

ABAC 2010 Report to APEC Economic Leaders Executive Summary

The following is a summary of the actions that ABAC recommends APEC undertake to achieve balanced, inclusive, sustainable, innovative and secure growth for all in the region as put forward in this report:

A. Re-commit to achieving the Bogor Goals and develop a new vision. ABAC's own review of progress towards the Bogor Goals clearly identifies that many member economies have become considerably more open since 1994. Further, ABAC acknowledges that important steps that have been taken to improve the ease of conducting business within APEC regional supply chains and value chains since the Bogor Goals were first conceived. However, the existence of remaining barriers to trade and investment and the changing nature of modern regional supply chains and value chains mean that more needs to be done to achieve the goals of free and open trade and investment in the region.

ABAC recommends that APEC Leaders develop a new vision, which sets an aspirational goal for APEC, building on its achievements and looking towards the future extending beyond the Bogor era. The new vision should recommit APEC economies to achieve free and open trade and investment and promote deeper regional integration to achieve balanced, inclusive, sustainable, innovative and secure growth. As the new vision is developed, APEC economies should adopt and publish annually a set of regional integration metrics. The new vision should seek to liberalize flows of goods, services, investment, technology and people across the region and be developed in consultation with business.

B. Make further progress towards achieving FTAAP. ABAC believes that the Free Trade Area of the Asia Pacific (FTAAP) is an aspirational but achievable vehicle for delivering free and open trade and investment within the Asia-Pacific region. It urges APEC Leaders to make decisions at their Yokohama meeting on possible pathways for achieving FTAAP so that work to develop these pathways can proceed in line with APEC basic principles and ultimate goal for regional economic integration, to ensure all-inclusive participation by APEC economies, and so that business can play an active role in helping define the forward agenda.

C. Identify new business requirements. ABAC has developed further ideas on new business requirements that could be included in future FTAs, whether FTAAP or other pathfinder agreements. Alongside market access, future FTAs should address market integration and take into account the needs of the digital economy, the services sector as well as principles for regulatory cooperation and processes for achieving regulatory cooperation and coherence.

D. Resist protectionism. ABAC's ongoing monitoring of the incidence of protectionism over the past year has identified several examples of economies, including APEC members, taking actions which, while WTO-compliant, have the effect of impacting negatively on trade and investment. While most APEC members have not resorted to such measures and have in fact liberalized trade and investment, some have continued to take trade restrictive measures. Measures notified to ABAC include raising tariffs, imposing regulations discriminating against imports and exports, providing government aid and offering export subsidies. ABAC urges APEC Leaders to re-affirm APEC's commitment to open markets and to an effective standstill and withdrawal of all new trade restrictive measures, whether WTO-compatible or not.

- E. Conclude the Doha Development Agenda.** ABAC is deeply disappointed that the global community has failed to find the necessary political will to complete the WTO Doha Development Agenda (DDA) in 2010. APEC economies have a role to play in showing flexibility in the negotiation and engaging with non-APEC economies, building on progress already made, to complete the round and ensure the WTO remains relevant to business. ABAC urges APEC Leaders to do all they can to ensure DDA is completed in 2011.
- F. Facilitate investment flows.** ABAC believes that APEC economies must step up efforts to make investing in the region easier, cheaper and faster. In addition to a focused program on investment facilitation, APEC must also maintain an active program to promote liberalization of investment. Progress towards APEC's stated objectives must be measured to ensure that APEC's efforts improve the ability of the private sector to conduct business across the region. ABAC supports the adoption and implementation of the Roadmap for Investment in a manner that achieves results and recognizes the realities of doing business. ABAC has reviewed the 1994 APEC Non-Binding Investment Principles and recommends that Leaders adopt its proposed improvements to ensure that they continue to promote both foreign and domestic investment in the face of the changes in the way business is conducted in the region.
- G. Facilitate the flow of goods and services.** ABAC welcomes ongoing efforts to simplify, harmonize and increase the transparency of regulations and processes related to the flow of goods and services across borders through the Single Window, Trade Facilitation Action Plan (TFAP) II and Supply Chain Connectivity Framework initiatives. However, economies need to undertake further and more far-reaching efforts in order for the private sector to benefit fully from the results of APEC's trade facilitation initiatives. ABAC urges APEC to consider improving on existing measurements and indices as a reference to assess progress under TFAP II and the Investment Facilitation Action Plan. It urges APEC economies to share experiences in order to identify best practices that will contribute to the facilitation of business operations across the region.
- H. Accelerate SMME capacity building efforts.** There is a pressing need, in recognition of the economic contribution by small, medium and micro-enterprises (SMMEs), to create a conducive environment to strengthen their role in APEC economies by delivering balanced, inclusive, sustainable, innovative and secure growth. ABAC encourages targeted policies in the areas of productivity, innovation, financial inclusion and export fostering. SMME education is another important capacity building activity since raising awareness on tools and resources, such as ICT, skills development programs and new business models, can help SMMEs grow. Outreach programs to capture, disseminate and foster micro-enterprise activities would secure inclusiveness and broaden the base for economic contributions. ABAC urges APEC economies to further improve SMME access to finance, facilitate greater ICT utilization by regional SMMEs, undertake capacity building programs to advance innovative growth, and develop common principles for ethical business practices for SMEs.
- I. Ensure food security.** The recommendations contained in ABAC's document "Strategic Framework for Food Security in APEC" should be integrated into APEC's food security work plan. ABAC urges APEC to pay particular attention to: (a) recommitment by Leaders to an APEC Food System that ends subsidies, import restrictions and other distortions in food trade; (b) creation of a high-level entity, that includes the private and research sectors, to coordinate APEC's work on food issues; and (c) achievement of a true sense of food security by committing APEC economies to ending all export embargoes, quantitative restrictions and export taxes for food products traded between APEC member economies.

