

Meeting Recaps

- *APEC Trade Ministers (MRT) - May 31-June 1 - Arequipa, Peru*
- *APEC Senior Officials (SOM II) - May 30-31 - Arequipa, Peru*
- *APEC Business Advisory Council (ABAC) - May 12-14 - Moscow, Russia*

Inside this issue:

- Leadership Corner p2
- Issues Updates
 - Energy p3
 - CSR p3
 - Finance p3
 - Investment p4
- Upcoming Events p4

Trade Ministers Endorse Investment Initiative, Reaffirm Support for Doha

Ministers for Trade covered a wide range of topics in their recent meeting but their major emphases were support for a successful conclusion of the Doha WTO talks and the positive contribution such a conclusion would likely have on stemming food price escalation; promoting regional economic integration (REI) including the

prospect of a Free Trade Area of the Asia Pacific (FTAAP); and furthering trade and investment liberalization and facilitation, notably with the launch and endorsement of the APEC Investment



WTO Director General Pascal Lamy addresses Ministers

(Continued on page 2)

Business Council Tackles Energy, Financial Volatility and Food Prices

The APEC Business Advisory Council held its second meeting of 2008 in Moscow from May 12 - 14 under the chairmanship of Juan Raffo. The ABAC Letter to Ministers Responsible for Trade was the



US ABAC Members Spencer Kim, Michael Phillips and Nick Reilly in Moscow.

key deliverable from the meeting. The document provided recommendations on Regional Economic Integration, including the potential for merging existing free trade agreements, intellectual property rights, trade security/trade facilitation, investment, energy, climate change and business mobility. ABAC members also presented trade ministers with a letter on the APEC Food System (AFS) which proposed a review of the initiative and encouraged APEC to use the AFS framework to address the current global food crisis. ABAC will conduct an initial discussion on the AFS in Hangzhou in August, and present some initial recommendations to the Ministers in September. We expect the emphasis to remain on addressing food security challenges by emphasizing increased production through rural development and technology promotion, and improved market availability through removing unilateral trade restrictions and facilitating greater trade in food products.

Regional Economic Integration, Escalating Food Costs Dominate Senior Officials' Agenda

On the topic of regional economic integration, Senior Officials received progress reports on ongoing studies in convergence and divergence among existing trade agreements, and agreed to consider these findings in pursuit of further REI efforts, including the prospect of an FTAAP.

There appears to be general consensus on the need to pursue greater regional economic integration, and consideration of an FTAAP as an option for the long term. Based on discussions in Arequipa, next steps in this area will focus on continued study of points of convergence and divergence in existing agreements, with an eye towards evaluating the prospect of building a regional architecture through docking, merging or expanding existing agreements. This would be coupled with pursuit of further harmonization of existing agreements through continued adoption of model measures. In general, APEC at this

(Continued on page 2)



2200 Alaskan Way, STE 420 | Seattle, WA 98121

T: 206.441.9022 | F: 206.441.1006

E: info@ncapec.org

NCAPEC Leadership Corner



As the focus in the United States inevitably shifts to the November elections, the Na-

tional Center is taking steps to prepare for the transition to new government leadership in January of 2009. We want to ensure those who take key positions in policymaking toward the Asia-Pacific region are fully aware of the opportunity the US APEC Chairmanship in 2011 represents.

When the United States last chaired APEC in 1993, I served as the U.S. Senior Official and later as the Ambassador for APEC. The institution itself was so new there was no playbook, and the then-new Clinton Administration's decision to raise the annual APEC ministerial meeting to the Leaders (heads of government) level changed the face of APEC permanently.

How the next U.S. Administration uses APEC 2011 to chart a course for future engagement in the Asia-Pacific is critically important. Our chairmanship of APEC 2011 is a golden opportunity to again shape trade and economic policy in the region for the future.

As Chairperson of the National Center for APEC, it is my pleasure to help launch this inaugural issue of the National Center's new quarterly publication, APEC Insights. Our goal is to make the business of APEC clearer, to showcase trade and business

policies being advanced in the APEC economies, and to demonstrate how the National Center for APEC works with U.S. businesses to navigate the APEC process.

Along with my co-chairs Scott Miller of Procter and Gamble (Vice Chairman – Policy) and Steve Farrar of Guardian Industries (Vice Chairman – Finance) and with the Center's Executive Director, Monica Whaley, we will use this forum to explore issues that are ripe for APEC's agenda and identify opportunities for U.S. firms to become more engaged with APEC, especially as we look toward the U.S. chairmanship of APEC in 2011.

Most importantly, we want to ensure that this publication, and all of the work undertaken by the National Center for APEC, provides value, adds to greater understanding of APEC, and facilitates engagement in the Asia-Pacific region. I welcome your comments on what is (or is not!) included here and your suggestions for how we can improve this publication and its utility.

