encourages continued private sector engagement with the Ad-Hoc Steering Group on the Internet Economy. ABAC also promotes ongoing cross-fora communication and partnerships on the internet and digital economy.

Since 2014, ABAC has been building a digital economy work stream in the Connectivity Working Group, which provides a unique private sector perspective to APEC's work on the digital economy. ABAC encourages APEC to continue to promote MSME inclusion and a continued focus on policies that enable a strong internet and digital economy such as the Internet of Things; big data and data analytics; broadband developments; and Science, Technology, Engineering and Mathematics (STEM) education, including ABAC's APEC STEM challenge to increase each economy's respective Hour of Code participation in 2016.

Finally, ABAC encourages digital policies that continue to bridge the digital divide, such as supporting the growth of digital trade, both regionally and globally. ABAC will work to identify potential barriers to digital trade.

- 7. Enhancing supply chain connectivity.** ABAC applauds APEC's efforts to enhance competitiveness in the region by making it easier, cheaper and faster to conduct trade in goods and services across borders through initiatives such as the APEC-wide 10% improvement in supply chain performance in terms of time, cost and uncertainty by 2015.

ABAC welcomes the progress made in areas such as the Model E-Port Network along with its operational center in Shanghai and Green Supply Chain along with its pilot center in Tianjin, and supports APEC's innovative capacity building initiative to help developing economies improve supply chain performance and implement the WTO Trade Facilitation Agreement. To support the projects in this initiative, ABAC calls for additional resources for the Supply Chain Connectivity Sub-Fund. ABAC also seeks greater private sector participation in the APEC Alliance for Supply Chain Connectivity (A2C2), a public-private forum that works with economies to advance the capacity building initiative and its projects. Furthermore, ABAC encourages APEC economies to utilize the A2C2 as a tool to expedite their commitment to the WTO TFA.

ABAC is encouraged by the good progress made by member economies in pilot projects on global data standards (GDS), recognizing the contribution that this work can make to the more efficient, timely and secure functioning of global supply chains. Five APEC-funded and six APEC economy self-funded pilot projects focused on food, beverages and pharmaceutical products are currently underway. These pilots will aim to identify and measure the benefits of end-to-end application of GDS, including the efficiency gains in using GDS in international supply chains and cross-border government processes. On pharmaceutical products, ABAC is piloting a project with two economies to demonstrate the ability to verify serialized pharmaceutical products from various scan locations to source data stored in distributed databases using GDS. On food and beverage, pilots are examining the efficiency gains in using GDS for durian, asparagus, wine, tequila, furs, deer velvet and boxed meat. Ultimately, the results of these pilots will aim to inform policy makers on how best to implement operationally coherent GDS along cross-border supply chains.

- 8. Promoting good regulatory practices.** In recent years, there has been an emerging recognition of the need to tackle behind the border issues that create unnecessary non-tariff barriers (NTBs) to free trade and investment. For businesses, and in particular MSMEs, higher compliance costs hinder international competitiveness and complicate the most efficient deployment of economic resources.

ABAC urges APEC to strengthen implementation of the three good regulatory practices (GRPs) agreed to by APEC Leaders in the Honolulu Declaration as well as the three GRP tools identified in the APEC Bali Declaration. ABAC supports efforts to more closely align APEC economies' regulations with global best practices, utilize performance-based rather than prescriptive-based regulations, design regulatory institutions that promote trade-friendly regulation, and strengthen public-private cooperation through the use of consultation mechanisms to enhance accountability, promote mutual learning, and encourage best practices.

- 9. Improving food security and reducing non-tariff barriers.** Food security is a critical underpinning for an inclusive, healthy and integrated regional economy. Open trade and investment can help to link food supply with food demand, and is an important component of a future food-secure APEC region, one that ensures inclusive and equitable access to safe, nutritious and sustainably-produced food.

To that end, ABAC underscores the need for a true partnership between governments and the private sector to create food security. ABAC supports the APEC Policy Partnership for Food Security (PPFS) and its "Roadmap towards 2020". A well-functioning PPFS should help to improve understanding of the economic and commercial context for food, address supply chain connectivity and promote the

participation of MSMEs in food trade. ABAC continues to be concerned, however, at the low level of engagement by both governments and the private sector in PPFS. ABAC is encouraged by private sector involvement in its Asia-Pacific Food Industry Forum (AP-FIF) as a means for business to coordinate its views for PPFS. But more needs to be done. ABAC is currently considering ways that PPFS might be strengthened to help to deliver a deeper level of strategic engagement and dialogue between the private sector and governments. It hopes to put specific proposals to APEC economies later in the year.

ABAC urges the continued reduction in trade barriers that impede market access for investment in and the efficient flow of food and agricultural goods. ABAC is particularly concerned at the increasing prevalence of NTBs affecting food trade in the region. The private sector has an important role to play in seeking to identify the most harmful NTBs affecting food trade, and in engaging in dialogue to develop possible solutions. ABAC encourages APEC economies to seek to address such barriers effectively and promptly, including as part of the negotiations for a possible FTAAP, with input from the private sector as appropriate.

10. Promoting healthy and productive workforces. Economic growth and prosperity depends on healthy workforces. Demographic shifts such as ageing populations and increases in non-communicable diseases (NCDs) have significant fiscal and economic impacts. NCDs cause 60% of all deaths globally (35 million deaths a year), increasing to 75% by 2030, with 80% of these deaths occurring in low and middle-income economies. A 2014 ABAC study of six APEC economies estimated that the annual cost in terms of lost gross domestic product (GDP) could be as much as 6.1% of GDP by 2030 due to NCDs. A 2015 study commissioned by ABAC showed an average of an additional 2% in lost GDP from early retirement due to ill health, with NCDs as the main contributing factor. This is putting pressure on public sector and corporate pension and health schemes. The fiscal implications of health are significant. ABAC encourages coordination in the policy dialogue between health, finance and economic ministers to achieve proactive investment in healthy workforces and collaboration with the private sector to develop innovative solutions.

11. Accelerating green growth. As APEC continues to explore paths towards low-carbon economies, ABAC recommends studying the use of alternative and renewable energy sources. Hydrogen, one such example, is a secondary source of energy which does not emit carbon dioxide (CO₂) at use. Hydrogen produced by renewable energy is carbon-free and once this technology becomes viable, it will contribute greatly to lowering the carbon footprint and enhancing energy security in the region. ABAC encourages APEC economies to introduce policies that will promote the utilization of energy sources that minimize the emission of CO₂, facilitate research and development, demonstrate commercial viability and promote information sharing.

In addition, ABAC applauds APEC's efforts to address barriers to trade in environmental goods and services (EGS) and urges APEC economies to accelerate their efforts to lower the applied tariff rates of environmental goods to 5% or lower as committed by APEC Economic Leaders.

12. Improving energy security. Dramatic shifts in the energy sector will have serious repercussions for public and private sectors. In such times of uncertainty, there is increasing need for policy makers to introduce transparent and predictable policies to bolster investment in the energy sector.

