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Leveraging APEC to Create New Jobs through Increased Trade and Economic Growth

Policy Recommendations from U.S. Business for the 21 APEC Member Economies
November 2010







Opening Words

U.S. business leaders have high expectations for the Asia-Pacific Economic Cooperation (APEC) forum as the leading multilateral organization in the Asia-Pacific region. It is important for APEC member economies to drive a sustained common agenda by developing concrete initiatives that build momentum from year to year so as to deliver more tangible benefits to businesses, workers and their families. Such initiatives would promote trade and investment and create needed jobs.

The U.S. National Center for APEC (NCAPEC) and the Asia-Pacific Council of American Chambers of Commerce (APCAC) jointly developed this report as a way to effectively communicate U.S. private sector priorities to government officials and business leaders throughout the 21 APEC member economies. NCAPEC is focused exclusively on facilitating U.S. private sector input to the APEC process and serves as the Secretariat for the three U.S. executives who are appointed members of the APEC Business Advisory Council. APCAC is an association of the 27 American Chambers of Commerce located in the 21 economies spanning Asia Pacific and serves to share best practices and address policy issues of mutual concern.

The members of NCAPEC and APCAC consider APEC to be very important and jointly offer 56 policy recommendations for concrete action in six priority areas:

- (1) Promoting Regional Economic Integration and Liberalizing Trade and Investment;
- (2) Modernizing and Harmonizing Financial Services and Investment;
- (3) Promoting Health and Innovation in Life Sciences;
- (4) Supporting New Energy and Environmental Technology;
- (5) Accelerating Infrastructure Development and Supply Chain Connectivity; and
- (6) Promoting Development of the Internet Economy.

Implementing these recommendations would help APEC member economies achieve their domestic goals of promoting sustainable economic growth, increasing exports of goods and services and generating new jobs related to trade.

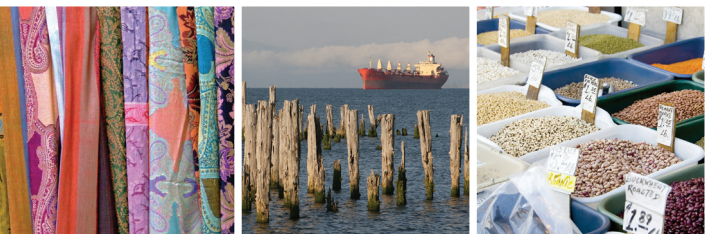
Sincerely,

Karan K. Bhatia

Chairman
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Chairman
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A Word of Thanks

As American companies that conduct business in the Asia-Pacific region, NCAPEC and APCAC members believe in the importance and value of APEC and wish to contribute to the success of APEC during the U.S. host year in 2011 and beyond.

Dozens of people from a variety of industries spent considerable time and resources to provide helpful suggestions and feedback during the process of drafting these policy proposals. The common bond among these companies is the desire to improve the business environment in the Asia-Pacific region by working closely with the governments of APEC member economies, including through maintaining a close working relationship with the APEC Business Advisory Council (ABAC) members of each country and by providing input on and support for APEC projects and initiatives.

The American Chamber of Commerce in Japan's APEC Task Force served as a bridge between NCAPEC and APCAC during the process of drafting this joint report. We would like to thank everyone who contributed time and expertise to the development of these policy proposals. To the extent possible, we sought to include all views so that the final product would reflect a balanced, consensus viewpoint with broad support from a range of industry sectors.

In particular, we would like to thank the following sponsors of the US-APEC Business Coalition and the American Chamber of Commerce in Japan's APEC Task Force which donated funds for the printing of this policy report: Aflac, AT&T, Caterpillar, Chevron, Citigroup, ConocoPhillips Company, The Dow Chemical Company, Freeport McMoRan Copper & Gold, Inc., GE, Janssen Pharmaceutical, Johnson & Johnson, J.P. Morgan, Microsoft Japan, Nippon Becton Dickinson Company, Oracle Corporation, Procter & Gamble Japan, TimeWarner Inc., and UPS.

Sincerely,

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APEC in Context

The Asia-Pacific Economic Cooperation (APEC) forum is an increasingly vital organization for the development of trade, investment and regulatory architecture in the Asia-Pacific region. With 21 member economies accounting for 54% of world gross domestic product (GDP) and almost half of world trade volumes, APEC is at the center of global economic growth and trade.

Although APEC recommendations are voluntary and not legally binding, the forum's strength is that it brings together senior government officials from leading economies through meetings, initiatives and working groups to address a range of challenges, from tactical initiatives like customs facilitation to fundamental longer-term issues like sustainable growth and development of regional trade architecture. APEC has also emphasized promoting regional economic integration through regulator capacity building activities, such as workshops, training courses and seminars that enable business, academic and government leaders to improve their skills and knowledge to better support trade and investment. APEC also promotes the harmonization of regulations and standards, which makes it easier for small and large companies alike to export and do business throughout the region.

APEC fosters public-private cooperation through the work of the officially-recognized APEC Business Advisory Council (ABAC), the CEO Summit, the Small and Medium Enterprises (SME) Summit, and a wide variety of other sector and issue-specific fora

and working groups. ABAC, which is comprised of three business representatives from each of the 21 APEC member economies, is focusing in 2010 on three priorities: 1) strengthening economic structure for balanced growth; 2) advancing regional economic integration; and 3) enhancing economic growth in harmony with the environment.

These strengths notwithstanding, APEC's organizational complexity and broad portfolio can also tax the ability of member governments to deliver concrete and timely results. As host and Chair in 2011, the United States has the opportunity to develop an ambitious and forward-looking agenda to lead APEC in a more "results-oriented" and productive direction – one that will provide more tangible benefits to member economies, businesses and workers.

NCAPEC and APCAC advocate for the use of APEC as a structure and force for promoting regional economic integration, trade and investment and financial liberalization, innovation and regulatory and standards harmonization. We believe that making progress in these areas can help sustain employment and lead to significant new job creation over time. Attention and sustained engagement by government officials at the highest levels from every APEC member economy are necessary to accelerate implementation of APEC recommendations. This can be done by setting clear priorities and applying political determination to achieve them.

Priority I: Promoting Regional Economic Integration and Liberalizing Trade and Investment

The 1994 APEC Bogor Goals of liberalizing trade among the industrialized economies by 2010 and among developing economies by 2020 have contributed to significant progress for APEC economies. Both industrialized and developing economies have made significant steps towards becoming more free and open, as demonstrated by the many binding Free Trade Agreements currently in place within the APEC region.

