



Juan F. Raffo
ABAC Chair 2008

14 May 2008

The Hon. Mercedes Araoz

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

Dear Minister Araoz:

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 that are on our agenda. We believe these issues should be addressed in order to transform growth into lasting development and to spread the benefits of globalization more widely between and within APEC economies. This is in line with the 2008 ABAC theme “*Mind the gap: making globalization an opportunity for all.*” ABAC believes that progressing towards the Bogor Goals of free and open trade and investment in the Asia-Pacific region is key to achieving these objectives. Our views and recommendations in the following essential areas are being made against the backdrop of a slowdown in the developed economies, rising inflationary pressures, and tight supply-demand conditions in the oil and commodity markets:

1. **Concluding the Doha Development Agenda (DDA).** The current pressures on the global economy, including the credit crisis and the supply and price problems for food products, reinforce the need for the DDA to be concluded within 2008. The successful conclusion of DDA is vitally important in maintaining the credibility of the multilateral trading system. In a recent visit to Geneva, an ABAC delegation stressed that the next three months are critical to bringing the Round to a successful conclusion within the year. A high quality outcome covering all areas under negotiation would inject new confidence into the global economy, help counter protectionist pressures, and provide a more stable environment for Governments and business to work together on addressing the difficulties now faced.
2. **Accelerating Regional Economic Integration.** ABAC welcomes the Leaders’ decision to accelerate efforts to promote further *economic integration* in the Asia-Pacific region, including a possible *Free Trade Area of the Asia Pacific* (FTAAP). ABAC believes that the FTAAP represents a practical means to achieve convergence among FTAs, advance regional trade and investment liberalization, and achieve the Bogor Goals.

ABAC is active in a number of areas that could serve as building blocks towards the realization of the FTAAP concept. Our studies include the development of model measures; the assessment of high quality FTAs in order to identify the core elements of regional integration; the possible expansion of the Trans Pacific Strategic Partnership Agreement (also known as P4) as one of the options; and the harmonization of rules of origin. The outcomes will be submitted in due course as a contribution to the consideration of a framework for an FTAAP. ABAC looks forward to working with APEC to advance these issues in order to realize progress towards an FTAAP.

3. **Facilitating Investment Flows.** We endorse the Investment Facilitation Action Plan (IFAP) concept and the prominence to be given to *investment* in the APEC Ministerial Meeting on Structural Reform. The IFAP should promote transparency in investment policies, simplification in investment procedures and measures to improve the attractiveness of economies’ investment environments. Measurable and realistic indicators to assess progress should be included, and actions should be practical and directed at measuring progress on agreed defined objectives which will promote business investment.

We recommend that APEC Ministers Responsible for Trade assign priority to the promotion of measures to reduce impediments to FDI flows in the region and to remove “behind-the-border barriers” to investment in financial services. Further, in the WTO negotiations, ABAC urges Ministers to utilize the checklists it produced in 2006 on goals and best practices for financial services liberalization with particular reference to incorporating advice on investment matters that would promote private pension systems and private health coverage in APEC economies.

4. **Facilitating Trade Flows.** The ease and speed with which goods are moved across national boundaries are critical to the strength of the developed and emerging APEC economies. A single-entry point for all regulatory requirements and seamless data-sharing would help reduce compliance costs. To that end, we recommend that the target date for introduction of the “*Single Window*” approach across the Asia Pacific region be brought forward, with special emphasis on adoption of recognized international instruments and uniform standards that increase regional interoperability.

We welcome the opportunity to work with APEC in seeking a further reduction of 5% in transaction costs to business envisaged in the *Second Trade Facilitation Action Plan* (TFAP II). To ensure the delivery of real benefits to the business community, ABAC has submitted to APEC a range of *Key Performance Indicators* (KPIs) that measure time savings, transaction costs savings, enhanced capacity and enhanced security.

Enhanced *trade security* can and must be compatible with improved facilitation. We urge APEC economies to work closely with regional business in a holistic approach to establish reliable and effective risk management systems that will not hinder shipments either through time or prohibitive costs. Economies should move ahead in implementing Authorized Economic Operators (AEOs) programs, and work with each other to develop a methodology for mutual recognition of AEOs to avoid inconsistent, redundant or duplicative requirements and audits for AEOs.

We urge that priority be given to addressing *behind-the-border* issues and specific areas of sub-optimal business regulation and promoting associated capacity building activities. ABAC fully supports the important work in APEC on *structural reform*. Recognizing the costs on business of inefficient structures and institutional settings, an ABAC delegation will participate in the Ministerial Meeting on Structural Reform in Melbourne in August 2008.