Sandra J. Kristoff
Chairperson
National Center for APEC

Trade Ministers (Continued from page 1)

Facilitation Action Plan (IFAP).

In a meeting with WTO Director General Pascal Lamy, Ministers shared a sense of urgency, and the thinnest slice of optimism, that it was possible for the Doha Development Agenda (DDA) negotiations to be completed this year. Ministers called for DDA outcomes to be both "ambitious and balanced" and they delved particularly into the issue of food price escalation, which they agreed APEC could play an important role in responding to by "maintaining our commitment to open markets and trade and investment liberalization."

Ministers reaffirmed their commitment to regional economic integration, including the long-term prospect of a FTAAP. Next year's APEC Chair and "P-4" member – Singapore – is also a strong supporter of regional economic integration and plans to make REI a central theme of their year.

Ministers did not discuss either energy security nor the global credit contraction and volatility of financial markets, neither of which are directly in trade ministers' portfolios, despite the fact that they both have significant impacts on the trade agenda. Arguably, Ministers' support for the Doha round and continued support for trade and investment liberalization and facilitation will improve the overall picture for energy and finance, and we expect the Finance Ministers meeting in November will have a great deal to say about these issues and the trade agenda as well.

APEC Documents Online

- 2008 Trade Ministers' Statement
- 2008 Trade Ministers' Statement on the Doha Development Round
- Investment Facilitation Action Plan

Available online at:

www.ncapec.org/Reports.html

APEC Senior Officials (Continued from page 1)

point appears likely to favor this approach over one that posits exploring a whole new type of agreement built from scratch.

Regarding corporate social responsibility (CSR), the private sector has clearly and consistently communicated to officials through ABAC its view that CSR is fundamentally a private sector issue, and the private sector should have the lead in addressing it, while working in close cooperation with governments. There appears to be general acceptance of this view

among APEC Senior Officials and we anticipate that recommendations to Leaders in November will be consistent with this approach.

Discussion of recent rises in food prices and supply challenges across the region continue to feature prominently in the agenda of both business and government leaders in this quarter's meeting cycle. There was broad agreement on the need to reassess the APEC Food System from 1999, and determine its relevance, in whole or in part, to addressing the current situation.

Energy Project Launched

The National Center for APEC has begun collaboration with East West Center (EWC) Senior Fellows, Dr. Fereidun Fesharaki and Dr. Kang Wu to develop a five year strategy for achieving greater energy security in APEC. Using a paper authored by the EWC as a platform, NCAPEC will develop various initiatives that compliment and build upon one another, and ultimately identify key deliverables for policy implementation during the U.S. chairmanship of APEC in 2011.

Areas that the East West Center will potentially address will include: the continued need to improve access to resources by both international oil companies and national oil companies and enhance coop-

eration between the two; the need to diversify energy supply; the need to implement and measure advances in energy efficiency; the need to facilitate cooperation in developing and deploying clean energy technologies; the need for free flow of goods and services related to clean energy technologies.

The objective of the paper is to identify the most important issues that policy-makers must agree on to achieve energy security, and the obstacles that impede reaching that agreement. Successfully implemented, the policies recommended in the paper will assist U.S. businesses in counteracting the increasing costs of inputs and the rise in prices of goods, ultimately buttressing market share and profitability.

Financial Volatility in ABAC Spotlight

Since April, the ABAC Finance and Economics Working Group (FEWG) has focused its dialogue on formulating business's optimal response to the global credit contraction. In Moscow, ABAC Peru Chair, Juan Raffo and FEWG Chair, U.S. ABAC member Michael Phillips together wrote and sent a letter to APEC Finance Ministers which outlined policy recommendations responding to the immediate financial situation.

The recommendations to Ministers were to maintain consistent monetary policies and liquidity mechanisms in order to improve confidence in credit and capital markets; move emphasis of market regulation from entity-based to activity-based; and mitigate system risk through coordinated action by central banks and regulators within the region.

In recent months, increased inflationary pressure throughout the region has begun to emerge. In light of the 2008 APEC Peru theme of "A New Commitment to Asia-Pacific Development," particularly with an increased focus on personal and economic development, CEOs and APEC Leaders at the Summit in November may concentrate their discussion on the effects erosive of inflation and increased commodity prices on the poverty reductions achieved in developing countries in recent years.

Peru Focuses on Corporate Social Responsibility

As the host of APEC in 2008, Peru identified the establishment of an APEC work plan on CSR as one of its key objectives for the year. The ABAC responded with a statement highlighting the fact that CSR is a corporate undertaking, and that as APEC's official mechanism for private sector input ABAC should take the lead in shaping the discussion on CSR. ABAC further noted that governments create the regulatory and legal framework within which business takes place and the ethical conduct of business, with the applicable laws, is a minimum standard which is mandatory for business.