Going forward, governments of APEC member economies should build consensus on a new set of goals and policies to promote regional economic integration and free trade and investment among the member economies. They should lead by example, making firm commitments to and outlining concrete steps toward the long-term APEC goal of a high-standard, World Trade Organization (WTO) compatible, Free Trade Area of the Asia Pacific (FTAAP). The FTAAP concept goes beyond market access and would also address market integration issues including the facilitation of the movement of goods and services, regulatory reform, and standards harmonization.

APEC has been a strong supporter of multilateral trade liberalization through the Doha Development Agenda (DDA). APEC should redouble its commitment and efforts to achieve a balanced and ambitious outcome in the DDA negotiations. At the same

time, it is important to develop a clear near-term vision and action plan to promote regional economic integration. In particular, identifying ways to upgrade and link the many bilateral and regional free trade agreements that have been formed among countries in the Asia Pacific region should be a top priority in the coming years. Also, the sheer number of different bilateral and multilateral trade agreements in the region makes it difficult for companies trading and investing in the region to navigate their way through them. The resulting complexity can make it more difficult for companies, especially SMEs, to take full advantage of trade liberalization and can impede new job creation.

In the near term, governments should leverage the APEC process to achieve needed market reforms and trade liberalization among the APEC economies. Guiding objectives should include promotion of open markets and national treatment, negotiation of high standard free trade agreements and bilateral investment and tax treaties and WTO-compliant trade enforcement. The governments should also work to ensure that higher labor and environmental standards in trade agreements serve to encourage sustainable development and do not restrict trade or close markets.

Particular attention should be given to "behind the border" barriers such as prescriptive regulations and standards, stifling

investment rules, and technology mandates, all of which can be mitigated through greater transparency and non-discriminatory treatment. Unfortunately, some APEC economies still apply formal limits on foreign ownership stakes in domestic companies. Furthermore, soft barriers, such as the influence of state-sponsored institutions with special privileges and restrictive or unclear regulations that chill innovation and competition, can discourage market entry. Such soft barriers should be addressed through the promotion of open trade and investment and more rigorous pro-competition laws and enforcement.

While it is clear that some disparity in regulations will occur from country to country, there should be broad agreement on several overarching themes, specifically:

Legal/Regulatory Due Process: Due process is essential to procedural and substantive fairness in administering laws and regulations as well as in enforcing legal requirements. Key elements of due process include transparency in the processes by which regulatory agencies publicize proposed rules and invite public comments thereon, uniform and impartial application of rules. In the case of governmental investigations, key elements of due process include provision of sufficient notice and opportunity for investigated parties to defend themselves on the record in front of an impartial and independent decision maker.

Clarity in Application of Transfer Pricing Rules: Clarity and predictability in the application of rules bearing on cross-border trade are critical to promote a favorable trade and investment environment. Uneven and unpredictable application may disincentivize such business activity. As one important example, uneven application of transfer pricing rules may operate as a disincentive for global companies to share technologies and solutions across borders, as they may lead to unintended technology transfers, risks of double taxation and other costs. These effects could particularly hamper trade in knowledge-based goods and services, which is critical to “knowledge-based growth.” Such trade is also important for achieving the goal of “green growth,” as new technologies play an important role in developing environmental goods and services and in creating new jobs. Transfer pricing rules, including with reference to intellectual property, transfer of rights, and services, should be clarified and harmonized through APEC initiatives to provide greater guidance based on Organisation for Economic Co-operation and Development (OECD) norms and, as a practical capacity building measure, to train local taxing authorities in their even application. A key component of this effort should be the acceptance by home and host states to mandate their competent tax authorities to consult when a dispute regarding transfer pricing arises.

Level Playing Fields: Providers of similar goods and services should be subject to the same laws and regulations applied in the same manner. A level playing field enhances consumer choice by bolstering competition among existing market participants, allowing fair access to new market entrants, and ensuring fair and impartial treatment for all providers of such goods or services. Governments across the Asia-Pacific region should avoid policies that unfairly benefit domestic enterprises – including in particu-

lar state-owned enterprises – at the expense of foreign or new entrants to the market. Fair and thoughtful administration of competition laws also helps to ensure a level playing field.

Increasing Transparency and Fighting 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. Increased public reporting of government efforts in these areas would provide the best means for APEC Leaders to demonstrate that they are moving forward on these commitments.

In relation to this, we applaud the launch on September 27, 2010 of the “Business Ethics for APEC SMEs” initiative, put forward by the United States and co-sponsored by 16 APEC member economies, which seeks to build the capacity of SMEs and governments in the area of business ethics (meal/entertainment policies, gift-giving, donations, etc.). The initiative seeks to train SMEs in good business practices that will ensure their sustainability as suppliers to overseas markets and it started with a pilot full-day workshop focused on business ethics in the medical devices sector.

Trade and Investment Priority Action Items

NCAPEC and APCAC urge APEC member economies to:

1. Harmonize standards and conformity assessment procedures, and provide technical assistance and training to develop uniform transfer pricing rules and improve enforcement, with a view to encouraging cross-border trade in knowledge-based goods and services.
2. Improve legal and regulatory due process, including greater transparency and opportunities to participate in the regulatory and rule-making process, through measures such as meaningful public comment procedures, no-action letter requests, opportunities for all market participants to offer input into the development of regulation, and enforcement procedures that ensure all relevant evidence is considered on the record by an impartial and independent decision maker.
3. Agree on the principles of a) a level playing field, with evenly-applied regulation and the elimination of discriminatory treatment of foreign entities and unfair advantages for domestic entities providing similar goods and services, and b) the promotion of open and fair competition.
4. Liberalize or eliminate foreign ownership caps across all sectors, including those applicable to the services sector, with exceptions limited to areas of true national security needs.
5. Support the APEC goal of FTAAP. The free trade area should tackle, among other issues, market access (including behind-the-border measures) and foreign ownership restrictions and the removal of cumbersome licensing requirements. Efforts within the APEC region to build towards an FTAAP, such as the Trans-Pacific Partnership (TPP), should also be supported.