- J. Address energy security.** ABAC strongly recommends continued engagement between governments and the private sector in order to provide the essential perspective on the real impact of proposed policy and regulatory measures on actual markets, consumption patterns, and productivity, with due consideration for the energy security concerns of suppliers from the demand side. ABAC urges APEC economies to focus in the near term on improving efficiency and conservation; work to secure wider use of low-carbon fossil fuels; consider nuclear energy and study its feasibility in individual APEC economies as a low emissions source of power generation; continue to focus on the development and management of renewable energy; eliminate distortions and promote efficiencies in energy markets; expand emphasis on developing ‘clean’ energy and promote innovation in energy and related technologies as a core pillar of a complete APEC energy security approach; and develop and implement APEC regional energy security strategies in the context of the overall global energy security situation.
- K. Address skilled personnel shortages.** To ensure that the lack of skilled personnel does not become an impediment to sustained economic growth, economies need to develop and maintain policies and programs to manage their talent needs. APEC should take actions including capacity building and sharing of best practices to ensure each economy is able to promote inclusive growth through implementation of effective people management systems. A comprehensive people management system would include: (a) a facility for economy-wide skills mapping; (b) programs for targeted training/retraining of domestic human resources; (c) means to assess where shortages can be addressed through delivery of services from remote locations; and (d) policies that enable industries to address shortages that require physical presence of talent.
- L. Ensure trade security.** ABAC welcomes the establishment of APEC’s Authorized Economic Operator (AEO) Working Group and their decision to commence a study on an APEC-wide AEO program. It urges the AEO Working Group to develop a concrete program which focuses on mutual recognition and puts emphasis on tangible benefits for AEO-certified companies. Further consideration is also necessary to eliminate redundancy between the AEO program and other security programs.
- M. Harmonize transportation safety regulations.** Given the global nature of modern supply chains, ABAC urges the harmonization of transportation regulations on an international basis to achieve both safety and the facilitation of trade. Standards in each economy should be aligned with those set by relevant international organizations and where international standards do not exist, the introduction of an appropriate international framework to establish globally harmonized regulations should be encouraged. APEC economies should promote capacity building activities to ensure transportation safety by encouraging compliance with current regulations among relevant supply chain operators.
- N. Promote safety in the logistics supply chain.** To assist in meeting the increasing freight challenge to allow for the smooth and safe flow of goods and services, ABAC urges APEC economies to support work it is undertaking on the development and application of a heavy vehicle safety guide. Such work would serve as a means to identify areas for action and to provide tools for decision makers and practitioners to improve their awareness of means to strengthen safety measures. It further urges APEC economies to work with ABAC on a pilot project on developing case studies and local experience on road safety measures.
- O. Enhance competition policy.** ABAC believes that cross-border trade and investment can gain momentum through further development of transparent and consistent environments which ensure procedural fairness in mergers and other competition policy-related cases. This

applies to economies with mature competition policy regimes as well as those in the nascent stages of development. Following the successful staging of the first public-private sector dialogue between ABAC/private sector representatives and the APEC Competition Policy and Law Group, ABAC urges the holding of a second dialogue to examine best practices of procedural fairness both in mergers and other cases with the view to establishing common principles for procedural fairness in APEC economies, reflecting consensus of all APEC competition authorities. In particular, the different stages of development among APEC member economies must be fully taken into account.

