

# Executive Summary

The following is a summary of the key messages contained in this report:

## **Accelerate trade and investment liberalization.**

Liberalization of trade and investment must remain the cornerstone of APEC's policy agenda as it is crucial to regional economic integration. ABAC encourages APEC economies to redouble efforts to move forward the World Trade Organization (WTO) Doha Round agenda and the fight against protectionism. Implementation of the "Bali package" is of utmost importance, in particular the Trade Facilitation Agreement (TFA). ABAC urges APEC economies to demonstrate greater leadership in securing a commercially significant expansion of the Information Technology Agreement (ITA) by limiting sensitivities and supporting the mutually balanced and ambitious liberalization goals set forth in the initial ITA expansion negotiations.

Investment is vital to economic growth and development in the Asia-Pacific region and is the driving force of growth for developing economies. ABAC therefore encourages APEC to focus on spurring improvements in the investment environment in the region. ABAC highlights the importance of bilateral investment mechanisms and their implementation reflecting the APEC Non-Binding Investment Principles in attracting foreign direct investment and in creating a favorable investment climate in the region. ABAC commends the formation of a high-level Regional Investment Analytical Group to socialize the value of quantitative indicators of measures of investment performance and to contribute to enhancing investment policy decision-making in APEC economies. ABAC recommends a review of the APEC Investment Facilitation Action Plan with a view to encouraging investment flows from sovereign wealth funds, state-owned enterprises, insurance, pension and wealth funds and ensuring transparency, predictability and non-discriminatory treatment.

## **Achieve a Free Trade Area of the Asia-Pacific.**

ABAC appreciates APEC's important and meaningful contribution as an incubator of a Free Trade Area of the Asia-Pacific (FTAAP) by providing leadership and intellectual input into its development, and by playing a critical role in defining, shaping and addressing the "next generation" trade and investment issues that an FTAAP should contain. As APEC nears the 2020 deadline for achieving the Bogor Goals, ABAC is concerned that progress

towards achievement of the Bogor Goals by 2020, as measured by the APEC Policy Support Unit (PSU) Dashboard, is mixed. ABAC believes that the pace needs to be quickened as we approach 2020. FTAAP is the ultimate expression of the Bogor Goals. In relation to FTAAP, ABAC sees the need for more "top down" direction from Leaders to accompany the "bottom up" approach through the negotiating pathways. This should comprise further articulation of the overall vision, robust economic analysis of the possible gains and a dialogue aimed both at increasing transparency and identifying business needs. ABAC calls for concrete steps towards the realization of an FTAAP such as developing a roadmap and conducting analytical work, building on the work done by APEC, ABAC and PECC, and recognizing the Trans Pacific Partnership (TPP), Regional Comprehensive Economic Partnership (RCEP) and Pacific Alliance (PA) as important building blocks toward an FTAAP. We urge the broadest possible participation in pathways to an FTAAP that is in line with the spirit of open regionalism. We believe that an FTAAP should strive for coherence and converge around the highest standards from each of the pathways. Quality, ambition and comprehensiveness need to be the goals driving such negotiations if they are to meet business needs.

## **Build effective global value chains.**

The growing fragmentation of production across borders reinforces the need for economies to adopt an open, predictable and transparent trade and investment regime. It also underscores the importance of pursuing high-standard trade agreements that have the largest impact by covering as many dimensions of global value chains (GVCs) as possible. GVCs place new demands on firms, in particular as regards the need for strong coordination and efficient links between production stages and across economies. When value chains are global, economies' trade and investment policies become more interdependent and the costs of protectionism are higher, more immediate and more pervasive. In this context, measures are necessary to prevent the spread of new trade-distorting measures such as local content requirements (LCRs). ABAC urges APEC to utilize the private sector as a source of expertise in the development of APEC's Strategic Blueprint on Global Value Chains. It recommends the reduction or elimination of trade and investment barriers in order to facilitate broader APEC economy engagement in GVCs.

**Enhance supply chain connectivity.** ABAC applauds APEC's efforts to enhance competitiveness in the region by making it easier, cheaper and faster to conduct trade in goods and services across borders. Specifically, ABAC commends APEC Ministers Responsible for Trade for their endorsement of the APEC Alliance for Supply Chain Connectivity (A2C2), a public-private forum that will work with economies to develop and implement the recommendations related to APEC supply chain connectivity comprehensive capacity building plan. Specifically, A2C2 will enhance APEC's targeted, focused capacity building and technical assistance projects regarding improving supply chain performance and implementing the commitments of developing economies under the WTO Trade Facilitation Agreement. ABAC continues to support APEC's systematic approach to improving supply chain performance and encourages increased APEC funding of a dedicated APEC Trade and Investment Liberalization and Facilitation Sub-Fund for Supply Chain Connectivity. To improve regional connectivity and enhance supply chain performance, ABAC urges APEC economies to continue to work towards a region-wide framework to facilitate a coherent deployment of global product data standards and provide support for ABAC's emerging pilot project focused on measuring the benefits of applying common data standards to international trade in medical products.