6. Ensure a level playing field between public-sector and private-sector providers of competitive goods and services, especially those that are enablers of trade and investment offering multiplier benefits to the economy, such as information and communication technology (ICT), financial services and logistics/express delivery service providers where a level competitive operating environment is critical. Prevent rollbacks of market access for private sector firms.
7. Ensure that all market players comply with the same safety and quality requirements. Manufacturers and importers are legally required to spend considerable resources implementing post-marketing surveillance and control schemes to monitor safety and quality. However, some parallel importers do not comply with these requirements, illegally use registered trademarks, import versions of products that use unapproved ingredients, and sell products with damaged or missing labels or that are past their expiration dates. By exchanging best practices and better harmonizing product standards and conformity assessment procedures, and enforcing regulations, governments can reduce these discrepancies.
8. Implement an annual process for member economies to report on the status of their implementation of transparency and anti-corruption commitments based on a common self-assessment checklist and clear benchmarks. An inaugural report including reports from all 21 member economies should be issued by the November 2011 Leaders' Meeting in the United States along with a timetable for subsequent implementation.
9. Continue capacity building efforts in the area of business ethics by continuing the new "Business Ethics for APEC SMEs" initiative that was established in 2010 and developing a set of "concrete" actions APEC can take to help SMEs address impediments to trade posed by business ethics challenges.
10. Take steps toward the development of a uniform APEC digital patent application form and increase sharing of examination results, as recommended by ABAC in its May 2010 recommendations to the Ministers Responsible for Trade. Enhancing and broadening patent acquisition cooperation efforts and the sharing of patent quality metrics between patent offices in the Asia-Pacific would help address the current backlog in patent applications and the rise in the number of "junk patents" being issued, as well as support economic growth by helping to protect intellectual property rights.
11. Adopt and implement a common set of best practices in competition policy regulation enforcement as a way to improve procedural fairness and transparency across APEC member economies and thus ensure fair, predictable and efficient administrative decisions. Cross-border trade and investment can be facilitated through the further development of transparent and consistent environments which ensure procedural fairness in merger and other competition policy-related cases.
12. Support the May 2010 ABAC recommendation to Ministers Responsible for Trade that the APEC Secretariat develop an annual set of 'Regional Integration Metrics' to monitor each economy's progress towards greater regional economic integration and inclusive growth. As a way of benchmarking performance and creating accountability from Leaders, the metrics would be integrated into a one page "Regional Integration Dashboard" for each economy showing the level and change in various indicators of liberalization, including but not limited to, the flows of goods, services, investment, technology and people.
13. Implement a Strategic Framework for Food Security under which economies commit to a food system approach, establish a high-level food dialogue, end export restrictions and advance Doha agricultural negotiations.

Priority II: Modernizing and Harmonizing Financial Services and Investment

The modernization and harmonization of financial services regulations and promotion of trade in financial services are important for advancing economic growth in both developing and developed APEC economies. Such reforms will provide greater depth and stability to regional financial markets, facilitate trade and investment not only in financial services but also in manufactured and agricultural goods, assist in the meeting of retirement and social security obligations and ultimately boost domestic demand in countries across the Asia-Pacific region, all of which will drive economic growth and more balanced flows of trade.

Capital Markets: Liberalization of capital markets-related services enhances competitiveness for domestic business and can reduce the cost of capital, while providing opportunities for business and investors. Capital market access for foreign firms means more liquid local bond markets that enhance the effectiveness of domestic monetary policy, reduce economies' exposure to

foreign currency-denominated debt and contribute to the overall soundness of domestic financial systems. Debt and equity markets require state-of-the-art exchanges with an appropriate mix of oversight and self-regulation. Effective links with international markets to allow efficient trade and settlement is also important. Financial regulations and practices for over-the-counter (OTC) derivatives should be harmonized with global standards and linked to global systems to minimize systemic risk, promote efficient use of capital and maximize the use of scarce resources to support growth in each market. A vibrant and innovative investment management industry is needed to efficiently make a range of investment products available to the public. A greater range of products would enable investors to reduce their reliance on bank deposits and real estate to the benefit of the overall economy and capital markets.

Cross border recognition of listed and unlisted funds should

be encouraged in tandem with the development of the funds industry. Harmonization of listing rules would assist cross border recognition of listed products. A regional funds passporting regime should be examined to encourage the cross-border recognition of unlisted funds. Greater cross border recognition of products would increase investment options for consumers and in many cases improve returns and reduce costs, particularly in smaller markets. Greater cross border flows of funds would also help facilitate greater recycling of savings in the region. This would add significant depth and liquidity to capital markets in the region and have benefits beyond the region.

We support the effort to establish a better regulatory framework to reduce excessive risk taking in the global economy. At the same time, we are concerned that some proposals for substantial new regulatory capital requirements for financial institutions would not contribute significantly to reducing risk but would inhibit sustainable economic recovery. Concurrent requirements for minimum liquidity could discourage financial intermediation and provision of needed liquidity, particularly to SME borrowers that are a main source of innovation, financial inclusion and employment in both developing and many developed economies.

Commercial Lending: A robust and innovative commercial lending sector provides needed liquidity to businesses, thus enabling job creation and growth. Innovative commercial lending products ensure that such liquidity is available not only to well-established enterprises more likely to procure bank credit, but also to emerging SMEs that are the seeds of future innovation. Importantly, though, clear and predictable legal frameworks are crucial to facilitate these products, such as asset-based lending and factoring, which are important sources of liquidity for SMEs and others. In this regard, we applaud the work started by the APEC Strengthening Economic and Legal Infrastructure (“SELI”) dialogue, and being carried forward under the Ease of Doing Business initiative, to explore how specific legal reforms can facilitate SME financing and contribute to inclusive growth policies. We further appreciate and endorse the work of the APEC Business Advisory Council’s Finance and Economic Working Group and Advisory Group on APEC Financial System Capacity Building, which has recommended several specific areas for legal reform to promote commercial lending. Key among these are to strengthen clear and exclusive legal systems to register, perfect and search security interests, eliminate the uncertainty and “hidden lien” problems caused by parallel perfection systems, broaden the classes of collateral in which interests can be perfected so as to include movable property, receivables and other intangibles, and to facilitate assignment of creditors’ claims. These measures, especially if led in a harmonized way through APEC initiatives, would do much to facilitate the availability of diverse and competitive financing solutions for business.

