

Teng Theng Dar
ABAC Chair 2009

15 June 2009

**The Honorable
Lim Hng Kiang**

Chair, Meeting of APEC Ministers Responsible for Trade and
Minister for Trade and Industry
Singapore

Dear Minister Lim:

On behalf of the APEC Business Advisory Council (ABAC), I am pleased to submit to APEC Ministers Responsible for Trade (MRT) an interim report on the work that is being carried out by ABAC in 2009.

Our agenda has been significantly influenced by the global economic crisis which is expected to result in a 9% contraction in global trade this year. We maintain that our theme of “*Building Towards the Bogor Goals with One Community*” and priorities of accelerating regional economic integration, championing a model of sustainable development, strengthening capacity building and enhancing connectivity in the region remain central to guiding APEC’s efforts towards restoring economic growth in the region.

Given the considerable uncertainty in the regional and global economic environment, ABAC believes that priority should be given to addressing the immediate challenges posed by the global economic crisis by accelerating APEC’s agenda of achieving the Bogor Goals of free and open trade and investment in the region.

Specifically, ABAC calls on APEC Ministers Responsible for Trade to:

- 1. Address Challenges Posed by the Global Economic Crisis.** APEC economies should fulfil the *standstill commitment on protectionist measures* reaffirmed by APEC Leaders in November 2008 and at the most recent G20 Summit. Our own monitoring to date reveals a disturbing trend towards increasing trade regulation and trade remedies. Many of the protectionist measures currently under implementation appear to be WTO-compatible. We strongly believe that this runs counter to the spirit of the G20 and APEC commitments on standstill. If the standstill provision is to be effective, it should be interpreted more widely to include any measure, including fiscal stimulus measures, impacting negatively on flows of trade and investment or restricting the movement of goods across borders. ABAC is committed to monitoring the incidence of protectionist measures and will do what we can to ensure that our respective governments do not resort to protectionism.

In the context of a difficult climate, *trade finance* is vitally important for keeping trade flowing. ABAC welcomes the G20 Leaders’ commitment to ensure an additional \$250 billion available to support trade finance through the export credit and investment agencies and through the multilateral development banks, and to make use of available flexibility in capital requirements for trade finance. We urge Ministers to consider ways in which APEC might provide enhanced mechanisms for trade finance. Specifically, APEC Ministers could usefully discuss whether there

are particular needs for trade finance in APEC economies, including developing economies, which need to be met. We call for continued efforts to identify additional mechanisms to promote sound cross-border transactions.

2. **Conclude the Doha Development Agenda.** It is a matter of considerable frustration for ABAC that the *WTO Doha Development Agenda* negotiations have languished for close to a year since the failure of the July 2008 Ministerial. Despite agreements at the Washington G20 Summit, it was deeply disappointing to us that Ministers were unable to be brought together as planned at the end of 2008. The completion of the round is now long overdue. We urge Ministers to commit themselves to engage actively with their WTO colleagues, with a view to approving final modalities for the DDA before the northern summer break, building on the progress already made. ABAC proposes to visit Geneva once again to press for a strong outcome from the Doha negotiations.
3. **Accelerate Regional Economic Integration.** The goal of establishing a framework for Free Trade Area of the Asia Pacific (FTAAP) has become more urgent in the light of an ongoing delay in concluding the DDA. ABAC calls on Ministers to take concrete steps towards setting a timetable for more concrete consideration of issues important to business in an approach to an FTAAP. This would help restore confidence in the ability of APEC to contribute to economic recovery in the region.
4. **Facilitate Trade Flows.** Now is the time for economies to implement trade facilitation measures and realize the potential US \$280 billion increase in intra-APEC trade identified by the World Bank. APEC's should accelerate work to harmonize customs processes through the implementation of the APEC Single Window Initiative. Further, APEC should focus efforts on the creation of trade security regimes that enhance trade facilitation such as an APEC-wide AEO system with a mutual recognition scheme. The harmonization of standards, especially in emerging industries, and sectors is also critical in achieving APEC's stated APEC Trade Facilitation Action Plan (TFAP) goal of lowering transaction costs by 5%. ABAC welcomes the establishment of the APEC Harmonization Center for Life Sciences as a tangible effort to advance standards harmonization in the region.