ABAC further outlined a proposed work plan on CSR that will include a showcase of best practices in CSR and an inventory of global resources on CSR including principles, standards, codes of conduct and definitions. This will be prepared in time for the APEC Leaders' Meeting in Lima this November. While ABAC has a broad membership representing a wide range of industries, members were still able to identify three common understandings of CSR which it shared with APEC

officials: 1) CSR is a business activity, driven by corporate values and circumstances unique to each company and the communities in which they operate, 2) CSR is not a way to have business fund activities and undertakings that are the responsibility of government, such as schools, health facilities etc., and 3) CSR can include a range of voluntary activities that will vary widely from industry to industry, but understood broadly, CSR includes those activities companies undertake to improve living, working or environmental conditions for its stakeholders.

APEC Trade Ministers underscored that "CSR is most effective when it is led by the private sector and takes into account development approaches for different levels of development." Ministers supported the ABAC in particular in taking responsibility for promoting and facilitating CSR awareness and best practices. The National Center has collected examples of CSR activities from U.S. companies and plans to work with contributors on developing a showcase for presentation at the CEO Summit in Lima.

APEC Business Advisory Council Documents Online

- Letter to Trade Ministers
- Letter to Finance Ministers
- Letter to SOM on CSR
- Letter on Escalating Food Prices

Available online at:

www.ncapec.org/Reports.html

Save the Date

National Center for APEC's
Annual Executive Roundtable

January 8-9, 2009
Estancia La Jolla Hotel
San Diego, California



More information is available at
www.ncapec.org/execrtsandiego.html

Calendar of Upcoming Events

August 2 - 6	ABAC Meeting III	Hangzhou, China
August 14 - 23	Senior Officials' Meeting (SOM III)	Lima
August 14 - 15	Life Sciences Innovation Forum IV	Lima
August 20 - 21	Secure Trade in the APEC Region Conf.	Lima
August 29 - 30	SME Ministerial	Chiclayo
September 5 - 6	NCAPEC Board Retreat	Seattle
November 5 - 6	Finance Ministers' Meeting	Trujillo
November 16 - 17	Concluding Senior Officials Meeting	Lima
November 18 - 20	ABAC Meeting IV	Lima
November 20	NCAPEC Annual Luncheon	Lima
November 19 - 20	Joint Ministerial Meeting	Lima
November 21 - 23	APEC CEO Summit	Lima
November 22 - 23	APEC Leaders' Meeting	Lima
January 8 - 9	NCAPEC Executive Roundtable	San Diego

Issues Update

In Brief

APEC's work on **model measures** for free trade agreements to promote greater consistency and coherence among these agreements was endorsed....Ministers welcomed progress on the implementation of the **APEC Trade Facilitation Action Plan II**, which calls for reducing trade transaction costs an additional 5% (beyond the TFAP I levels) by 2010.... Ministers reaffirmed their commitment to strengthen the protection and enforcement of **intellectual property rights** in the region, including work on **satellite and cable signal theft**, and stopping the proliferation of counterfeit and pirated goods....Ministers directed officials to complete a policy/regulatory checklist to advance **digital prosperity** in the APEC economies. The effort will reference Information Technology Agreement maintenance, technology choice principles, data privacy among other issues.... The **Life Sciences Innovation Forum** will hold its annual meeting on the margins of SOM III in Lima, Peru. The agenda will focus on investment in health and capacity building to implement the LSIF Strategic Plan.

APEC Launches Investment Initiative

APEC Trade Ministers endorsed the Investment Facilitation Action Plan (IFAP) at their biannual meeting in Arequipa this past May. The Plan, which will be implemented between now and 2010, provides a framework and timeline for the implementation of a number of investment-related initiatives both proposed and currently underway in APEC. At the center of the Plan is an extensive menu of specific actions and measures which provide APEC members with a broad range of policy choices suitable for different economic circumstances. The list covers a number of general areas that are important to business including transparency in formulation and administration of investment policy, protection of investments, consistency in policies, and procedural efficiency.

With the endorsement of Ministers, APEC officials will now turn to implementation of the Plan. Initial actions include the development of metrics to as-

sess the results of implementation efforts and the development of capacity building proposals targeted at assisting developing countries in creating the infrastructure to support the adoption of new policies. The ABAC is seen as a key partner for APEC as it advances the IFAP. ABAC will be submitting a list of proposed metrics for adoption by APEC this August and will provide private sector input through participation in capacity building seminars and other reporting mechanisms. APEC plans to continue to leverage existing studies and products from the World Bank, OECD and other organizations to provide guidance in advancing the Plan.

While APEC has been seeking ways to improve the environment for investment since 1994, the endorsement of the IFAP raises the profile of the issue within APEC and establishes a robust framework for future work on the development of investment-related policy. US businesses can contribute to these efforts by providing the National Center with policy recommendations and private sector perspectives on these issues for presentation to APEC officials.