Insurance: A robust and competitive insurance industry is critical to achieve efficiency and transparency in the allocation of risk by providing insurance and risk-sharing products to individuals and institutions. Private insurance companies also play a role

as significant investors in institutional risk. Insurance regulation should allow innovation in new products and channels, promote competition, and ensure level playing fields for all products while protecting policyholders.

Consumer Finance: Strong domestic consumer-led demand underpins a vibrant macro-economy. This requires a robust, well-regulated consumer credit market. Proper disclosure of financial terms, fees and third party charges and promotion of financial literacy initiatives are prerequisites to ensuring consumer confidence and to preventing abuses and are preferable to the imposition of non-market based restrictions such as lending caps or artificially low interest rate ceilings. Though well intentioned, such restrictions reduce the supply of credit, and encourage many borrowers to use the informal credit sector often to their detriment. A positive, full-file credit reporting agency system is important.

Improved Risk Management: Modern tools for risk management should be encouraged, particularly in the SME and consumer lending sectors. This should include the promotion of accessible, full-file credit bureaus that allow the development of scientific credit scoring to reduce loss and to comply with prudent lending norms.

Efficient and Secure Data Processing: Financial institutions rely heavily on gathering, processing, and analyzing customer information for provision of financial services tailored to client needs. Thus, data processing operations are a critical component of financial services providers’ information technology environment. For effective risk management and cost containment, data processing facilities are often operated on a regional basis through data hubs that depend on cross-border data flows. The economies of scale that exist in data hubs give way to cost savings that create resources that allow firms to purchase and employ state-of-the-art technology to protect the integrity, security, and confidentiality of the data and data processing. These savings also translate into lower costs for services provided and improved credit allocation. Moreover, a sophisticated skill set is required to administer this technology and functionality, and workers with the requisite skill set exist in some—but not all—countries. In sum, the ability for a firm to centralize its data and data processing center in a regional hub increases data security, enhances global risk management, and promotes stability and cost effectiveness for financial services firms, their clients, and the financial sector overall.

Financial Services Priority Action Items

NCAPEC and APCAC urge APEC member economies to:

14. Promote, by appropriate regulation, the development of appropriate access to modern, full-file credit information systems by all regulated lenders and use of such systems for improved risk management and competitive risk-based pricing options for borrowers.
15. Encourage the provision of credit to the corporate and SME sector by improving the transparency and predictability of the legal architecture for secured lending, specifically through improving systems to perfect security interests in collateral

(including movables, receivables and other intangibles) and assignment of claims, searching existing liens and enforcing creditor rights, and providing debtor-in-possession (DIP) financing. Furthermore, such recordation systems should be digitized and made accessible through the internet.

16. Promote well-developed intermediary sectors, including a robust investment management industry and a strong insurance industry. Regulation should be flexible to allow the introduction of new products and services to markets where they do not exist, while providing regulatory oversight and investor and policy-holder protection. Also, in implementing the new BASEL standards and related global reform measures, care should be taken not to swing too far toward impeding prudent, risk-based lending to SME and other higher-risk borrowers, a result that could imperil more broad-based and inclusive economic growth policies. Cross border recognition of listed and unlisted products should be encouraged as part of this process.
17. Promote financial inclusion through a healthy consumer credit sector with regulations that protect borrowers from abusive

practices, ensure fair disclosure and allow flexibility to lenders to provide sufficient credit on market-based terms to support household consumption and broader economic growth.

18. Promote deregulation of currency and capital restrictions and harmonization of financial regulations and practices to global systems in order to realize capital markets that are open to the access by foreign firms. Promote the development of exchanges with an appropriate mix of oversight and self-regulation.
19. Encourage cross-border funding and capital and data flows by, for example, removing unnecessary restraints on cross-border commercial borrowing, as well as allowing financial institutions to transfer information into and out of countries for data processing where such processing is done in the ordinary course of business.
20. Ensure that regional OTC derivatives markets are effectively linked with global systems and regulated based on global best practices.
21. Raise or remove altogether ownership restrictions on foreign financial institutions, as such restrictions hinder market development.

Priority III: Promoting Health and Innovation in Life Sciences

Since the founding of the Life Science Innovation Forum (LSIF) by APEC Leaders in 2002, Leaders and Ministers have endorsed measures to protect and promote public health, facilitate trade and investment, and increase new jobs in the Asia-Pacific region by encouraging pro-innovation policies in the life sciences sectors of APEC member economies. Ongoing work in this area is based on the LSIF Strategic Plan that was developed in 2004 and serves as a set of best practice guidelines to promote life sciences innovation in the region. Progress is reviewed in quarterly LSIF Planning Group meetings and at an annual LSIF symposium that includes representation from government, industry and academia. Next steps are proposed in an annual LSIF Report that is issued for consideration by APEC Ministers and Leaders. Separately, the APEC Health Task Force is also addressing health priorities, including health security threats in the region such as pandemic flu and other infectious diseases.

Health as an Investment: LSIF achievements include the LSIF Framework Study “Investing in the Future: An Assessment of Returns to Investment in Health Innovation,” which serves to foster recognition of the value of public sector investment in health innovation. The LSIF Framework Study demonstrates why the health needs of APEC member populations should be considered as an investment rather than a cost and why policy making needs to recognize the long term benefits of innovation. Life sciences innovation is a critical area of growth and socio-economic development because healthy people produce healthy economies. Further, productivity gains resulting from better health outweigh the costs of developing innovative products that address the health needs of the population. New product development and use can contribute

to longevity, wellness and economic potential when linked to the health needs of the population.

In September 2010 participants in the eighth annual Life Sciences Innovation Forum in Sendai, Japan, among other things reviewed the significant health benefits, cost savings and productivity gains that result from prevention and wellness programs implemented by private firms for their employees. They agreed that APEC governments should encourage the adoption of such programs as they can have an attractive return on investment. They also reviewed the benefits of combating Healthcare-Associated Infections (HAIs), which are infections that patients acquire during the course of receiving treatment for other conditions within a healthcare setting. The most common types of HAIs are urinary tract infections, surgical site infections, pneumonia and bloodstream infections. The World Health Organization (WHO) has identified HAIs as a leading cause of preventable morbidity and mortality and as an area where investment in preventive measures would yield significant cost savings and public health benefits.