**Pursue the new services agenda.** Trade and investment in services is an important and fast growing part of the regional economy and plays a crucial role in the competitiveness of global supply chains and value chains yet many barriers remain to be addressed. ABAC therefore welcomes the endorsement of manufacturing-related services in supply chains/value chains as a next generation trade and investment issue to be addressed in APEC. For its part, ABAC is undertaking numerous initiatives to help advance the services agenda, including a mapping exercise to identify business organizations across APEC with a specific interest in services liberalization to serve as platform from which to drive future services-related initiatives. ABAC is advocating the adoption of its "Earn, Learn and Return" framework on a sector-by-sector basis for managing the efficient movement of workers and workforce development around the region. Key elements of the framework include governance, certification, standards and training,

documentation, recognized benefits and rights, language, duration and travel. ABAC urges APEC to address the priority issues identified relating to the implementation of the APEC Business Travel Card (ABTC) and to consider the creation of an APEC Worker Travel Card along similar lines to the ABTC.

**Accelerate infrastructure development and facilitate infrastructure investment.** ABAC welcomes APEC's efforts this year to advance the Multi-Year Plan on Infrastructure Development and Investment (MYPIDI). ABAC supports Finance Ministers' efforts to develop an implementation roadmap in 2014 to guide future work on public-private partnerships (PPP), including strengthening the capacity of existing and new PPP Centers through a regional network supported by the APEC PPP Experts Advisory Panel. We believe that these efforts can help provide viable ways of mobilizing additional resources and reduce the risk and the time taken from project approval to project preparation. ABAC urges early and decisive action in the work streams to implement the Multi-Year Plan to improve project preparation and markedly increase the pipeline of ready projects. ABAC highlights the importance of a comprehensive and holistic approach to planning high-quality infrastructure projects that takes into account long-lasting asset value, stability of long-term cash flow and lifecycle cost in drawing private investments. ABAC believes that viable PPP Centers provide the best means to mobilize these actions, especially in reducing the time and costs of project preparation.

ABAC welcomes the dialogues organized by the Asia-Pacific Infrastructure Partnership (APIP) to facilitate frank and open discussion among the private sector, multilateral development banks and academics with ministers and their senior advisors on the development and financing of PPPs. We call on Leaders to encourage continuation of dialogues with APEC member economies as a most constructive way of supporting infrastructure investment in the region.

ABAC encourages all APEC economies to begin utilizing the ABAC Enablers of Infrastructure Investment Checklist. The Checklist is designed to measure performance and promote a better understanding of the complex policies and institutional practices needed to attract and effectively utilize foreign direct investment in

infrastructure. It presents a unique opportunity for all APEC economies to draw attention to progress and successful outcomes in their respective infrastructure environments as well as create new partnerships with potential investors.

**Adopt an APEC Blueprint on Connectivity that takes into account the principles outlined by ABAC.**

ABAC strongly supports the initiative to adopt an APEC Blueprint on Connectivity. The three pillars of the Blueprint should be supported and strengthened by a strategic vision and elements underpinned by targets and timelines. ABAC believes the Blueprint will provide APEC with much needed direction and impetus for regional economic integration well after the achievement of the Bogor Goals in 2020. And in the complex and more integrated economic landscape of the 21st Century, a Blueprint provides APEC with the means to deliver real dividends from free and open trade and investment to our businesses, our people and our communities. Where at all possible, the progress toward timelines and targets should be reported at the level of each economy so that business and consumer can make more informed assessments. The Blueprint should be forward-looking and account for the rapid development of information and communication technologies (ICTs) that will be vital in connecting the region. For example, the rapid increase in the use of mobile devices and the development of the Internet of Things will require the efficient use of radio frequency spectrum. Similarly, capacity building, supporting measures such as those provided by the ABAC Enablers of Infrastructure Investment Checklist and the work of APIP, and training should be incorporated across the Blueprint to strengthen implementation and the skills needed for utilizing the new systems and technologies that are emerging.

