I. Introduction

The International Monetary Fund (IMF) notes that while the economic upswing that was expected for some time appears to be materializing and the world economy is looking at a brightening global outlook, longer-term potential growth rates remain subdued compared with past decades. Binding structural impediments such as low productivity growth and high income inequality continue to hold back a stronger recovery and have increased pressures for inward-looking policies. These threaten global economic integration and the cooperative global economic order that has served the world economy well. It was suggested that economic policies have to play an important role in staving off downside risks and securing the recovery, and that a renewed multilateral effort is needed to tackle common challenges in an integrated global economy.

Against this backdrop and recognizing the need to inject new dynamism in order to bring the APEC region back to the high-growth trajectory, this year ABAC adopted the theme “Creating New Dynamism, Fostering a Shared Future”. The 2017 work program is focused on the following priorities:

- Deepening regional economic integration;
- Achieving sustainable, innovative and inclusive growth;
- Enhancing micro, small and medium enterprises’ (MSMEs’) competitiveness and encouraging innovation in the digital era;
- Ensuring food security and promoting sustainable and climate smart agriculture.

This report outlines practical steps which APEC economies should take to address the challenges noted above and help achieve sustainable, innovative and inclusive growth. The recommendations are organized according to ABAC’s five working groups.

II. Regional Economic Integration

Regional economic integration continues to underpin the growth and prosperity of the Asia-Pacific region. This year, ABAC has therefore sought to further deepen regional economic integration by focusing on the following priorities: support for the World Trade Organization (WTO) and preventing protectionism; accelerating trade and investment liberalization and facilitation to achieve the Bogor Goals; enabling a Free Trade Area of the Asia-Pacific (FTAAP); and pursuing the new services agenda.

A. Supporting the multilateral trading system

ABAC reaffirms its commitment to the WTO as the foundation of global trade and prosperity. We recognize that a rules-based and non-discriminatory multilateral trading system remains the strongest bulwark against protectionism and the best avenue for sustained and inclusive economic growth, job creation and sustainable development. ABAC welcomes the reaffirmation in the Chair’s Statement at the meeting of APEC Ministers Responsible for Trade of their commitment to the WTO and to keeping markets open. We commend the extension until 2020 of the pledge against protectionism through a standstill commitment and the rolling back of protectionist and trade-distorting measures.

The 11th WTO Ministerial Conference in Buenos Aires, Argentina, offers an important opportunity to show leadership in resisting protectionism and demonstrating our commitment to more open and less distorted global markets. We urge APEC economies to work constructively, creatively and with determination towards robust and meaningful outcomes in Buenos Aires, including on trade-distorting agriculture subsidies, on subsidies that encourage over-fishing, on e-commerce and other topics. An outcome on e-commerce, including rule making on digital trade with key elements such as movement of data and information, would recognize the significance of the digital economy and the importance of strong and deep connectivity for regional economic integration.

We encourage more economies to join the negotiations on the Trade in Services Agreement (TiSA) and the Environmental Goods Agreement (EGA), and for all participants to redouble their efforts towards an ambitious and early conclusion of these agreements. ABAC urges APEC economies which are members of the WTO to complete ratification and to take early action to implement the Trade Facilitation Agreement (TFA), to help...
reduce costs and increase efficiency in the movement of goods and provision of services, and to benefit developing economies in particular. We call for more APEC economies to participate in the expansion of the Information Technology Agreement (ITA).

Finally, ABAC emphasizes that care must be taken to ensure that any new plurilateral, regional and bilateral trade agreements genuinely complement and support efforts towards eventual global liberalization under the WTO.

Recommendations:

- Work constructively, creatively and with determination towards securing robust and meaningful outcomes at the 11th WTO Ministerial Meeting.

- Support plurilateral efforts to liberalize trade in a way that complements and supports efforts towards global liberalization under the WTO.

B. Enabling an FTAAP

Attitudes towards trade agreements are more polarized at present than at any time in recent decades. ABAC believes that the case for free and open trade has been established by the indisputable rise in economic wellbeing for the Asia-Pacific region that has resulted from the liberalization of markets to date. We remain committed to the realization of FTAAP as the ultimate goal for economic integration of the region. Last year in Lima, APEC Leaders agreed to examine, by no later than 2020, the contribution of current pathways to the realization of the FTAAP. ABAC urges all APEC economies to consider their own readiness for a future FTAAP, to work towards free trade in the region, and to resist the urge to turn towards protectionism.