Value of Innovation: The LSIF has developed an “Enablers of Investment Checklist,” which is a self-assessment tool for governments to use in identifying gaps where further capacity building and regulatory reform would help to attract private investment in medical life sciences. The Checklist can be used as a guide on how to promote research and development of innovative new medical technologies, products and services. Attracting and retaining a dynamic life sciences industry depends heavily on the existence of an enabling environment for innovation, including the protection of intellectual property and the existence of rule of law in the region. The policy and regulatory environment should be

governed by the following basic principles: transparency, efficiency, responsiveness and meaningful dialogue with all stakeholders, recognition of due process, the priority health needs of the population, and decisions based firmly on evidence of safety, efficacy and quality. Singapore led the way in 2009 by becoming the first APEC member economy to complete the Checklist. In 2010 Chinese Taipei completed the Checklist and Canada began the process.

Capacity Building for APEC Regulators: Regulatory cooperation through training and best practice sharing on the implementation of key international standards and guidelines, contributes to incremental improvements over time that make it significantly easier to do business in multiple APEC economies. Human capital development in the life sciences sector benefits from a regional approach involving public-private sector partnerships in the design, establishment and implementation of appropriate programs. These activities have been accelerating in recent years. Most recently, in August 2010, a group of medical product regulators from 16 APEC member economies visited Canada and the United States to learn how international standards for medical devices developed by the Global Harmonization Task Force are implemented in practice by both manufacturers and regulators. In September 2010 more than 400 participants from APEC member economies attended a Multi-Regional Clinical Trials (MRCT) training program at the APEC LSIF Harmonization Center in Seoul, Korea.

Harmonization to Speed Approvals & Maintain Safety: APEC member economies impose various duplicative and inefficient regulatory requirements for controlling the safety and effectiveness of medical products, creating market entry hurdles which slow patient access and impose additional costs on trade, especially for small- and medium-sized enterprises (SMEs). While maintaining safety and efficacy standards, greater regulatory harmonization will lower market entry barriers to trade in life-saving medical products, promote innovation, increase jobs and stimulate growth by making it easier for companies to satisfy regulatory requirements. It will also assure that patients have timely access to safe and effective treatments. Harmonization of regulations and standards based on international standards developed by the International Conference on Harmonization (ICH) for pharmaceuticals and the Global Harmonization Task Force (GHTF) for medical devices, diagnostics and treatments, will give the APEC region a competitive edge and expand opportunities for innovation. In 2009 the LSIF established the APEC Harmonization Center in Seoul, Korea and launched an APEC Life Sciences Regulatory Harmonization Steering Committee (RHSC).

In September 2010, participants in the eighth annual LSIF in Sendai, Japan reviewed progress made to date by the RHSC in the development and implementation of a multi-year strategic plan focused on the adoption and implementation of harmonized international guidance and regulatory best practices for medical products, including pharmaceuticals, medical devices, medical diagnostics, and biologics. They agreed that the RHSC's work should be strongly supported because of the major health and economic benefits that can be expected as a result.

Combating Counterfeits and Promoting Ethical Business

Practices: The APEC LSIF has developed an Anti-counterfeit Action Plan to facilitate cross-border cooperation among enforcement agencies combating the global trade in counterfeit pharmaceuticals and medical devices. Counterfeiting is an obvious danger to public health and safety. In 2010, the LSIF also began exploring the potential for the adoption of common ethical codes across APEC for business practices in the medical products sector. Differing legal requirements, business practices and industry codes of ethics across the Asia-Pacific region currently make it difficult for private companies to take a consistent approach to enforcing ethical business practices. This situation can undermine trade and investment in life-saving medical products.

Health Innovation Priority Action Items

NCAPEC and APCAC urge APEC member economies to:

22. Allocate more resources, including funding and personnel, toward implementing the multi-year strategic plan in the APEC LSIF Regulatory Harmonization Steering Committee to facilitate the identification, design and implementation of projects that best meet the needs of APEC member economies. The plan includes the formulation of a checklist that APEC member governments can use to identify harmonization gaps that need to be closed, e.g., through capacity building training and information exchanges.
23. Commit to achieving pharmaceutical and medical device regulatory harmonization by the target date of 2020.
24. Extend the LSIF Framework Study, "Investing in the Future: An Assessment of Returns to Investment in Health Innovation," to include additional analysis of the economic impact of chronic and infectious disease, assessments of metrics like tax revenues and health costs, measures of how a healthier workforce leads to higher productivity and the dynamic effects of health investment on economic growth. This would help government budget officials understand the long-term value of making public investments in public health.
25. Support the LSIF 2010 recommendation to make preventive measures to "protect the health of the healthy" a higher priority as a way to increase both economic productivity and quality of life. This should include development of a pilot program for APEC member economies to analyze the health risk profile of their populations, to set clear goals for improving the prevention of disease and maintaining wellness, and to measure the benefit of resulting policy changes in terms of better health outcomes, lower medical costs, and increased economic productivity.
26. Extend the APEC LSIF Framework Study and best practice sharing to include the reduction of Healthcare-Associated Infections (HAIs) as a priority area. Key will be to establish HAI infection rate baselines in targeted areas from which the effectiveness of standardized interventions can be measured and successful best practices shared. As a first step, a pilot APEC program based on the work of the International

Nosocomial Infection Control Consortium (www.inicc.org), which promotes evidence-based infection control in hospitals and in which nearly half the APEC economies are already represented, should be considered for inclusion.

27. Encourage more APEC member economies to complete the LSIF Enablers of Investment Checklist as a way to provide a useful benchmark to identify gaps and to conduct capacity building to close such gaps. APEC members should also cooperate to include metrics for biologic pharmaceutical product development and deployment in the Checklist.
28. Launch a program within APEC to work towards the adoption of common principles for ethical business practices in the medical products sector that member economies could use as the foundation of their own codes of ethics.

29. Safeguard investments in research and development and the resultant hard-won discoveries of beneficial new therapeutic and diagnostic technologies by promoting a strong intellectual property right protection regime throughout APEC member economies.
30. Promote robust implementation of the APEC LSIF Anti-counterfeit Action Plan to facilitate cross-border cooperation among enforcement agencies combating the global trade in counterfeit pharmaceuticals and medical devices. In particular, the APEC workshop planned to take place in China in 2011 on the theme of enhancing regional cooperation to ensure the quality, safety and efficacy of pharmaceuticals and medical devices should be made a high priority.