The *APEC Private Sector Development program* for SMEs should be accelerated, and the work plan of the associated workshop schedule expanded to include new themes identified by the World Bank as relevant benchmarks. ABAC seeks the appropriate opportunity to provide a regional business perspective on planned new regulations to help address these issues, and will collaborate with relevant APEC agencies in capacity building program on better regulatory and business practices for SMEs.

Acknowledging the vital role that SMEs play in APEC economies, the 2nd ABAC SME Summit will be held in two phases: the first, in Hangzhou, China in August 2008, and the second, in Lima, Peru in November 2008. We urge Ministers to continue to give importance to *SME development* and create favorable policy in their programs.

Demographic trends in the region have affected the supply of labor in many economies and led to the acceleration of international labor flows, benefiting both the labor-sending and labor-receiving economies. Given the political and social implications, we believe that there is a need for region-wide discussion on the impacts of *international labor mobility*. ABAC and PECC have developed a work program to assess the economic implications, common challenges and possible cooperative responses to this issue. A detailed study with recommendations will be submitted to APEC.

The APEC Business Travel Card (ABTC) scheme plays an important role in facilitating *business mobility* in the region. The scheme has reached a key stage where it can be further promoted and improved. We recommend that APEC continue to improve its operation, encourage transitional and non-participating economies to fully join the scheme, and consider the utilization of new technology in the clearance system as far as it is proven to be cost-efficient.

ABAC maintains that *harmonization of standards* is an important step in strengthening market growth and business development. ABAC has initiated, with APEC support, work on emergency management standards for security of critical infrastructure. This unique project offers the prospect of being a template for further work in harmonizing standards in other areas.

Faster approval and transparent enforcement of high quality *patents* will support innovation and increase competitiveness. We urge that APEC economies take steps to harmonize application formats and to share the results of patent searches and examinations in order to create highly efficient patent approval processes, and to prevent marketing approvals of patent infringing products.

Collaboration between private sector and enforcement authorities is essential to effectively crackdown on increasingly globalized and sophisticated *counterfeiting and piracy* activities. ABAC urges APEC economies to encourage the establishment of a framework for sharing information to enable efficient enforcement.

Protection of digital content is important for purposes of information security, privacy protection and rights management. We urge APEC to develop an action plan to give effect to its 2007 declaration regarding theft of satellite and cable broadcast signals through measures such as the development of best practices and capacity building through public-private sector workshops.

5. **Promoting ICT-Enabled Growth.** Policies which promote the adoption of *Information and Communications Technology* (ICT) are important tools in fostering economic growth and addressing the digital divide in the APEC region. The elimination of tariffs on ICT products and devices by the WTO Information Technology Agreement (ITA) has resulted in increased productivity, fostered economic growth, and mitigated the digital divide. We urge APEC to maintain the effectiveness and spirit of the ITA by upholding the product coverage and widening participation in the Agreement. ABAC also encourages APEC to support the ICT/Electronics and Electrical Products sectoral talks under the WTO DDA Non-Agricultural Market Access negotiations.
6. **Addressing Energy Security and Climate Change.** In order to balance the objective of economic growth with the challenge of addressing greenhouse gas emission reductions and *climate change*, we propose that APEC Ministers work towards a Post-Kyoto framework that satisfies the following three conditions: (a) participation of all major emitters; (b) setting and implementing rational targets for greenhouse gas emissions reduction; and (c) acceptance of diverse approaches.

Each APEC economy should formulate its goals and action plans for improving *energy efficiency* towards achieving APEC's aspirational goal set by Leaders in 2007 by sharing comparable and objective data and indicators of major industrial sectors. Furthermore, expansion of, and access to, all energy resources including traditional oil and gas, renewable and alternative sources, will be necessary to achieve energy security. Also important are technological innovation, cooperative sectoral approaches, and market-based technology transfer to developing economies.

APEC economies should pursue options available to liberalize trade in *environmental goods and services* on a multilateral basis, particularly since such action would be a valuable practical step to complement the significance APEC Leaders have attached to addressing climate change and energy security.

We look forward to discussing the above recommendations in detail with APEC Ministers Responsible for Trade when we meet in Arequipa, Peru on 31 May – 1 June 2008.

Sincerely,



Juan F. Raffo
ABAC Chair 2008