ABAC encourages APEC to take up the recommendations ABAC made in 2015 relating to barriers to trade and investment in energy: i) Create policy certainty ensuring sanctity of contracts; ii) Establish open and fair competition on a level playing field devoid of local content rules, quotas, tariffs, restrictions on foreign ownership and investment; iii) Ensure market-based pricing undistorted by subsidies; iv) Establish independent government regulation; v) Promote effective inter-governmental coordination that is transparent, rules-based, predictable, and allows stakeholder consultation; vi) Establish viable

legal systems that resolve commercial disputes on a timely basis and protect intellectual property; and vii) Promote banking systems which allow free transfer of capital.

- 13. Promoting the development of APEC's mining sector.** The mining sector plays a vital role in the economic success of all of APEC member economies by generating investment and driving regional trade. Close cooperation between governments and the private sector will be needed to promote regulatory environments and best practices in sustainable mining that create positive outcomes for investors, economies and communities.

ABAC applauds APEC's decision to maintain an effective venue for public and private sector collaboration on mining by extending the mandate of the Mining Task Force (MTF). Building on the success of public-private dialogues in 2014 and 2015, ABAC looks forward to ongoing engagement with the MTF in the areas of investment-related matters, sustainability and community engagement. To that end, ABAC calls on APEC economies to monitor and report on the key performance indicators for the 10 mining principles agreed to by APEC Mining Ministers in 2007.

- 14. Strengthening the rule of law and regulatory quality.** ABAC has continued its work on the rule of law in 2016 with the aim of strengthening the business environment in APEC by focusing on regulatory quality reform as a source of growth. Over-regulation has been a major barrier for growth globally and most APEC economies see regulatory risk as rising. Upholding the rule of law and promoting good regulatory practices promote trade and investment. Consistent and transparent regulation could drive investment and trade strategies in the coming years. Therefore, regulatory quality reform must be assessed by measuring the quality of cost-benefit analysis of existing and new regulations; implemented in consultation with and the engagement of stakeholders and with transparency in the process; enforced equally; and coordinated both among regulators internally and amongst regulators internationally. Lastly, new concerns must be addressed in areas such as the digital economy on peer-to-peer trading, cybersecurity, digital currency, etc. by providing market solutions and avoiding over-regulation in these new areas.

- 15. Connecting MSMEs to global markets and new technologies.** MSMEs are, and will continue to be, the engine of growth and innovation for APEC economies. For these enterprises, gaining access to the interconnected global environment and adopting new technologies are important for their competitiveness and further development.

Advances in e-commerce in particular have been a major factor in facilitating information flows and expanding the market potential of smaller firms. MSMEs' participation in e-commerce is not without its challenges. Based on the study by ABAC and the University of Southern California (USC) Marshall School of Business, cross-border e-commerce, quality of laws and regulations as well as customs and foreign market access were the largest problems facing MSMEs. ABAC calls for a stronger APEC agenda incorporating these key enablers for MSMEs to engage in cross-border e-commerce: (i) extensive and reliable Information and Communication Technology (ICT) infrastructures; (ii) widespread and low-cost internet access; (iii) business-friendly regulations and legislation; (iv) the existence of e-commerce intermediaries to lower barriers to entry for MSMEs; (v) access to efficient e-payment infrastructure; and (vi) hands-on e-commerce expertise and training similar to Cross-Border e-Commerce Training (CBET) developed by ABAC to increase capacity of MSME to expand markets beyond their borders.

ABAC recognizes the vital role of MSMEs in bringing new ideas to the market and in fostering innovation in the 21st Century. Partnerships and networking among innovation systems and MSME knowledge centers, including those involving large and small businesses, the academe, and the public sector need to be supported as part of a strategy that promotes innovation, cross-border collaboration and commercialization of new innovations and cutting-edge technologies in more effective ways.

16. Enhancing economic opportunities for women. ABAC applauds the creation of the Women and the Economy Dashboard and encourages Ministers and policy makers to utilize the 80 various data points to identify gaps and best practices. ABAC is working to champion a STEM challenge in 2016 and the adoption of other new disruptive technologies with a gender lens. ABAC also encourages Ministers to intensify their efforts in reducing barriers that disproportionately impact MSMEs so that they can access and benefit from the opportunities created by international trade. These barriers include inadequate access to capital and lack of ownership of land and resources.

17. Improving MSME access to finance, including trade finance. ABAC urges Ministers to collaborate with the Financial Infrastructure Development Network (FIDN) in modernizing member economies' credit information, secured transactions and insolvency systems to expand MSMEs' access to finance. ABAC encourages Ministers to foster financial inclusion, including through public-private collaboration to develop digital finance. ABAC asks Ministers to support the work of the Asia-Pacific Financial Forum (APFF) in expanding insurance coverage among MSMEs to improve their access to loans by reducing risks, as well as in developing disaster risk financing mechanisms to facilitate post-disaster recovery and business continuity, especially for MSMEs in supply chains.

ABAC notes that many MSME exporters face serious trade financing hurdles in benefiting from regional Free Trade Agreements (FTAs). The International Chamber of Commerce's 2015 Global Survey of Trade Finance reports that 53 percent of trade finance transactions submitted by MSMEs were rejected, as compared to only 21 percent for large corporates. In the same survey, 68 percent of banks report that MSMEs are the most negatively impacted by more stringent Anti-Money Laundering and Know Your Customer (AML/KYC) compliance requirements. ABAC therefore seeks Ministers' collaboration with the ongoing work of APFF in helping member economies address these hurdles, including through harmonization of AML/KYC compliance standards among member economies, as well as promoting wider use of cross-border digital trade finance and electronic payments.

18. Facilitating infrastructure finance. ABAC asks Ministers to support efforts to facilitate infrastructure finance. These include dialogues under the Asia-Pacific Infrastructure Partnership (APIP), cooperation with the G20 Global Infrastructure Hub to develop an APEC Knowledge Portal, and the Urban Infrastructure Network. ABAC urges Ministers to collaborate with APFF in expanding insurers' and pension funds' investment in infrastructure through regulations encouraging long-term business, reforms to build the pension industry, and development of innovative financial instruments and capital markets. ABAC also asks Ministers to support the establishment of an Islamic Infrastructure Investment Platform (I3P) to promote harmonization of standards for compliance of infrastructure and financial instruments across the region with relevant guidelines and help expand Islamic institutions' cross-border infrastructure investment.



4 August 2016

Hon. Dr. Patricia García Funegra

Chair, APEC High-Level Meeting on Health and the Economy
Minister of Health
Peru

Dear Minister Garcia:

ABAC greatly values APEC's strong focus on health and health-related issues in the region. We welcome your leadership in hosting the 6th annual APEC High-Level Meeting on Health and the Economy. Peru's APEC 2016 theme "Quality Growth and Human Development" is intrinsically linked to the strengthening of health and health care systems in the Asia-Pacific region as economic growth and prosperity depend on healthy and productive workforces. The High-Level Meeting provides an invaluable opportunity to bring together health care stakeholders seeking innovative health solutions and outcomes. We applaud the contributions of the APEC Life Sciences Innovation Forum (LSIF) and the APEC Health Working Group (HWG) to the High-Level Meeting.

