

Deb Henretta
ABAC Chair 2011

29 April 2011

The Honorable
Ron Kirk
United States Trade Representative
600 17th Street NW
Washington, DC 20508
USA

Dear Ambassador Kirk:

On behalf of the APEC Business Advisory Council (ABAC), I am pleased to share with you and your fellow APEC Ministers Responsible for Trade our key recommendations aimed at promoting economic growth and recovery in the region.

Our recommendations are made in a global economic context that remains fragile. Risks lie in the divergence in growth between developed and developing economies and in the slow recovery of foreign direct investment (FDI) which remains at below pre-crisis levels. Our recommendations below and in the attachment focus on actions that APEC member economies could take to address these risks.

ABAC's priorities lie in the promotion of regional economic integration through the liberalization of goods, services and investment flows, enhanced supply chain connectivity and improved regulatory coherence between economies. We welcome the decision of APEC Economic Leaders in Yokohama last year to take concrete steps towards the creation of a Free Trade Area of the Asia-Pacific (FTAAP). FTAAP should be advanced in a manner that ensures business growth while promoting social inclusion. ABAC looks forward to receiving further details on the concrete steps to be taken and to monitoring progress in the identified pathways to FTAAP.

ABAC recommends that a key objective of steps towards FTAAP should be to enhance the operation of integrated supply and value chains which reflect the way business is now increasingly being done in the region. As an incubator for ideas, APEC has a key role to play in identifying blockages and overcoming barriers and impediments to enhance competitiveness, make business more profitable, help companies better manage inventories and lower costs for consumers.

ABAC recommends that particular attention should be focused on actions aimed at accelerating the growth of FDI. Such actions include improving the predictability, transparency and efficiency of the legal and regulatory environment for investment and providing effective mechanisms for expedited approval processes and the resolution of disputes.

ABAC is ready to work closely with APEC Ministers and officials to identify priority actions that could be taken in "next generation" areas such as behind-the-border regulation, trade in services, competitive markets, innovation, government procurement and labor mobility. The principles of

gradual improvement, mutual benefits as well as differentiated approaches should be adopted to guarantee the inclusive participation of all members, with due consideration to the varied adaptive capacities of developing economies. We will develop our ideas further in our annual recommendations to Economic Leaders.

Regional economic integration will also be served by the earliest possible conclusion of the World Trade Organization's Doha Development Agenda. The case for concluding Doha is as strong as ever. Despite progress on the global trade negotiations, the differences in Non-Agricultural Market Access are effectively blocking progress and putting into serious doubt the conclusion of the Round this year. ABAC recommends that Ministers adopt a strong statement in support of the concluding final modalities in a timeframe that allows Doha to be concluded with an ambitious and commercially meaningful outcome this year.

ABAC is conscious of the large-scale natural disasters that have affected people in several economies in the region in the last year. The devastation wrought most particularly in Japan has also highlighted the integrated nature of global and regional supply chains. ABAC recommends that Ministers take all necessary steps to keep critical supply chain links open at times of national emergency. Ministers should ensure that domestic actions taken to protect their citizens are based on rational and science-based decision making and accepted international standards.

The disaster in Japan, and ongoing uncertainty in the Middle East, have also amplified ABAC's concern about global energy security. ABAC recommends that officials be directed to give urgent attention to energy security, including reviewing the safety of nuclear power, developing renewable energy and taking measures to stabilize the price of oil and other fuels.

Finally, ABAC's work includes a number of other trade and investment initiatives that are relevant to improving the business environment across the region. An update on progress on these initiatives is provided in the attachment.

We look forward to participating in your meeting in Big Sky, Montana in May and to discussing these recommendations in greater detail.