**Engage the private sector in infrastructure financing.**

Various research findings suggest that with growing demand in infrastructure investments, traditional sources of public finance alone are not sufficient. The result has been a widespread recognition of a significant “infrastructure gap”. To bridge this widening gap, there is a great need to mobilize private sector capital in infrastructure project finance, in particular non-bank finance. To achieve this vision, mutually beneficial partnerships between public and private sectors can be important. Designing policy measures that are

supportive of long-term investing, reforming the regulatory and procurement framework, ensuring equitable risks transfer to the parties best able to manage and mitigate them and building adequate capacity are all vital to attract non-bank finance. At a very basic level, suitable legal and regulatory frameworks, project structuring and a transparent environment are the foundation.

**Support the development of SMMEs and financial inclusion.**

To help nurture the development, adaptability and sustainability of small, medium and micro-enterprises (SMMEs), ABAC encourages Leaders to consider: creating capacity building programs for SMMEs to access international networking and collaboration opportunities; expanding channels of internationalization for SMMEs, including through the use of ICT and e-Commerce; promoting Cross-Border E-commerce Training (CBET) opportunities; increasing public-private dialogues and partnership; and removing barriers for new and creative business initiatives. We recommend that APEC adopt a comprehensive approach, such as the APEC Accelerator Network, to accelerate innovative start-ups and high growth SMMEs by providing funding, mentoring and market access so as to facilitate commercialization of cutting-edge technologies. Opportunities for SMMEs can be increased by simplifying legal and regulatory barriers. ABAC recommends that APEC economies explore the concept of a platform for cross-border collaboration and market-driven technology dissemination. The Asia-Pacific Open Innovation Platform, a voluntary undertaking open to all APEC economies, may serve as a possible model for future platforms.

Recognizing that not all options will be available in each economy and that traditional bank financing plays a primary role in financing SMMEs, ABAC encourages economies to examine the broad range of SMME financing options that exist in the Asia-Pacific region as outlined in its APEC Framework for Innovative SMME Financing Mechanisms report; to adopt a comprehensive suite of SMME financing mechanisms in their economies; and to review policy and regulatory reforms needed to support the growth of innovative and alternative financing mechanisms such as micro-finance, angel and seed investments, internet trade financing, venture capital, crowd funding and the junior/venture exchange.

ABAC recommends that Leaders encourage greater public-private collaboration to help member economies: develop proportionate financial regulatory frameworks; design financial inclusion strategies and capacity building initiatives that promote a broad range of financial services and innovation; promote coordination among stakeholders including the private sector; and accelerate the development of market infrastructure related to financial identity, credit information, collateral management and payments.

**Advance women's economic inclusion.** APEC has taken important steps to improve women's economic participation. It is increasingly clear that their advancement is not only a social imperative, improving their lives and the lives of their families, but an economic imperative as well. However, women throughout the APEC region still face challenges related to obtaining capital, reaching markets, developing skills and capacity, accessing networks, and achieving leadership positions. The presence of these obstacles has resulted in a large amount of untapped productivity within the APEC region. ABAC encourages APEC Leaders to support policies and share best practices to eliminate these obstacles. Addressing these barriers and taking steps to bring more women into the economic mainstream in both the private and public sectors will drive economic growth and promote stability in the region.

**Accelerate green growth.** ABAC commends APEC for its concrete commitments to green growth. APEC's agreement to tariff reductions on 54 items of Environmental Goods (EGs) provided an incentive for 14 WTO members to start a similar agreement in January this year, breaking the stalemate in international negotiations. APEC has also committed to reduce energy intensity in the region by 45% by 2035. Energy conservation is the least expensive and most accessible source of energy, and it will be a key element to achieving the 45% target. These are tangible commitments with benchmarks that can be easily measured. To accelerate the green growth agenda, ABAC recommends that APEC: enforce tariff reduction for the 54 EG items by the end of 2015, expand discussions on environmental services, and identify and eliminate non-tariff barriers for environmental goods and services; and introduce policies that stimulate energy conservation, encourage wider

use of energy-saving equipment, and facilitate free trade of such goods and services.

**Address energy security.** A stable supply of energy is at the core of economic growth and is a pressing issue in the APEC region. Expanding and diversifying energy supplies remain a primary concern. While increasing renewable energy is the ultimate goal, for most economies, an energy mix including fossil fuels will need to remain in place but their impact on the environment is a key concern. To balance economic growth and environmental protection, ABAC recommends that APEC: assist in technical innovation to advance wider use of renewable energy; provide legal structures and regulations that are transparent and predictable for business to invest in energy production; establish, strengthen and fully enforce environmental regulations to mitigate the environmental impact of power generation; promote wider use of natural gas; expand use of clean coal technology (CCT); where infrastructure utilizing the latest CCT is planned, provide the necessary assistance including capacity building and financing in association with international bodies; and speed up technical development and facilitate empirical research for carbon capture and storage to make it commercially viable.