As our members represent the private sector in the region and being aware of common concerns and aspirations, ABAC recognizes that there are numerous health challenges facing the Asia-Pacific. Demographic shifts such as ageing populations and increases in non-communicable diseases (NCDs) have significant fiscal and economic impacts. It is estimated NCDs cause 60% of all deaths globally (35 million deaths a year), and will increase to 75% by 2030, with 80% of these deaths occurring in low and middle-income economies. A 2014 study of six APEC economies estimated that the annual cost of NCDs in terms of lost gross domestic product (GDP) could be as much as 6.1% of GDP by 2030. A 2015 study commissioned by ABAC showed that, on average, an additional 2% in lost GDP comes from early retirement due to ill health, with NCDs as the main contributing factor. That situation is putting pressure on public sector and corporate pension and health schemes. The demographic strain imposed by ageing populations and dwindling workforces paying into retirement systems, will put further pressure on pension obligations.

We were encouraged by and applaud the endorsement by APEC Leaders of the Healthy Asia-Pacific 2020 Roadmap. ABAC supports APEC's focus on a healthy workforce as being a critical requirement for ongoing growth in the region. In 2015, APEC Leaders acknowledged the inherent linkage between good health and fiscal stability: "We recognize the importance of our health systems in promoting the development of human capital and inclusive growth and look forward to further work in 2016 to address the fiscal and economic impacts of ill health." ABAC, LSIF and HWG encourage cross-sectoral coordination in the policy dialogue between health, finance and economic ministers, to achieve the common goal of proactive investment in healthy workforces. We would welcome close collaboration with the private sector to develop innovative solutions.

ABAC strongly supports APEC's focus on trade liberalization and facilitation. Safe and secure trade in pharmaceutical products will underpin healthier outcomes for all people in the region. To that end, ABAC is piloting a project with two economies to demonstrate that there is ability to verify serialized pharmaceutical products from various scan locations, to source data stored in distributed databases using global data standards (GDS). The results of this pilot will be used to inform policy makers on how best to implement operationally coherent GDS along cross-border supply chains, while increasing consumer safety and ensuring product authenticity.

ABAC supports the continued development of the APEC Healthy Women, Healthy Economies (HWHE), which is a toolkit of government policies and business practices that address health-related barriers to women's effective participation in the workforce. We plan to share the outcomes of the August 2016 workshop within our respective economies.

APEC is facing uncertain times. Growth remains weak across much of the region and prospects for a near-term recovery are not favorable. Against this somber backdrop, restoring solid growth and maintaining hard-won macroeconomic and financial stability in the region, will prove challenging. In this context, the fiscal implications of health are significant, and require the creation of fiscal space and financial stability in health budgeting. We encourage Health Ministers to continue the contribution they and their officials make to the regional health policy dialogue and to strengthen debate among key private and public stakeholders on health, financial and economic stability.

Yours sincerely,



Juan Francisco Raffo
ABAC Chair 2016



4 August 2016

Hon. Bruno Giuffra Monteverde
Chair, APEC SME Ministerial Meeting
Minister of Production
Peru

Dear Minister Giuffra:

On behalf of the APEC Business Advisory Council, I would like to submit to you our key findings in 2016 and recommendations related to the role of and challenges faced in our region by micro, small and medium enterprises (MSMEs). You are well aware that MSMEs are the backbone of economic development and key stakeholders in regional economic integration. Their contribution comes from being active participants in regional and global value chains (GVCs), significant providers of employment and sources of innovation. ABAC is confident that in the highly competitive international business environment, creative, integrative and sustainable solutions will allow MSMEs to gain access to the new opportunities offered by international markets and enable them to grow into regional and even global MSMEs.

With that ambition to motivate us, in 2016 ABAC has prioritized the following seven crucial areas that need to be addressed, and for which solutions need to be found, to enhance APEC MSMEs' access to and involvement in regional and global markets:

- *Promoting the adoption of cross-border e-Commerce.* E-Commerce is revolutionizing the way business is transacted across national borders. It enables firms and, in particular, MSMEs to bypass traditional intermediaries and reach a wider client base more quickly and directly. An APEC-wide study conducted in 2015 by ABAC, with the help of the University of Southern California Marshall School of Business, concluded that the single most critical constraining factor on MSME commercial success was their lack of readiness for and capability to engage in e-Commerce. Problems to do with e-Commerce awareness, technical ability, access to the required skills and financing, all limit the potential of MSMEs to incorporate e-Commerce in their business strategies, especially in developing economies.

To help encourage greater adoption of e-Commerce and increase MSME capacity to go global, ABAC launched a series of Cross-Border E-Commerce Training (CBET) workshops across APEC economies. They were held in China (2014), Brunei (2015) and Papua New Guinea (2016). ABAC plans to overcome the geographic limitation of CBET localization by launching the CBET e-Learning program and building an APEC CBET Network to promote accessibility to local MSMEs. ABAC recommends that regional governments intensify capacity building efforts to enable MSMEs to be more e-Commerce ready, and to encourage the establishment of the APEC CBET Network.

For cross-border e-Commerce to grow across the region, it is important that economies enact policies that support its promotion and trouble-free adoption by MSMEs. ABAC calls on APEC economies to make e-commerce and cross-border e-commerce a domestic policy priority. We also urge APEC to develop an APEC-wide action plan focused on creating a forward-looking e-commerce policy framework. We recognize that developing a truly integrated global e-commerce marketplace will take time, and much collective and collaborative effort. We are therefore pleased to note and support APEC's efforts to develop the APEC MSME Marketplace, which aims to provide a "bigger voice" for MSMEs and to harness the potential of the internet and digital economy.

- *Broadening MSMEs' access to digital technologies.* Digital technologies are also changing how business is done by and for MSMEs and creates new opportunities for small businesses to access the global market place. ABAC is continuing a robust digital economy work program given the importance of these issues to both the broader global economy and to small businesses. To date, we have shared private sector perspectives on the Internet of Things, big data and data analytics, broadband connectivity and STEM (Science, Technology, Engineering and Mathematics) education, and their contribution to innovation and to MSMEs. As APEC officials pursue next generation trade and investment issues, it is unsurprising that they are finding that the digital economy affects many sectors. These range from leading edge digital industries to traditional industries adopting digital technologies for the first time, and to small businesses trying to broaden their scope for market access. In this regard, ABAC welcomes and supports APEC's work plan for Facilitating Digital Trade for Inclusive Growth as a Potential Next Generation Trade and Investment Issue. The digital economy is creating new opportunities and business models, and will require new policies pertinent to the 21st Century and relevant to large and small businesses alike.
- *Fostering innovative capabilities of MSMEs.* To address the existing information gap and assist MSMEs and investors to collaborate and connect with each other, ABAC has initiated the APEC Innovation Center Mapping Initiative. It is a comprehensive and up-to-date interactive portal mapping incubators and accelerators across the APEC region. Its purpose is to provide solutions for entrepreneurs and MSMEs in emerging APEC economies to access innovation resources and promote the exchange and cross-fertilization of ideas among start-ups in the region.
- *Strengthening trade and investment linkages among MSMEs and big business.* The most easily obtainable opportunity to help involve MSMEs in global trade is to build their capacity to embrace global standards, values and best practices. This can be realized when a large corporation chooses to enter into long-term, value-driven partnerships with smaller companies that have the same respect for the achievement of excellence.