Sincerely,



Deb Henretta
ABAC Chair 2011

Progress Report to APEC Ministers Responsible for Trade – Other Initiatives

- 1. Investment liberalization and facilitation.** APEC should continue to promote investment and facilitate cross-border investment flows which will be the key engine for growth in the region. While the core principles of investment are enshrined in the APEC Non-Binding Investment Principles, ABAC has recommended improvements to these principles to ensure that they will meet the changing conditions of the business environment. National Treatment and Most Favored Nation Treatment are fundamental to unburdened and non-discriminatory market access by international investors. It is important to investors that clear, transparent and predictable investment laws, consistent both at central legislation and local enforcement levels, are in place. The availability of transparent, prompt investment approval and licensing processes, and a timely and fair mechanism for settlement of disputes connected with foreign investments, are also essential for promoting investments that will create jobs and revive the economy.
- 2. Regulatory Coherence.** ABAC believes the promotion of regulatory coherence can provide tangible benefits to both government and private sector stakeholders as well as consumers in the region. This year, ABAC will develop recommendations on regulatory coherence from a sectoral perspective, taking into account the principles in the APEC-OECD Joint Regulatory Checklist and the Economic Committee's Good Practice Guide on Regulatory Reform. The objective of this effort is to demonstrate the value and importance for economies to maintain transparent, effective, enforceable and mutually coherent regulatory systems which are both risk and science-based, adhere to international best practices, and assure high levels of collaboration among APEC governments and their stakeholders.
- 3. Environmental goods and services.** Addressing tariffs and non-tariff barriers to trade and investment in environmental goods and services (EGS), will facilitate greater access to technologies and products that support APEC's environment and development goals, including increased energy efficiency and resources conservation. In addition to enhancing market access for EGS, ABAC recommends taking concrete actions to promote joint research, deployment, development and transfer of low- and zero-emission technologies, to facilitate the diffusion of EGS technologies, including exploration of market-based initiatives to promote the dissemination of green technologies, and enhancing best practices in management and financing for the further promotion of trade and investment in EGS.
- 4. Food security.** Food must be kept affordable and abundant; if not, all business will suffer. A set of guidelines for balanced and efficient use of food sources (human, animal and energy sectors) is urgently needed. To this end, ABAC recommends a "Food System" approach, ending trade (both import and export) restrictions, and institutionalizing a role for the private sector in APEC's food security decision-making. ABAC agrees that practical priorities should be increasing agricultural productivity and preventing post-harvest loss. ABAC has a keen interest in leading business sector involvement in policy development aimed at ensuring future food security, and looks forward to detailed discussion of these issues at the Public-Private Food Security

Dialogue in Big Sky, Montana in May, including the Terms of Reference for this important public-private initiative.

- 5. Innovative Growth.** ABAC urges APEC economies to establish new areas of growth by creating an environment that enables innovation to flourish, including through market-driven and non-discriminatory innovation policy that fosters trade and economic growth. This can be achieved by promoting and rewarding innovation through the establishment of balanced intellectual property systems, strengthening intellectual property rights cooperation (i.e., patent cooperation), establishing market-driven processes for choosing technologies, and facilitating and enabling cross-border collaboration. ABAC also supports the expansion of the Information Technology Agreement (ITA) which will broaden the scope of information and communication technology products that are traded without tariffs. This initiative will increase access to products that improve productivity, facilitate innovation and promote economic growth.
- 6. Energy security.** ABAC believes that the energy security frameworks of APEC economies should include strong policies to facilitate greater investments in projects utilizing renewable or low-carbon energy sources. Collaboration on standard-setting for energy efficient and low-carbon technologies including smart grid, are necessary to enhance energy productivity, develop low-carbon energy sources, promote efficiency, and prevent barriers to trade in related products. ABAC supports the development of an APEC Energy Declaration to establish suitable long-term energy strategies for the region.
- 7. Labor mobility/skills mapping.** ABAC has become increasingly concerned about fast-developing skills shortages, the impact of this development on competitiveness, and the resultant need for more effective regional skills mobility. In addressing this challenge, ABAC has adopted a “four-step” approach: region-wide skills mapping; vocational training; outsourcing; and the adoption of common best practice approaches to the regional movement of skilled personnel. This approach has received in-principle support from APEC’s Human Resource Development Working Group (HRDWG), and is in the process of being developed in detail. ABAC urges Ministers Responsible for Trade to lend support to this initiative.
- 8. Authorized Economic Operator.** Authorized Economic Operator (AEO) programs have been developing steadily in APEC, especially over the last two years. ABAC believes that the orderly development of an APEC-wide AEO program is necessary to enhance and facilitate the development of mutual recognition schemes and to avoid a noodle bowl of various AEO programs. ABAC recommends that APEC economies determine the minimum requirements and conditions for mutual recognition common to AEO programs designed for trade security and those geared towards both trade security and trade compliance. It further recommends the development of an AEO certification system in economies where an AEO program is non-existent.
- 9. Single Window System.** Efforts to implement the Single Window within APEC economies should be sustained. ABAC welcomes the work undertaken by the APEC Sub-Committee on Customs Procedures (SCCP) and the establishment of the Single Window Working Group (SWWG) in 2006. A survey undertaken by SWWG in 2010 revealed that only thirteen economies have developed Single Window Systems, five economies are developing them, and only two economies have Single Window Systems that cover all trade-related government agencies’ procedures, including customs. ABAC

urges that an APEC-wide Single Window System be adopted. There is common understanding in ABAC that the Single Window vision provides support to the implementation of the Supply-Chain Connectivity Framework Action Plan.

- 10. Transportation safety standards.** ABAC maintains that there is a continuing need to harmonize 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.
- 11. Water security.** ABAC believes water security is critically important for sustainable and inclusive growth and to improve the access of poor people in the region to safe water in the face of rapid increase in population and urbanization. Due to the diverse aspects of water security issues, ABAC will focus on the promotion of best practices and human resources development in urban water management and seek findings which are applicable to economies in the region. ABAC believes that APEC should pay more serious attention to water security and will work to make meaningful recommendations to APEC Leaders later this year.