Priority IV: Supporting New Energy and Environmental Technology

Energy policy is increasingly driven by the need to improve energy efficiency, reduce and mitigate greenhouse gas (GHG) emissions and expand supply. Technology is at the heart of these needs, and addressing these needs will require huge capital investments. The policy environment must therefore support technological innovation by protecting intellectual property, ensuring any energy efficiency regulations are performance based and technology neutral to allow the development of innovative products, facilitating investment through efficient capital markets and a sound legal framework, and promoting talent mobility for the highly-skilled personnel needed to maintain and service advanced equipment.

APEC Leaders recognize the importance of mitigating climate change through transition to green economies in a manner that is consistent with international trade obligations. A key thrust in APEC's sustainable growth agenda is the APEC Environmental Goods and Services (EGS) Work Program, under which APEC member economies will develop and implement a set of concrete actions to support sustainable growth in the region, advance work to increase utilization and dissemination of EGS, reduce existing barriers and refrain from introducing new barriers to trade and investment in EGS, and enhance capabilities of economies to finance and develop their EGS sectors. Among other things, APEC Leaders have committed to facilitate the diffusion of climate-friendly technologies, including through economic and technical cooperation (ECOTECH), capacity building activities and sharing best practices in energy efficiency. NCAPEC and APCAC believe that the promotion of EGS and climate-friendly technologies have the potential to drive significant economic and new job growth for all APEC member economies.

Energy and Environment Priority Action Items

NCAPEC and APCAC urge APEC member economies to:

31. Move to negotiate an agreement to eliminate tariff and non-tariff trade barriers for EGS in the cleaner energy segment,

and harmonize related standards and conformity assessment procedures for these products. These are some of the most effective ways to reduce costs and create scale for clean energy initiatives.

32. Further improve GHG reduction measures and energy security through the growth of low-carbon energy sources. This should be accomplished through the implementation of appropriate policies for technology development and deployment - such as feed in tariffs, production tax credits and required grid access, promotion of basic research and development and government-funded pilot programs, among other appropriate initiatives and policies that facilitate a predictable price of carbon - to meet those goals.
33. Ensure protection of intellectual property used in energy efficiency and GHG reduction measures, including in the development of renewables and alternative energy sources. APEC member economies should strongly oppose any efforts to force transfer of green technologies from foreign to domestic producers, through compulsory licensing or otherwise, as such measures would seriously undermine R&D and investment incentives needed to develop energy efficient and GHG reduction technologies.
34. Encourage more efficient generation, transmission, distribution and use of electricity, enact policies to promote the installation of high efficiency power generation including waste heat recovery, combined heat and power, intelligent grids, smart meters, low energy use buildings and efficient appliances to achieve this objective. Policies and measures should also be applied to reduce gas flaring and redirect or reuse the associated gas in alternative applications. Such policies should take into consideration ways and means by which private sector financing can be facilitated in order to support energy efficiency.
35. Promote a broad framework for encouraging environmental sustainability, such as Life Cycle Analysis, based on techni-

cally valid and globally harmonized standards rather than on the use of numerical carbon footprint labels. More and more APEC member economies are considering the certification of methodologies and standards for calculating and displaying numerical carbon footprints on product labels. However, insufficient validated datasets make it difficult to generate accurate numerical labels, methodologies that are inconsistent with those of other countries could become trade barriers and the labels could shift attention away from other ways of promoting environmental sustainability.

36. Promote the use of state-of-the-art technology for pollution reduction and prevention in APEC member economies through programs to facilitate capacity building through innovative forms of financing and the exchange of best practices. This would support sustainable growth by helping to bring

innovative anti-pollution technologies to market that can help reduce the environmental impact of economic growth.

37. Promote talent mobility for highly qualified personnel needed to install, maintain, and service technologically advanced environmental equipment. Governments should facilitate the temporary trans-border movement of qualified energy services personnel to perform servicing or repair assignments for the commissioning or auditing of plant and equipment (including audits to ensure regulatory compliance with standards) or in the installation, dismantling, transfer, repair, or maintenance of equipment or processes.
38. Encourage the development of natural gas, nuclear, geothermal and ocean thermal energy conversion (“OTEC”) as low carbon sources of base load electricity.

Priority V: Accelerating Infrastructure Development and Supply Chain Connectivity

Many governments throughout the Asia-Pacific region are focusing on improvement of domestic infrastructure, recognizing the importance of state-of-the-art transportation, logistics, telecommunications and other infrastructure to a country’s overall capability to attract capital and investment, and also tourists – all of which lead to increased economic growth and jobs.

The APEC Leaders Declaration in 2009 included commitments to resist protectionism and strengthen regional economic integration. This includes setting a collective target of making it 25% cheaper (less costs involved in regulatory processes), faster (less time to obtain regulatory approval) and easier (fewer procedures to address) to do business in the Asia-Pacific region by 2015. These commitments included an interim target of 5% improvement by 2011 and measures to address eight critical bottlenecks in impeding the smooth flow of goods, services and business travelers in the Asia Pacific region. In addition, APEC Ministers committed to enhance transparency in the area of tariffs and rules of origin by the end of 2010.

In particular, APEC has made commitments to (a) promote logistics and supply chain connectivity that is a catalyst for regional trade and investment with multiplier and enabler benefits to the wider socio-economy; (b) implement measures to address the critical bottlenecks identified in APEC 2009, especially in the areas of customs facilitation, multimodal transport connectivity and harmonization of cross-border standards and regulations; (c) improve supply chain security to reflect the appropriate balance between risk-assessed control and trade facilitation for safe business operations; and (d) make Customs tariffs and rules of origin available, up-to-date, in English and easily accessible on the Internet.

NCAPEC and APCAC recommend that APEC member economies strive to realize the Leaders’ and Ministers’ vision and commitments through clear targets and implementation timelines, to establish transparent monitoring and review mechanisms to encourage implementation by APEC member economies, and to

provide clear, consolidated information to businesses and investors, in order to promote further trade and investment.