ABAC recognizes the need to further enhance MSME participation in local supply chains and GVCs by strengthening collaboration mechanisms. Knowledge inputs and policy measures, based on careful analysis of behind the border, at the border and across the borders issues pertinent to the internationalization of MSMEs, are fundamental to addressing these challenges. We urge the policy makers to develop policies and programs designed to strengthen trade, investment and innovation linkages between MSMEs and large corporations, and address obstacles in the way of such partnerships.

- *Expanding access to finance.* The lack of easy access to finance is a key issue for MSMEs with inadequate legal and institutional infrastructure to enable lenders to use business owners' transaction data and accept movable assets as collateral, regulatory barriers, a scarcity of enabling environments for equity-based financing and financial innovations, and MSMEs' difficulty in accessing adequate insurance identified as main contributing factors. Addressing these impediments will be critical in enabling MSMEs to play a greater role in the region, especially in taking advantage of the opportunities presented by the digital age.

ABAC has collaborated with relevant agencies and other stakeholders in the Asia-Pacific Financial Forum (APFF) to address these issues through initiatives such as the launch of the Financial Infrastructure Development Network (FIDN) in November 2015. ABAC urges Ministers to encourage economies to work with FIDN in developing modern credit information platforms, and secured transactions and insolvency systems that can expand MSMEs' access to finance and enable them to increase their contributions to regional integration. We encourage Ministers to collaborate with APFF in holding dialogues on regulatory and good governance issues and emerging facilitators of trade and supply chain finance. We also ask Ministers to support the holding of a second APEC SME Finance Forum in 2017 that will focus on the implications of financial innovation for MSMEs' access to finance.

- *Enhancing women's economic empowerment.* ABAC applauds the creation of the Women and the Economy Dashboard which identifies in an unprecedented way the dimensions of the existing policy gaps and highlights opportunities for improvement of women's economic situation. We call on APEC to utilize the 80 various data points in the Women and the Economy Dashboard to give priority to addressing gaps and promoting best practices. In 2016, ABAC has championed a STEM challenge and the adoption of other new disruptive technologies with a gender-specific lens. ABAC strongly supports the APEC Healthy Women, Healthy Economies (HWHE) initiative. We urge early implementation of the recommendations in a Policy Toolkit that has been developed on a public-private basis to address health-related barriers to women's participation in the workforce.
- *Strengthening Business Ethics for MSMEs.* ABAC continues to support the Business Ethics for APEC SMEs initiative, which has grown to be the region's largest collective action to promote and strengthen ethical business practices. We welcome the achievement of APEC economies in reaching the Nanjing Declaration's goal to double the number of industry association codes of ethics in just three years; and expand high-standard ethical business practices to more than 19,000 enterprises, including 34 new codes across ten economies. We urge continued implementation of APEC principles for codes of ethics in target sectors. We would welcome the launch of multi-stakeholder ethical collaborations to strengthen the business environment by 2020.

As outlined above, ABAC has many MSME-related initiatives underway or planned. They include the mapping of Incubators and Accelerators across APEC economies; Cross-Border E-Commerce Training; the ABAC Digital Economy Work Plan; and our efforts to enhance women's economic empowerment. We believe our contributions in this area can usefully complement APEC's work towards successful MSME access to and exploitation of global markets.

Yours sincerely,



Juan Francisco Raffo
ABAC Chair 2016



4 August 2016

Hon. José Manuel Hernández Calderón

Chair, APEC Food Security Ministerial Meeting
Minister of Agriculture
Peru

Dear Minister Hernández:

We welcome the opportunity to bring to your attention the work that ABAC has done during 2016 in the vital field of food security, which is critical to achieving sustainable and inclusive economic growth and prosperity for all economies, businesses, farmers (including smallholders) and people in the APEC region. Without food security, economies in the region are at risk of underperforming and crucial human potential may be lost. Food security is also an important prerequisite to attaining regional economic integration. In a food-insecure environment, the challenges of deepening and strengthening the integration of our economies become even more daunting. ABAC accordingly welcomes the high priority that APEC Economic Leaders and Ministers attach to the goal of achieving lasting food security in the APEC region by 2020. We believe that APEC can strengthen food security by promoting open and transparent markets.

The upcoming September meeting in Piura of APEC Food Security Ministers will be an important opportunity to inject fresh momentum into the areas that have been identified as vital for delivering on Leaders' and Ministers' expectations regarding food security. Those areas being: raising agricultural productivity and sustainability; facilitating investment and infrastructure development; enhancing trade and markets; and strengthening food production and trade-related services. These goals are important for all elements of the food system, from smallholder farmers and micro, small and medium enterprises (MSMEs) to larger producers, exporters and businesses. ABAC urges Ministers to continue to show strong leadership and ambition in setting in place sustainable and robust food system structures to meet the 2020 goal.

ABAC believes that smallholder farmers are a critical part of the agriculture sector in the Asia-Pacific. Their development is critical to the achievement of food security, rural development and farmer advancement. We stress that smallholder farmers face crucial challenges in addressing globalization, increasingly complex food value chains, pressures on natural resources and the adverse effect of climate change. We support efforts that aim to enable small shareholders to make substantial contributions to ensuring food security, poverty alleviation and the fulfillment of the 2030 Sustainable Development Goals, while not distorting production and trade.

In that connection, ABAC welcomed the establishment by APEC Ministers of the APEC Policy Partnership on Food Security (PPFS), and the adoption of the Roadmap on Food Security Towards 2020 and related commitments. ABAC has long championed the importance of business working in partnership with governments in developing sustainable solutions to food security. It is clear, however, that although the PPFS has become an important platform for dialogue, the full potential of this forum will only come through a greater level of engagement by all parties, particularly from the private sector. For that purpose, a careful re-examination and reassessment of the structure and operation of the PPFS may assist in this process. ABAC welcomes further discussions on this during the upcoming Food Security Week. The Attachment to this Letter includes a summary of ABAC perspectives on the broader PPFS Work Program for 2016.

ABAC urges support for a more energetic and effective participation in the PPFS from both the private and the public sectors. To that end, ABAC has established the Asia-Pacific Food Industry Forum (AP-FIF) to allow the private sector to develop robust, considered and credible positions for dialogue and interaction with the PPFS, APEC Ministers and APEC Economic Leaders. AP-FIF has discussed a number of key messages relevant to food security. They include the importance of trade liberalization (notably the need to address non-tariff barriers effectively), the value of new technologies and smart farming, the necessity for sustainable food production systems and infrastructure investment, and the acknowledgment that “food is mainstream business”. These key ideas are set out in more detail in the Attachment.