**Achieve food security.** ABAC welcomes APEC's focus on food security as critical to achieving sustainable and inclusive growth. It continues to support the APEC Policy Partnership on Food Security (PPFS) and believes that the progress made to date provides a good foundation on which to engage the private sector in an even deeper strategic dialogue. ABAC welcomes the continuing development of the Roadmap to Food Security prepared by PPFS as a high-level expression of what needs to be done by governments, the private sector and other stakeholders working together to make progress towards specific PPFS goals. ABAC recommends that APEC: adopt mechanisms for knowledge sharing and technical cooperation, and identify and eliminate barriers that limit public-private cooperation; focus on establishing policies and regulatory regimes that liberalize and encourage investment flows, promote public-private ownership structures and improve private sector input into government decision-making; and continue to resist protectionism in all its forms.

**Build robust partnerships in the mining sector.**

As substantial producers and consumers of minerals and metals, it will be important for APEC economies to collaboratively promote effective regulatory environments for the mining sector to underpin the region's prospects for sustainable economic growth. Robust partnerships and meaningful dialogue between the public and private sector will be needed to ensure that responsible investment leads to beneficial outcomes for communities, economies and investors. We encourage APEC to expand its focus on this economically vital sector and build on its well established history of facilitating public-private collaboration by taking additional steps to engage the business community and industry associations in partnerships with stakeholders such as the APEC Mining Task Force. To create a framework for further discussion, this year, ABAC has commissioned a study that measures the impact that the mining sector has on APEC economies, highlights best practices in responsible mining and outlines the factors that influence the private sector's decision to invest.

**Promote healthy workforces and robust health systems.** Rapidly aging populations and the rising burden of non-communicable diseases (NCDs) pose a substantial challenge to sustainable economic growth. This trend has important implications for the well-being of communities, long-term care costs as well as the productivity and availability of labor. Health-related absenteeism, disability and productivity losses are a substantial concern for both the public and private sector. Smart investments in healthcare systems coupled with business-friendly trade and regulatory policies can help APEC economies address this trend. Such policies can leverage the private sector to the fullest extent by encouraging the creation of new therapies and treatments and ensuring they are delivered in a timely and safe manner. For example, companies rely on consistent data standards to more effectively track and trace products as they move through increasingly complex regional supply chains. Continued efforts to identify and address inefficiencies in supply chains will improve access for patients.

**Promote the rule of law.** A sound business environment is essential for attracting investments, creating jobs, and bringing development to the people. One of the basic building blocks for this sound business environment is the rule of law.

Recognizing the diverse circumstances of APEC economies in promoting competitiveness and the rule of law, ABAC urges Leaders to support a capacity building program that will facilitate best practice sharing in the rule of law and in enabling sound business environments. Lifting all of the APEC members' capacity in this area will help reduce investment risks and pave the way for increased investments and inclusive growth in the region. In so doing, our Leaders will cement APEC's role and contribution in the global economy.

**Accelerate financial market development to promote growth.**

The Asia-Pacific Financial Forum (APFF) has been established and is now developing a number of public-private initiatives to enable financial markets to support the growth of domestic consumption and trade, infrastructure investment, innovation, and SMMEs. To play this role, financial markets need to evolve to have greater diversity of financing sources, with a larger role for deep and liquid capital markets and institutions that can provide long-term finance. They also need to become more inclusive. APFF is currently identifying ways to address market, regulatory, and operational issues that affect the ability of insurers and pension funds to expand their investments in infrastructure. It is also developing action plans to help improve the legal and institutional infrastructure for the wider use of factoring, movable assets and accounts receivable as collateral, and of consumer credit information, all of which will help SMMEs. ABAC urges the Leaders to support the APFF and recommends that Leaders encourage public-private sector collaboration to promote high-quality valuation practices in the region.

**Respond to the challenges of urbanization.**

Meeting the challenges of urbanization requires a holistic policy framework to enhance the capacities of public policy agencies, both at the domestic, city and municipal levels, in the design and implementation of policies to provide for sustainable urban infrastructure, public-private partnerships and the financing of projects. ABAC commends support for its initiative to launch the Asia-Pacific Urban Infrastructure Network this year in the first of a series of biennial forums involving global and regional experts from the public and private sectors, financiers, multilateral development banks and academia, to develop a holistic framework.