ABAC noted the progress that has been made on the Trans Pacific Partnership (TPP), Regional Comprehensive Economic Partnership (RCEP) and Pacific Alliance pathways to an FTAAP. We hope to see the TPP parties implement the ambitious and high-quality outcomes of the TPP at the earliest possible opportunity. To that end, we commend the parties on efforts to examine options for a way forward. We urge the RCEP parties to complete the negotiations by the end of the year, ensuring the agreement is comprehensive, high quality and mutually beneficial. ABAC also considers it important to adopt an approach that would enable access for other economies which may wish to participate in these agreements in the future. The stakes for these agreements are high. Successful completion and implementation of outcomes of the pathways to the FTAAP would provide direct economic, trade and investment benefits to the region, and demonstrate a regional commitment to economic growth and integration at a time when the global economy needs leadership by this region to achieve a sustained boost to a higher global growth path. ABAC also acknowledges the contribution that other regional initiatives and arrangements have made towards freeing up trade and investment and creating a trade liberalization-supportive environment, including the ASEAN Economic Community and the Eurasian Economic Union, among others.

As mandated by APEC Leaders in the Lima Declaration on the FTAAP, officials are to develop work programs to build consensus and capacity for economies on a number of issues affecting trade and investment, including tariffs, non-tariff measures (NTMs), services, investment and rules of origin. We urge APEC economies to deliver concrete work programs in the said areas by the APEC Economic Leaders’ Meeting (AELM) in 2017 in order to maintain the momentum of the FTAAP process.

Recommendations:

- Work with determination towards the realization of FTAAP, including by taking action on concrete work programs in the areas of tariffs, non-tariff measures, services, investment and rules of origin by AELM 2017.

- Continue to pursue the pathways to an FTAAP, including by encouraging TPP parties to implement the commitments of the agreement and preserve its high-quality outcomes, and urging RCEP parties to conclude negotiations by the end of the year, while ensuring that the agreement is comprehensive, high quality, and mutually beneficial.
C. Pursuing the new services agenda

ABAC firmly believes in the growing importance of services to the growth and development of all APEC economies and regards the APEC Services Competitiveness Roadmap (ASCR) as a key means for APEC to advance the services agenda.

ASCR is a significant initiative that reflects the determination of APEC economies to collectively and comprehensively address short, medium and longer-term issues to strengthen the competitiveness of all APEC economies’ services sectors.

ABAC notes the progress made in the implementation of 14 APEC-wide action areas highlighted in the ASCR Implementation Plan (2016-2025). ABAC stands ready to work with APEC on the detailed implementation plans of the ASCR to ensure that they are ambitious, practical and relevant. In this regard, ABAC would welcome the development of a structured engagement process with the relevant lead APEC fora in order to facilitate the communication and exchange of regular updates with regard to the rolling out and implementation of the ASCR.

ABAC welcomes the ASCR Implementation Plan, structured as a “living document,” that will encourage ongoing dialogue and inclusion of new issues, to ensure that the roadmap is responsive to changes and the needs of the business community. ABAC values the process of Public-Private Dialogues (PPDs) to promote proactive regulatory and policy approaches to enhance cross-border investment in services and competition in regional markets. ABAC will continue to support and organize relevant PPDs to support the continued development and implementation of the ASCR.

ABAC welcomes the ASCR Implementation Plan, structured as a “living document,” that will encourage ongoing dialogue and inclusion of new issues, to ensure that the roadmap is responsive to changes and the needs of the business community.

Recommendations:

- Develop a structured process to facilitate the communication and exchange of regular updates and adoption of business inputs into the ASCR.
- Prioritize and expedite the development of services data and statistics, including the early completion of an APEC index on the services regulatory environment.
- Adopt relevant and ambitious indicators for all the 14 action areas identified in the ASCR.