We look forward to the opportunity to discuss these significant issues with you at the APEC Food Security Ministerial Meeting in Piura. In the meantime, we welcome your continued support for putting in place the necessary architecture to ensure lasting food security for all economies in the Asia-Pacific region.

Yours sincerely,



Juan Francisco Raffo
ABAC Chair 2016

Key messages from the Asia-Pacific Food Industry Forum

Food industry participants in AP-FIF are conscious that recent developments in food trade and markets pose risks for achieving durable food security in the region, and emphasize the following key messages:

- 1. Trade and investment liberalization matter.** Trade in food and related services play a critical role in food security. However, new trade-restrictive measures continue to emerge, while ambitious trade-liberalizing agreements lag behind. We must continue to pursue the liberalization of trade and investment flows in the region.
- 2. Addressing non-tariff barriers is critical.** Many non-tariff measures (NTMs) are intended to meet legitimate objectives, but can be designed or applied in a way that is more trade-restrictive than necessary, and become non-tariff barriers (NTBs). NTBs can impose significant burdens on business, disrupt trade flows and make food more expensive. ABAC has research underway to identify the most egregious NTBs and try to come up with practical solutions: the outcomes of this research deserve careful consideration.
- 3. Using new technologies (including bio-technologies) and “smart” farming are part of a process of positive disruption** to traditional agriculture and food production, which can be used to increase yields, reduce chemical use, prevent waste, optimize logistics, enhance cost efficiency and broaden opportunities for producers to adopt more effective approaches to food production. Governments and industry need to be partners in improving the way new technologies are developed and used.
- 4. Effective food regulatory systems can provide increased safety and quality assurance for consumers and prevent unnecessary delays in food trade.** Food safety should not be a commercial issue. Food traceability is an important part of this picture. The concepts of “equivalence” and regulatory coherence are key to avoiding the creation of trade complexity and non-tariff barriers to trade. The adoption of global data standards can help make complex supply chains operate faster, cheaper and with greater integrity.
- 5. We need better infrastructure** – including road, rail, ports, cool chain and others – to grow production and trade while minimizing waste. APEC economies should be more open to outside investment in large infrastructure projects.
- 6. Addressing the sustainability of the food supply is an ongoing challenge.** Consumers are demanding greater assurances that food is sustainably produced; for business, enhanced sustainability makes good business sense. There is an ongoing debate over definitions and approaches but an international consensus on principles would be valuable. The private sector can play an important leadership role here.
- 7. Food is mainstream business.** Too often food is seen as a sectoral issue which is handled by specialist committees. Food needs to be considered along with other business issues with a direct link to sustainable and inclusive economic growth.

ABAC perspective on the PPFS Work Program for 2016

1. Ensuring Sustainable Development of the Agricultural and Fishery Sectors

ABAC emphasizes the critical role of the market, the need for robust regulatory frameworks, the importance of finance, the critical role of agricultural technology including mechanization, the sharing of best practices in sustainable management, capacity building in the area of food storage and food loss and waste, close attention to control of pests and diseases, actions to improve worker training, health and safety and a close attention to developing adaptive capacities to manage complex climate change impacts. ABAC encourages APEC governments to adopt mechanisms for knowledge sharing and technical cooperation, and to identify and eliminate barriers that limit public-private cooperation. ABAC recognizes that smallholder farmers play an important role in agriculture in this region, and that such farmers face crucial challenges in addressing globalization, increasingly complex food supply and value chains, pressures on natural resources and the adverse effect of climate change. We support efforts that aim sustainably to increase smallholder farmers' productivity.

2. Facilitating Investment and Infrastructure Development

ABAC emphasizes the importance of food infrastructure development and encourages projects such as cold chain and other forms of infrastructure development. To facilitate investment in food infrastructure, ABAC recommends that APEC governments focus on establishing policies and regulatory regimes that liberalize and encourage investment flows, promote public-private ownership structures, and improve private sector input into government decision making to maximize productivity and improve regional food value chain and supply chain connectivity.

3. Enhancing Trade and Markets

ABAC affirms its conviction that open and transparent markets strengthen food security. We support policies that enable the free flow of safe, nutritious food to match supply and demand across the region. We urge APEC governments to continue to resist protectionism in all its forms, to seek to open markets and eliminate trade-distorting policies for goods and services, to deepen connectivity and to establish internationally-recognized, science-based standards for food across the region. ABAC supports efforts to create an enabling environment to facilitate the integration of both MSMEs and smallholder farmers into supply and value chains and markets to help ensure food security, poverty alleviation and the fulfillment of the 2030 Sustainable Development Goals.

In particular, ABAC notes the important research that it has commissioned this year on non-tariff barriers to food trade. This research seeks to identify the most egregious non-tariff barriers affecting trade in agri-food products in Asia-Pacific markets, and to consider ways in which these barriers might be addressed in order to foster food security. It is expected that a report on this work will be completed in time to present to Ministers at the Piura meeting. ABAC urges Ministers to give close consideration to this work.



30 August 2016

Hon. Alfredo Eduardo Thorne Vetter
 Chair, APEC Finance Ministers' Meeting
 Minister of Economy and Finance
 Peru

Dear Minister Thorne:

I have the honor to convey to you this year's ABAC Report to APEC Finance Ministers.

As regional business leaders, we are keenly aware of the uncertainties currently being experienced in global markets. They underscore the urgency of structural reforms to stabilize and revitalize our economies. We believe that APEC has a key role to play in transforming the Asia-Pacific region into a strong and resilient engine of global growth. We urge Finance Ministers to promote legal, policy and regulatory reforms, and capacity building measures that will enable our financial markets to support the development of the real economy.

ABAC supports Perú's strong leadership in taking forward various initiatives under the Cebu Action Plan (CAP). For its part, under its 2016 theme of 'Quality Growth and Human Development', ABAC has undertaken a number of activities since the previous APEC Finance Ministers' Meeting (AFMM) to advance several important CAP initiatives, in collaboration with our partners in the Asia-Pacific Financial Forum (APFF), the Asia-Pacific Infrastructure Partnership (APIP) and the Asia-Pacific Forum on Financial Inclusion. What follows below is a summary of what ABAC has accomplished and specific actions we recommend for you and your colleagues to consider:

- *Expanding micro, small and medium enterprises' (MSMEs') access to finance through legal and institutional reforms.* We collaborated with various stakeholders to launch the Financial Infrastructure Development Network (FIDN) in November 2015 and convened workshops in four economies. We are undertaking a baseline analysis of credit information sharing in 21 economies, creating a credit information data dictionary, and pursuing two pathfinder projects on cross-border sharing of commercial and consumer credit reports within existing legal and regulatory frameworks.