The movement of natural persons across borders continues to be an important issue for businesses and new issues have arisen as growth in the global economy has slowed. Building on the results of a study conducted in collaboration with PECC in 2008, ABAC is examining FTA chapters and MoUs related to *labor mobility* to assess the extent to which these arrangements meet the needs of businesses in the region. Specific recommendations based on the findings of the study will be transmitted to Leaders and Ministers in November.

ABAC has identified *illicit trade* as a significant brake on economic growth in the region and has recently called on Senior Officials to take action towards solving this problem which may account for 15-20% of global trade. ABAC is currently monitoring the development of the Global Illicit Trade Index, a mechanism for measuring the cost of illicit trade to governments and companies by sector. This index may serve to inform economies' respective approaches to address the problem. The film industry is an example of a sector where focused enforcement activities backed by new legislation can be leveraged to reduce "camcording", the source of 90% of pirated film content.

5. **Facilitate Investment Flows.** Officials should be instructed to prioritize the implementation of facilitation measures that provide the greatest benefit to businesses and measure achievement and efficacy of these efforts through the adoption of concrete key performance indicators. Economies can increase the flow of *cross-border investment* by increasing transparency, harmonizing regulations and streamlining approval processes.

6. **Support the Development of SMEs, including Micro-Enterprises.** Recognizing that SMEs remain the backbone of virtually every economy in the region – and will continue to be so in the foreseeable future – ABAC is placing strong emphasis this year on assisting the development of SMEs, including micro-enterprises. ABAC is organizing four SME Summit events, notably in Brunei in May, in China and Peru in September, and in Singapore in November and calls on APEC governments to support these events. Further, to enhance the efficiency of SMEs in cross-border trading, ABAC urges APEC economies to establish policy environments and support mechanisms contained in the Digital Prosperity Checklist that will enable SMEs to harness the benefits of information and communication technologies. Specifically, ABAC urges APEC to develop more practical action plans to narrow the legal and basic infrastructure differences among members, establish an electronic commerce alliance and e-business structure suitable for SMEs, and agree on the implementation of the APEC Blueprint for Action on Electronic Commerce.
7. **Enhance Connectivity.** There are considerable efficiencies to be achieved across the *supply chain* through the harmonization of transport regulations and adoption of best practices in addressing road safety. APEC should examine global best practices in transport and safety regulations. ABAC will assist in developing a work plan that will assist in establishing safer and more efficient supply chain networks across the region.
8. **Address Energy Security and Climate Change.** Emergence of possibly differing schemes on proposed *greenhouse gas emission reduction measures* in various economies could pose a risk of negative impacts on trade between economies caused by differing levels of obligations under each national greenhouse gas emission reducing schemes. One step is encouraging sharing of information and advice on greenhouse gas emission reduction schemes to minimize adverse impact on trade and investment in the region. ABAC also supports steps to promote energy efficiency measures.
9. **Ensure Food Security.** ABAC is disappointed by the lack of action by APEC on key aspects of its recommendations, accepted by Leaders in 1999, on the *APEC Food System* (AFS). ABAC believes the AFS has direct relevance to the serious issues faced today on food supply and stability and sees more can be done within APEC to fully embrace the AFS. ABAC is developing a roadmap going forward on progressing issues in the AFS.
10. **Promote Trade in Environmental Goods and Services.** ABAC restates its recommendation for priority to be attached to *trade in environmental goods and services* in APEC's liberalization agenda in 2008/2009. With the lack of progress in the Doha Round negotiations, ABAC believes steps can be encouraged to find practical ways to engage business in APEC – such as to facilitate participation in the APEC Market Access Group (MAG) panel discussions and workshops – to develop proposals on advancing trade in APEC of environmental goods and services and the use of energy efficient and environment friendly products.

We look forward to discussing the above recommendations with APEC Ministers Responsible for Trade when we meet in Singapore on 21-22 July 2009.

Sincerely,



Teng Theng Dar
ABAC Chair 2009