- P. Further improve business mobility.** The APEC Business Travel Card (ABTC) has improved the mobility of business people in the APEC region and is an example of an APEC initiative that provides direct and tangible benefits to business. ABAC urges APEC economies to continue to enhance the operation of the ABTC scheme by shortening the processing time for pre-clearance, simplifying the renewal process, improving online service, ensuring recognition of the card at the ports of entry, and providing clearly marked priority lanes. It further urges APEC to study the possibility of extending additional benefits for ABTC holders such as expanding the area of usage of the ABTC beyond APEC economies, especially the EU.
- Q. Strengthen intellectual property rights cooperation.** Patents are an important tool for protecting intellectual property rights and promoting innovative growth. Explosive growth in global investment in research and development has contributed to a backlog of 3.5 million unprocessed patent applications. Critical to addressing this increase in patent applications will be enhancing and broadening patent acquisition cooperation efforts between patent offices in the Asia-Pacific. ABAC urges APEC to develop a set of framework principles that would govern patent applications work sharing and develop legal and technical modalities necessary for their implementation. To improve border enforcement of intellectual property rights, ABAC recommends enhanced information sharing among patent offices as well as the private sector. It also attaches importance to the necessity of maintaining a proper balance between the protection of the intellectual property rights of holders and the rights of the general public.
- R. Increase transparency and fight corruption.** APEC Leaders have recognized the central importance of increasing transparency and fighting corruption, both as vital goals in their own right and as essential contributors to sustainable development, economic growth and good governance within the Asia-Pacific region. They have endorsed a number of robust deliverables to address corruption and increase transparency; however, evidence is scant regarding the extent of APEC action on these commitments. Public reporting would provide the best means for APEC Leaders to demonstrate that they are moving forward on these commitments. ABAC calls for APEC Leaders to consider the possible annual reporting on implementation of transparency and anti-corruption commitments, with benchmarks and timetables for full implementation. The inaugural report could be issued by the November 2011 Leaders' Meeting in the United States.
- S. Support industry dialogues.** ABAC welcomes the work being carried out by the industry dialogues, notably the principles for best practice chemicals regulation by the Chemical Dialogue, the Automotive Dialogue's focus on green vehicles advanced technologies, and the regulatory harmonization agenda of the Life Sciences Innovation Forum (LSIF). The regulatory harmonization agenda of the Chemical Dialogue and LSIF should be accorded priority as significant regional economic integration deliverables and as an initiative that promotes economic growth in the case of the former and human health in the case of the latter. ABAC also welcomes the initiative of the Chemical Dialogue to develop a strategic

framework through 2012 with the goal of developing a coordinated approach to the international chemicals agenda. It supports the extension of the landmark LSIF Framework Study on the Returns to Investment in Health Innovations to include infectious diseases and the dynamic effects on economic growth and looks forward to working with LSIF as the study progresses.

- T. Promote environmental-friendly goods and services.** The introduction of energy efficiency labeling accelerates dissemination of environmental goods and services (EGS) and ABAC is pleased that many economies have already implemented these labeling systems. ABAC also encourages APEC to accelerate efforts to promote energy efficiency and conservation actions on the demand side. In particular, it urges APEC economies to explore mutual recognition of other economies' labeling systems on a pathfinder basis, identify ways to pursue policies to help dissemination such as through incentives, and develop criteria to measure the energy efficiency of buildings.
- U. Tackle climate change.** Noting that Leaders in their 2009 Leaders' Declaration reaffirmed a commitment to tackle the threat of climate change, ABAC recommends that, in the design of any measures to tackle greenhouse gas (GHG) emissions, regard should be had to the impact of reduction measures on food production and distribution, and food safety and security generally. Further, APEC economies should develop standard metrics to assess efficiency, preferably by sector, and assist in measuring progress and quantifying results. APEC should consider developing an APEC Low-Carbon Pathfinder Scheme under which low-carbon policy measures by each economy would be systematically and transparently prioritized and reviewed, with reports published annually or biannually.
- V. Promote human capacity building.** ABAC believes that human capacity building must be a core feature of the APEC growth framework. It recommends that APEC economies: (a) promote information communication technology (ICT) applications in human resource development by conducting experimental demonstrations of education and training systems using ICT in order to introduce the most appropriate infrastructure and application; (b) reform the educational system by institutionalizing a culture of entrepreneurial innovation and creative thinking; and (c) give the Voices of the Future Program a more permanent profile in the Leaders' Summit to provide continuity in carrying the APEC program forward with the next generation of Leaders.
- W. Strengthen and deepen the region's capital markets.** ABAC underscores the importance of exit strategies and policy coordination among APEC economies in light of the nascent recovery of the global economy following the global financial crisis and renewed financial turbulence, notably in Europe. Care must be taken in selecting the timing of implementation of exit strategies. Fiscal and monetary policies should reflect each economy's specific situation while maintaining close global collaboration. APEC economies should further promote regional financial integration and seek initiatives (e.g., cross-border securities collateral management) that enable them to prepare for emergencies which occur outside the region.

ABAC recommends continuous international and domestic efforts to advance capacity building efforts to strengthen and deepen the region's capital markets, *inter-alia* by: encouraging the co-existence of Islamic and conventional financial systems to promote greater financial system resilience; launching an Asia-Pacific Infrastructure Partnership as a pathfinder initiative to facilitate the growth of infrastructure public-private partnership (PPP) in the region; further promoting bond and equity markets, including through the establishment of wholesale securities markets open only to professional investors; and

creating a task force within APEC to discuss implementation of International Financial Reporting Standards (IFRS), in cooperation with the International Accounting Standards Board (IASB). ABAC underscores the important role of the public sector in implementing appropriate legal framework to promote environmental finance and SMME finance, paying sufficient attention to the people at the bottom of the economic pyramid.