We recommend that Ministers encourage the appropriate authorities to work with FIDN in developing modern credit information systems and regionally consistent legal and institutional frameworks for secured transactions and insolvency. The availability of such frameworks would expand MSMEs' access to finance and enable them to increase their contributions to regional integration. We also recommend that finance officials collaborate with APFF in holding public-private dialogues on regulatory issues and emerging facilitators of trade and supply chain finance.

- *Promoting financial inclusion.* Since 2010, ABAC has convened the Asia-Pacific Forum on Financial Inclusion on an annual basis in cooperation with the ADB Institute and other stakeholders. The Forum provides an opportunity for stakeholders to review current trends in financial inclusion, recent achievements, challenges and opportunities. This year's Forum addressed credit information systems, micro-insurance, cross-border payment systems, savings, digital financial infrastructure, financial literacy, and consumer protection with respect to digital finance, and insolvency. We ask Finance Ministers to encourage policy makers and regulators responsible for financial inclusion and MSME finance, to study the report of this year's Forum and to participate in the 2017 Forum.

- *Increasing micro-insurance coverage in APEC.* We recommend that the Finance Ministers Process (FMP) undertake activities in 2017, in collaboration with APFF, to complete the roadmap for expanding micro-insurance coverage as envisaged under the CAP.
- *Developing effective disaster risk financing and insurance (DRFI) mechanisms.* This year, we created a network of industry experts in the APFF drawn from the insurance, re-insurance, catastrophe risk modelling and related sectors. To further advance the CAP, we recommend that the FMP convene a workshop in early 2017, in collaboration with APFF, to identify economies most in need and perils that need to be prioritized. This would be an initial step in promoting private disaster insurance schemes. We ask that the FMP complete the stocktaking on the availability of risk exposure data as a step toward the development of regional risk sharing measures. We also propose that finance officials be involved in the drafting of an APEC roadmap for DRFI, involving experts from the public and private sectors and multilateral institutions.
- *Developing a robust pipeline of bankable infrastructure projects.* We recommend that the FMP more closely integrate and coordinate its various infrastructure initiatives, using the Public-Private Partnership (PPP) Experts Advisory Panel as the coordinating center. We suggest expanding cooperation with the Global Infrastructure Hub, including early adoption by member economies of the Hub's online tools and resources, as well as their participation in the International Infrastructure Support System (IISS). We propose that economies hold further APIP dialogues in 2017, and that the FMP advance the CAP's initiative to promote urban infrastructure development in collaboration with the Urban Infrastructure Network (UIN).
- *Expanding the region's long-term investor base.* Long-term investors such as insurers and pension funds play critical roles in the development of capital markets, financing of infrastructure projects and providing financial security. With the progressive ageing of societies, their roles will become even more important going forward in channeling long-term liabilities into long-term assets that can provide adequate returns to meet future emergency and retirement needs. We propose that APEC economies expand the region's long-term investor base, by establishing mandatory retirement systems and introducing tax incentives to promote the retirement savings market. We propose that economies promote infrastructure investment as a defined asset class, and adopt regulatory standards that support development of the long-term investor base.
- *Mobilizing Islamic Finance for infrastructure investment.* Following suggestions we received at our dialogue with Finance Ministers in Cebu, ABAC collaborated with the governments of Brunei Darussalam and Malaysia to hold workshops focused on how to mobilize capital in Islamic institutions to fund infrastructure across the region. Based on the conclusions of these workshops, we recommend the establishment of an Islamic Infrastructure Investment Platform (I3P). This would be a pathfinder initiative to promote collaboration among public, private, international and academic experts in removing obstacles to cross-border infrastructure investment by Islamic financial institutions.
- *Deepening the region's emerging capital markets.* In collaboration with various partners, ABAC convened APFF workshops to help implement capital market initiatives under the CAP. APFF also completed an assessment of key tax metrics that assist regulators in better understanding the detailed tax implications of the Asia Region Funds Passport (ARFP). We recommend that Finance Ministers encourage more member economies to join the ARFP, undertake workshops with APFF on the development of classic repo and derivatives markets, and use the APFF self-assessment templates to improve the availability and quality of information for capital market investors. We propose accelerating the financial integration of capital

markets with greater access to companies and investors within the region. We also recommend that the FMP collaborate with APFF in convening a regional symposium in 2017 to develop a roadmap for improving the regional financial market infrastructure.

- *Facilitating innovation in financial market infrastructure.* The growing role of financial technology (Fintech) creates new opportunities to enhance the region's financial market infrastructure (FMI), but also introduces new risks. These FMIs are important in promoting cross-border operations of MSMEs. To facilitate innovation in the region's FMI, we recommend that Finance Ministers encourage policy makers and regulators to participate in APFF workshops on cybersecurity, Know-Your-Customer (KYC) rules and ePayments.
- *Harnessing financial technology (Fintech) to accelerate the development of financial markets.* To discuss how APEC could harness Fintech to build bigger, more robust and inclusive financial markets, ABAC convened two APFF Roundtables, one on each side of the Pacific. Based on the outcomes of those discussions, we recommend that Finance Ministers establish a regional platform to bring together stakeholders from the public and private sectors to identify, in close collaboration with each other, concrete ways to help member economies harness financial innovation to build stronger and more inclusive and integrated financial markets. These stakeholders should include representatives from the industry, public sector and major international organizations.
- *Improving valuation practices in APEC.* ABAC is collaborating with various stakeholders to enhance the quality of valuation practices and the profession across member economies. This year, an audit of the valuation industry in APEC's 21 member economies was completed and a template of best practices prepared. These outcomes were discussed in roundtables held in two economies. To improve the quality of regional valuation practices and the expertise of professionals, we recommend that Finance Ministers encourage member economies to host further roundtables with ABAC, the International Valuation Standards Council (IVSC), valuation professional organizations (VPOs), and experts from industry and relevant bodies.
- *Fostering continued dialogue and research on the future of financial regulation.* ABAC continues to promote research and discussions in APFF on the present conditions and future directions of financial markets and regulations. Various dialogues were convened under the APFF in 2016 to discuss these matters. We recommend that Finance Ministers encourage policy makers and regulators involved in the region's financial markets to participate in APFF dialogues on financial regulations.

Two of these issues require particular attention. The first is capital market development, which is important for successfully addressing many issues, including financing of infrastructure, MSMEs and supply chains, developing the long-term investor base, and supporting economic growth and financial stability. The second is Fintech, which presents considerable opportunities to make financial services more inclusive and efficient, but also carries new risks and calls for attention from regulators and policy makers.

As economic cooperation within APEC progresses, we anticipate that demand for finance will grow significantly. Meeting this demand will require closer financial cooperation among governments and regulatory bodies and the support of multilateral development banks. It will also require innovations in financial services and platforms for various forms of collaboration among commercial financial institutions in the APEC region.

Additionally, last year's Leaders' Declaration noted the need to address the fiscal and economic effects of ill health. APEC Ministers also recommended the convening of cross-fora dialogue for this purpose. ABAC supports these calls and encourages finance and health officials to collaborate in developing solutions to deal with this issue.