There remains a strong need for APEC economies to simplify, harmonize and clarify the policies and procedures for conducting transactions across borders. The ABAC Customs Work Plan, which was submitted to APEC in 2009, contains a comprehensive list of areas that the regional business community has identified as priorities for action by APEC. Particular attention should be paid to harmonization of transport safety regulations, improved access to tariff and rules of origin information in preferential trading agreements as well as input provided to APEC regarding the implementation of the Supply Chain Connectivity Framework (SCCF). Further, APEC is currently in a position to forestall the emergence of another regulatory “noodle bowl” by achieving mutual recognition of Authorized Economic Operator (AEO) trusted trader programs. The establishment of the AEO Working Group is a welcome development and the business community hopes to see an ambitious agenda toward the achievement of mutual recognition between AEO programs in APEC, including initiatives such as the creation of a common AEO application form and common risk management principles.

The APEC Business Travel Card (ABTC) facilitates business travel, investment, and trade opportunities in the APEC region and ensures more efficient business travel. Businesspeople of 18 APEC economies can already use the ABTC. APEC developed the ABTC in response to the need for business people to gain streamlined entry to the economies of the Asia-Pacific region. The card further advances APEC’s goal of free and open trade and investment as qualified business people from participating countries can access APEC countries with ease. The ABTC card enables holders to use special fast-track immigration lanes at international airports. Additionally, some APEC economies allow the card, which is valid for three years, to serve as a visa for card holders of certain nationalities.

There is a huge potential for public-private partnerships (PPP) to help meet the infrastructure needs in the region, including for new investments in roads, power plants, ports and railways. However, for PPP to be effectively harnessed, key issues need to be addressed: the information asymmetry between the public and private sectors, broader and deeper capital markets and a more active role for multilateral institutions in partnership with public and private sectors. A regional infrastructure partnership among governments, international financial institutions and the private sector would help address these issues. Building of transportation and other infrastructure in the APEC member economies can have enormous benefit for improving economic development, job creation and the lives of ordinary people.

Infrastructure and Supply Chain Priority Action Items

NCAPEC and APCAC urge APEC member economies to:

39. Implement the May 2010 ABAC recommendation to Ministers Responsible for Trade that APEC economies launch an Asia-Pacific Infrastructure Partnership (APIP) as a pathfinder initiative to bring together private sector, government and multilateral development institutions involved to facilitate the growth of infrastructure PPP in the region.
40. Improve coordination among government agencies through a holistic approach to "Supply Chain Connectivity." This can be facilitated by first understanding the full scope of regulation affecting supply chains and addressing with concrete actions the chokepoints impeding the smooth flow of goods and services. An operating environment where public and private sector service providers are on a level playing field is critical to unblocking "behind the border" chokepoints.
41. Encourage the development of a "Single Window" concept similar to the Association of South-East Asian Nations (ASEAN) Single Window (ASW) Initiative, which seeks to expedite and simplify information flow by establishing a standardized and integrated environment for cargo clearance. APEC should set a goal to establish a committed timeline for implementation for those APEC member economies that do not have a single window program.
42. Give fast track priority to liberalization of the logistics services sector within the APEC member economies to support trade and job growth. APEC should use the ASEAN Roadmap for Logistics Liberalization as a template and model. To maximize the benefits of liberalization, and to prevent roll backs of market access, APEC economies should bind their logistics regimes through services commitments in the Doha Development Agenda (DDA) negotiations.
43. Implement a comprehensive tariff and rules of origin database that is cost effective and accessible to all businesses in the region. Ensure that SMEs can access this information at no cost.
44. Examine the process from pick-up to delivery in supply chain security programs, and confer accreditation upon the delivery service providers rather than the goods carried. In addition, security measures should correlate with risk assessments and targeting based on increased intelligence, not with "one-size-fits-all" physical measures. In general, establishment of a partnership between industry and customs must include a holistic approach to the harmonization of secure trade initiatives, including divergent and impractical requirements for Advanced Regulatory Information (ARI). APEC member economies should establish formal consultation mechanisms between customs officials and private sector companies involved in trade and logistics when considering adoption of new programs such as Authorized Economic Operators.
45. Accelerate the removal of restrictions on all-cargo services by promoting an APEC-wide adoption of the all-cargo Multilateral Agreement on the Liberalization of International Air Transportation (MALIAT).
46. Establish a level playing field between public-sector and private-sector providers of competitive logistics services, including express delivery services. Avoid over regulation of express delivery services, which rely on rigorous competition to ensure customer satisfaction.
47. Implement international customs best practices, including the Revised Kyoto Convention and the World Customs Organization Immediate Release Guidelines.
48. Address corruption, inconsistency and lack of accountability in border management agencies.
49. Pursue "smart" customs automation and modernization projects, i.e. avoid automating inefficient procedures and work closely with affected industry to minimize cost and disruption related to changes in IT systems.
50. Promote the growth of trade, travel, and tourism in APEC member economies by making access to "gateway" cities as easy as possible for international travelers without jeopardizing safety and security. This means taking steps to reduce the time it takes for travelers to pass through gateway airports, such as by easing restrictions on visas and easing entry procedures, and to reduce the time it takes to reach the city center from those same gateway airports.
51. Promote seamless cross-border multimodal transportation in the region to maximize options for improving the efficiency of supply chains.
52. Urge the three economies that have not yet passed the necessary legislation and regulations to allow their citizens to use the APEC Business Travel Card to do so as soon as possible.

Priority VI: Promoting Development of the Internet Economy

As governments and private companies roll out new Internet-based services across the Asia-Pacific region, consumers are increasingly willing and able to work with global service providers. NCAPEC and APCAC believe that this sector will continue to serve as an engine of innovation and economic growth that will generate new jobs. Two major challenges face governments and industry alike in promoting the internet economy. One is to develop and set ground rules that protect consumers and ensure a level playing field while allowing healthy competition and development of the sector. The other is to develop the framework necessary for both the adoption of ICTs and the development of related business models. There are both requirements and opportunities for collaboration on a range of issues essential to the rapid and healthy development of the Internet Economy.

APEC's Electronic Commerce Steering Group promotes the development and use of electronic commerce by creating legal, regulatory and policy environments in the APEC region that are predictable, transparent and consistent. The Data Privacy Subgroup has been working on the development of a 'Data Privacy Pathfinder,' a set of collaborative projects undertaken by APEC economies to develop a system that would enable cross-border data flows under the guidance of the principles set forth in the APEC Privacy Framework.

Privacy: APEC member economies should jointly review the provisions of their respective laws and practices governing privacy on the Internet to ensure clarity and transparency in interpretation and enforcement and to ensure the delicate balance between innovation and regulation. An overly prescriptive regulatory regime would likely stifle innovation without truly protecting consumer privacy. A regional approach is necessary for smooth transactions across borders. Such an approach should include support for voluntary industry initiatives and models, focusing on common concerns such as online identity, contents filtering, and the collection and usage of online consumer behavioral data.