We believe that the CAP provides a well-designed roadmap that can help the financial sector more effectively contribute to the development of the region. The specific recommendations we are submitting in the enclosed Report have the objective of advancing the initiatives that will create the most favorable conditions for financial markets to support sustained growth throughout APEC. We invite Finance Ministers to consider these recommendations, which are explained in greater detail in the Report.

We are appreciative of the opportunity that Finance Ministers have given ABAC to contribute to their work, in collaboration with our partners in APFF, APIP and the Asia-Pacific Forum on Financial Inclusion. We look forward to discussing these important matters with Ministers during our upcoming dialogue with them in Perú, and anticipate a successful and productive conclusion to this year's AFMM.

Yours sincerely,



Juan Francisco Raffo
ABAC Chair 2016

Attachments: *2016 ABAC Report to APEC Finance Ministers*

<https://www2.abaconline.org/content/download/22613132>

Annex A: Asia Pacific Financial Forum (APFF) 2016 Progress Report to the APEC Finance Ministers

<https://www2.abaconline.org/content/download/22613163>

Annex B: Advisory Group on APEC Financial System Capacity Building 2016 Report on Capacity Building Measures to Strengthen and Develop Financial Systems

<https://www2.abaconline.org/content/download/22613183>



Founding and Structure

The APEC Business Advisory Council (ABAC) was created by the APEC Economic Leaders in November 1995 to provide advice on the implementation of the Osaka Action Agenda and on other specific business sector priorities, and to respond when the various APEC fora request information about business-related issues or to provide the business perspective on specific areas of cooperation. It is the sole non-governmental entity that has an official role in the APEC Economic Leaders' Meeting through a formal dialogue.

ABAC comprises up to three members of the private sector from each economy. ABAC members are appointed by their respective Leaders, and represent a range of business sectors, including small and medium enterprises. The economy determines the term of membership of each appointee as well as its own administrative arrangements and staff support.

The ABAC Secretariat based in Manila, the Philippines serves all members and all economies and maintains a website. Funding is provided through a system of annual dues, which are structured to reflect the size of each economy, following the APEC formula.

ABAC in 2016

In 2016, Peru took on the Chair of ABAC, with the Philippines and Viet Nam as co-chairs, following the APEC order. Co-chairs represent immediate past and future chairs.

ABAC adopted the theme "Quality Growth and Human Development". The 2016 work program focuses on the following priorities:

- Consolidating progress towards the Free Trade Area of the Asia-Pacific (FTAAP)
- Facilitating micro, small and medium enterprise (MSME) development through access to global markets and new technologies
- Promoting economic growth, diversification and sustainability
- Strengthening rule of law and economic and social sustainability

In line with the priorities of the ABAC Chair, ABAC established five working groups to carry forward its work during the year, namely:

- Regional Economic Integration Working Group (REIWG)
- Connectivity Working Group (CWG)
- MSME and Entrepreneurship Working Group (MSMEEWG)
- Sustainable Development Working Group (SDWG)
- Finance and Economics Working Group (FEWG)

In addition, ABAC collaborates with key international public and private sector institutions on financial issues affecting the region through the Advisory Group on APEC Financial System Capacity Building.

ABAC convened four meetings in 2016: San Francisco, California, USA (24-28 February); Port Moresby, Papua New Guinea (24-27 April); Shenzhen, China (31 July-4 August); and Lima, Peru (14-16 November). Four meetings of the Advisory Group were also held: San Francisco, California, USA (25 February); Port Moresby, Papua New Guinea (25 April); Shenzhen, China (1 August); and Lima, Peru (14 November).

ABAC actively participated in various APEC meetings and related events, among others: FMP Disaster Risk Financing and Insurance Workshops Strengthening Public Policy for an Integrated and Resilient Asia-Pacific

Region” (Lima, Peru, 13-14 February); Finance and Central Bank Deputies’ Meeting (Lima, Peru: 15-16 February); First APEC Senior Officials’ Meeting (SOM I) and related meetings (Lima, Peru: 20 February-4 March); SOM II and related meetings (Arequipa, Peru: 5-15 May); Meeting of APEC Ministers Responsible for Trade (MRT) (Arequipa, Peru: 17-18 May); APEC Public-Private Partnership Experts Advisory Panel Meeting (Trujillo, Peru: 25 May); Senior Finance Officials’ Meeting (SFOM) (Trujillo, Peru, 26-27 May); 9th Tourism Ministerial Meeting (Lima, Peru: 28-29 May); APEC High-Level Forum on Urbanization (Ningbo, China: 2-3 June); Women and the Economy Forum (Lima, Peru: 27-20 June); SOM III and related meetings (Lima, Peru: 15-28 August); APEC SME Ministerial Meeting (Lima, Peru: 9 September); APEC Policy Partnership on Food Security (Piura, Peru, 23-24 September); High-Level Senior Consultation on Agriculture and Food Security (Piura, Peru: 25 September); APEC Food Security Ministerial Meeting (Piura, Peru: 26-27 September); SFOM (Lima, Peru: 12-13 October); Finance and Central Bank Deputies’ Meeting (Lima, Peru: 14 October); APEC Finance Ministerial Meeting (Lima, Peru: 14-15 October); Concluding SOM (Lima, Peru: 14-15 November); and APEC Ministerial Meeting (Lima, Peru: 17-18 November).

Other events organized and/or participated in by ABAC included: the Asia-Pacific Financial Forum (APFF) Roundtable on Financial Innovation (San Francisco, California, USA: 24 February); APEC Executive Forum (San Francisco, California, USA: 25 February); Asia-Pacific Food Industry Forum Meeting (San Francisco, California, USA: 25 February); Stakeholder Engagement Session: The Internet/Digital Economy (San Francisco, California, USA: 26 February); Financial Infrastructure Development Network (FIDN) Conference on Credit Infrastructure (Manila, Philippines: 14-15 March); 2016 Asia-Pacific Forum on Financial Inclusion in a Digital Age (Tokyo, Japan: 7-8 April); ABAC-ASIFMA-ADB-OJK Workshop Developing Deep and Liquid Repo Markets in Indonesia (Jakarta, Indonesia: 19 April); E-Commerce in SME Summit (Port Moresby, Papua New Guinea: 25 April); APEC Executive Forum: Growth in the APEC Region through the Extractive Industries – The PNG Story (Port Moresby, Papua New Guinea: 25 April); Workshop on Developing an Islamic Infrastructure Investment Platform (I3P) (Kuala Lumpur, Malaysia: 10 May); Mining Task Force (MTF) Private Session for Mining CEOs (Arequipa, Peru: 10 May); APEC Executive Dialogue on Trade (Arequipa, Peru: 16-17 May); ABAC-IFC-PBOC-China Society of Civil Law Research International Conference on Secured Transactions Legal Reform (Nanjing, China: 21-22 May); Workshop on Financial Inclusion Policies (Trujillo, Peru: 24 – 25 May); ABAC-BIIA-IFC-NCB First Meeting on the Mekong Region Credit Information Sharing (Bangkok, Thailand: 4-5 July); APFF 2016 Workshop on Trade & Supply Chain Finance in a Challenging Macroeconomic Environment (Singapore: 8 July); Asia-Pacific Financial Forum – FinTech Roundtable (Hong Kong, China: 15 July); Global Innovator Conference – Shenzhen Forum (Shenzhen, China: 1 August); High-Level APFF Symposium (Shenzhen, China: 1 August); APEC Ad-Hoc Steering Group on the Internet Economy: Stakeholder Engagement Session (Shenzhen, China: 1 August); The First CBET Network Meeting (Shenzhen, China: 3 August); APFF Financial Infrastructure Development Network Workshop (Bangkok, Thailand: 24-25 August); Asia-Pacific Infrastructure Partnership Dialogue with Thailand (Bangkok, Thailand: 5 September); APEC Executive Dialogue on Food Security (Piura, Peru: 25-26 September); APEC Executive Dialogue on Finance and Regulatory Quality (Lima, Peru: 13-14 October); and APEC SME Summit (Lima, Peru: 17 November).

Studies and Related Work

ABAC provided high-level feedback on the draft chapters of the APEC Collective Strategic Study on Issues Related to the Realization of the FTAAP prepared by the APEC Committee on Trade and Investment. It also provided inputs on the development of the APEC Services Competitiveness Roadmap, the key objective of which is to enable concrete action to facilitate services trade and investment and enhance the competitiveness of the services sector.

ABAC partnered with the University of Southern California's Marshall School of Business on a study on non-tariff barriers to food trade which sought to identify the most egregious non-tariff barriers affecting trade in agri-food products in key Asia-Pacific markets.

ABAC continued to work with the Asian Institute of Management on a study on "Enabling Inclusive Business Models in APEC" which sought to document best practices of big businesses that enable MSMEs to access the global value chain and identify policy recommendations to address the challenges that hinder the growth of these types of partnerships.

Outreach

As part of its communications outreach efforts and in line with its economic inclusion agenda, ABAC continued to hold APEC SME Summits.

ABAC continued to strengthen its interaction and engagement with APEC Ministers, Senior Officials and APEC fora. It partnered with the Pacific Economic Cooperation Council (PECC) and APEC Peru to organize a Public-Private Dialogue on Services focusing on the enabling factors to improve services competitiveness, including knowledge infrastructure in developing human capital, innovation and emergence of new technologies, and the structural shift on regulatory review and reform. ABAC members also continued to hold meetings with the APEC leadership at the domestic level after each ABAC meeting.

Future Work

ABAC remains fully committed to providing advice to APEC Leaders on business sector priorities and in pushing forward the APEC agenda on trade and investment liberalization and facilitation. Future work will continue to focus on regional economic integration, FTAAP, trade facilitation, infrastructure development and investment, supply chain connectivity and global value chains, regulatory coherence, MSME development, rule of law, energy security, food security, blue economy/oceans-related issues, green growth, and the development and integration of financial markets.

List of Acronyms

A2C2	APEC Alliance for Supply Chain Connectivity	IFC	International Finance Corporation
ABAC	APEC Business Advisory Council	IISS	International Infrastructure Support System
ABTC	APEC Business Travel Card	ITA	Information Technology Agreement
ACT-NET	APEC Network of Anti-corruption Authorities and Law Enforcement Agencies	IVSC	International Valuation Standards Council
ADB	Asian Development Bank	I3P	Islamic Infrastructure Investment Platform
AEO	Authorized Economic Operator	KYC	Know-Your-Customer
AFMM	APEC Finance Ministers' Meeting	LNG	Liquefied Natural Gas
AML	Anti-Money Laundering	LSIF	APEC Life Sciences Innovation Forum
APEC	Asia-Pacific Economic Cooperation	MRA	Mutual Recognition Agreement
APFF	Asia-Pacific Financial Forum	MRT	APEC Ministers Responsible for Trade
AP-FIF	Asia-Pacific Food Industry Forum	MSME	Micro, Small and Medium Enterprises
APIP	Asia-Pacific Infrastructure Partnership	MSMEEWG	Micro, Small and Medium Enterprises and Entrepreneurship Working Group
AP-OIP	Asia-Pacific Open Innovation Platform	MTF	APEC Mining Task Force
ARFP	Asia Region Funds Passport	NCB	National Credit Bureau (Thailand)
ASEAN	Association of Southeast Asian Nations	NCD	Non-Communicable Disease
ASIFMA	Asia Securities Industry and Financial Markets	NTB	Non-Tariff Barrier
BMG	APEC Business Mobility Group	NTM	Non-Tariff Measure
BIIA	Business Information Industry Association	OECD	Organization for Economic Cooperation and Development
BIT	Bilateral Investment Treaty	OJK	Otoritas Jasa Keuangan (Financial Institutions Supervisory Body - Indonesia)
CBET	Cross-Border E-Commerce Training Program	PA	Pacific Alliance
CEO	Chief Executive Officer	PECC	Pacific Economic Cooperation Council
CO2	Carbon Dioxide	PPFS	APEC Policy Partnership on Food Security
COP21	Twenty First Session of the Conference of the Parties	PPWE	APEC Policy Partnership on Women and the Economy
CWG	Connectivity Working Group	PPP	Public-Private Partnership
DRFI	Disaster Risk Financing and Insurance	PSU	APEC Policy Support Unit
EGA	Environmental Goods Agreement	RCEP	Regional Comprehensive Economic Partnership
EGS	Environmental Goods and Services	REIWG	Regional Economic Integration Working Group
ELR	Earn, Learn, Return	RIAG	Regional Investment Analytical Group
FDI	Foreign Direct Investment	SDWG	Sustainable Development Working Group
FEWG	Finance and Economics Working Group	SFOM	Senior Finance Officials' Meeting
FIDN	Financial Infrastructure Development Network	SOM	APEC Senior Officials' Meeting
FMI	Financial Market Infrastructure	STAR	APEC Services Trade Access Requirements
FTA	Free Trade Agreement	STEM	Science, Technology, Engineering and Mathematics
FTAAP	Free Trade Area of the Asia-Pacific	TFA	Trade Facilitation Agreement
GDP	Gross Domestic Product	TiSA	Trade in Services Agreement
GDS	Global Data Standards	TiVA	Trade in Value Added
GHG	Greenhouse Gas	TPP	Trans Pacific Partnership
GHS	Globally Harmonized System of Classification and Labeling of Chemicals	TPTWG	APEC Transportation Working Group
GRP	Good Regulatory Practice	UIN	Urban Infrastructure Network
GSCNET	APEC Cooperation Network on Green Supply Chain	UNCTAD	United Nations Conference on Trade and Development
GVC	Global Value Chain	USC	University of Southern California
HWG	APEC Health Working Group	VPO	Valuation Professional Organization
HWHE	APEC Healthy Women, Healthy Economies	WTO	World Trade Organization
ICT	Information and Communication Technology		
IMF	International Monetary Fund		