Security: Authorities are increasingly concerned about the growing boldness and pervasiveness of cyber crime. Consultations should focus on common enforcement efforts and offering models and expertise to other governments in the Asia-Pacific region with the goal of promoting e-commerce across borders through the creation of coordinating entities and international standards that balance legitimate security needs against the need to preserve maximum flexibility to allow secure products that access the internet to develop. APEC member economies should resist efforts to address security needs through technology mandates that invariably favor specific entities and stifle innovation. In that vein, APEC also should consider adopting the best practices on encryption regulation that the World Semiconductor Council issued in May, 2010.

Data Portability: Cloud computing as well as other non-information and communication technology (ICT) operations depend on leveraging the power and flexibility of data centers often remote from the location of end users. Data compilation and

its applied usage generate value for users. APEC member economies should exchange views on their own deployment and use of "cloud services" and the challenges to realizing the free and secure flow of data across borders. Best practices might also be discussed in relation to how users of the services are informed of the services provided and the related rights and responsibilities.

E-Government: Most APEC member economies are investing heavily in ICT as a means of rationalizing the delivery of government services and providing greater accessibility and transparency in service delivery for consumers. Discussions in this area can facilitate the sharing of best practices, highlight areas of cost-saving and strengthen the infrastructure for a broader integration among the APEC member economies.

Education: All APEC member economies are concerned about how to teach students the skills they need for success in the Internet Economy of the 21st century and how to train teachers and develop curricula that can tap into the power of search and other applications linked to the Internet. APEC member economies should share their experiences and budget priorities and consider how governments and the private sector might work together to deliver innovative education hardware, software and content.

Intellectual Property Protection: Without robust protection of content and technology in the online environment, the internet economy will not achieve its full potential. Many, but not all, APEC economies have made progress in this area by joining and ratifying the WIPO internet treaties. This should be a goal for all APEC economies with non-sovereign economies making equivalent commitments by updating laws. APEC economies should also actively enforce protections provided to rights-holders by providing sufficient policy leadership and resources.

Healthcare: The value of ICT in healthcare is attracting significant attention from governments, researchers and healthcare providers, including for new remote diagnostic or disease management aids, the use of digitized medical records to improve care and reduce costs, and the introduction of comprehensive health platforms that seamlessly link doctors, patients and administrators. But there is still a long way to go in deploying and utilizing these technologies. The policy and regulatory considerations to facilitate the deployment of ICT in health systems are currently being identified. APEC member economies should share their plans for healthcare ICT and consider how to link these to actions by other APEC member economies.

In 2010, the APEC Life Sciences Innovation Forum (LSIF) Planning Group launched a Survey on ICT Applications in Health as the first phase of a mapping exercise on how APEC economies should address the challenges and opportunities for applying ICT in health. The survey is the first step towards developing a clear and effective APEC-wide strategy for enhancing health IT in the region. In September 2010, stakeholders representing government, industry and academia from APEC member economies assembled in Sendai, Japan, at the eighth APEC Life Sciences Innovation

Forum to review an analysis of the results of the first surveys completed by Australia, Hong Kong, Japan, and the Philippines. The purpose of the mapping exercise is to map out how discussions should begin in an organized manner among related APEC fora, including the LSIF, the E-Commerce Steering Group, the Health Working Group, the Telecommunications Working Group and the Investment Experts' Group.

Internet Economy Priority Action Items

NCAPEC and APCAC urge APEC member economies to:

53. Encourage governments to use the APEC Digital Prosperity Checklist, which is a self-assessment tool for member economies to evaluate whether their domestic legal, regulatory, and trade policy frameworks are designed to positively impact the capacity of ICT to generate value. The Checklist outlines specific actions or steps member economies could take in six key areas that would enable them to promote the use and development of ICT as catalysts for economic growth and be successful in competing in the digital economy. Governments should continue to work on implementing and expanding the digital prosperity checklist and its application to behind, at, and across the border issues.

54. Develop a strategic action plan to facilitate the sharing of best practices and harmonization of standards in the six areas listed above, leveraging APEC funding to maximize broad participation.
55. Implement proposals to realize "smart socio-economy" in support of the 2009 APEC Leaders' instructions to make further efforts to use ICT to address socio-economic issues.
56. Cooperate to support the LSIF's 2009 recommendation that a group of experts be established to examine the role of ICT as an enabler of improved patient outcomes, disease management and crisis response. Particular focus should be given to the five key recommendations for future work to be done in the Health ICT area within the APEC framework and additional recommendations related to developing privacy and security guidance for health data sharing and using emerging technologies.
57. Complete the APEC LSIF Survey on ICT Applications in Health that was launched in 2010 as the first step of a mapping exercise on Health ICT. The survey helps APEC economies assess the challenges and opportunities for applying ICT in health and is the first step towards developing a clear and effective APEC-wide strategy for enhancing health IT in the region.

About NCAPEC

The U.S. National Center for Asia-Pacific Economic Cooperation (APEC) is the only U.S. business association focused exclusively on facilitating American private sector input to the APEC process. Representatives of the Center often serve on official U.S. delegations to APEC meetings, capitalizing on the Center's excellent working relationships with U.S. government agencies as well as with business and government representatives from APEC's 21 member countries. Our programs are characterized by robust, candid discussions between business, government and academia on key trade and economic policy topics in the Asia-Pacific region. National Center membership is limited to U.S. corporations. The National Center also functions as a conduit for U.S. businesses into APEC by serving as the Secretariat for the three U.S. executives who are appointed members of the APEC Business Advisory Council. Our mission is to stimulate and facilitate U.S. private sector engagement in APEC, and to communicate private sector APEC priorities at home and abroad.

For more information, please see www.ncapec.org

About APCAC

The Asia-Pacific Council of American Chambers of Commerce (APCAC) was founded in 1968 as a way for the now 27 American Chambers of Commerce in 21 economies spanning Asia Pacific to share best practices and address issues of mutual concern. APCAC represents the growing interests of over 10,000 business entities and over 50,000 business executives in the region. The APCAC membership manages trade volumes in excess of US\$400 billion and direct investments (FDI) of over US\$200 billion.

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