D. Accelerating trade and investment liberalization and facilitation to achieve the Bogor Goals

1. Addressing non-tariff barriers (NTBs)

Non-tariff barriers are increasingly prevalent and have negative impacts for trade, economic growth and living standards. APEC economies should seek to foster the most open, predictable and transparent conditions possible for trade, including in the development and application of non-tariff measures, while still meeting any legitimate domestic policy objectives. Many non-tariff measures are intended to deliver legitimate policy goals, but some may be more trade-restrictive than necessary to meet a legitimate objective, may be discriminatory, or in fact be designed to limit access to markets. Even where such measures may not target cross-border activity per se, NTBs can distort trade flows, including the smooth functioning of global value chains; can add costs for business, particularly MSMEs and for consumers; can inhibit investment and economic growth; and can jeopardize food security. ABAC has looked in detail at NTBs that included in the roadmap. ABAC also calls on APEC to prioritize and expedite the development of services data and statistics, including the early completion of an APEC index on the services regulatory environment. This index would serve as an important indicator for other action areas included in the ASCR Implementation Plan. ABAC also calls on APEC to adopt relevant and ambitious indicators for all the 14 action areas identified in the ASCR.
manufactured goods. Specific examples include burdensome, unjustified or inconsistent sanitary and phytosanitary (SPS) requirements for both food and wood/forest products; onerous technical requirements for all products relating to standards, certification and labelling requirements; and excessively bureaucratic, unpredictable and slow customs processing and other administrative measures that act as procedural obstacles to trade.

ABAC has developed a set of WTO-consistent, cross-cutting principles for the design and application of non-tariff measures which minimizes the creation or maintenance of barriers to trade. APEC Leaders have a significant opportunity to set new global benchmarks for addressing NTBs more effectively and identifying best practice towards this end, by adopting ABAC's principles as the basis for the review, development and application of regulatory measures and procedures around trade. Such principles would seek to ensure the smooth and efficient flows of goods and services across and behind borders, as follows:

**ABAC Cross-Cutting Principles**

**Information**
- Business needs information about import and other regulations that is clear and readily available, preferably through an online portal;

**Processes**
- Business needs processes for the development of non-tariff measures that are transparent and timely;
- Affected business (including small producers and MSMEs), both domestic and foreign, should be consulted in the development of standards;
- The application of non-tariff measures should be timely, predictable and coherent;

**Measures**
- Measures should be transparent, coherent and non-discriminatory;
- Measures should be based on sound science (in the case of sanitary and phytosanitary measures), or closely aligned with international norms (for technical measures) such as Codex, International Standards Organization (ISO) and APEC;
- Measures must not discriminate against imported goods or services;

**Underpinning philosophy**
- Measures must be developed consistent with the principle of “least-trade restrictive”;
- The emphasis should be on desired or equivalent outcomes rather than prescriptive process or production methods.

In accordance with ABAC’s WTO-consistent cross-cutting principles, APEC economies should also seek to address NTBs where possible in negotiating trade agreements and arrangements, including in an eventual FTAAP and in considering approaches to the vision for APEC Beyond 2020.

**Recommendations:**
- Engage with the private sector, to discuss ways in which the impact of NTBs can be mitigated as far as possible, while still allowing economies to achieve legitimate domestic objectives.
- Adopt ABAC’s recommended set of WTO-consistent cross-cutting principles as the basis for the review, development and application of regulatory measures and procedures around trade, including in new trade agreements.

2. Facilitating trade and investment flows

APEC’s vision of an economically integrated region is strongly reliant on open trade and investment throughout the region. However, the recent rise in anti-globalization and trade sentiments, both regionally and globally, is a cause of serious concern that threatens open markets and liberalization. This year, ABAC is undertaking a joint project with the University of Southern California (USC) which will look at the factors underpinning anti-trade sentiments and examine the business perspective on these challenges within APEC economies. Preliminary findings suggest that APEC economies, working in concert with the business community, will need to give further thought to how investment in technology infrastructure, skills training and education, job creation and worker mobility can help to facilitate adjustment to a changing economic environment and to prepare most effectively for future opportunities.
Investment flow trends and prospects, globally and regionally, are showing only modest growth. The United Nations Conference on Trade and Development (UNCTAD) notes that corporate profits should support investment flows in 2017 and 2018 ($1.85 trillion), but still below the peak reached before the Global Financial Crisis. UNCTAD also notes that policy uncertainty and geopolitical risks could deter this recovery.

Given the fundamental links between investment and economic growth, APEC economies should take urgent action to reduce risks to inward (and outward) investment flows. Business recommends actions aimed at improving the attractiveness of investment policies to both domestic and foreign investors. These include deepening understanding of decision-making processes by relevant agencies in regard to applications to invest by foreign investors, utilizing the recommended procedures in the investment principles and frameworks proposed by the Organization for Economic Cooperation and Development (OECD) and the World Bank.

In its 2017 World Investment Report, UNCTAD draws special attention to the relationship between investment and the digital economy and the impact of digital technologies on international production trends. The numbers of high-tech companies in the top 100 Global Multinational Enterprises (MNEs) has more than doubled and they increased revenue and the numbers employed over others in the MNE index. However, UNCTAD has highlighted its concerns related to these trends: “analogue-era investment rules and regulations, and policies and institutions for the promotion and facilitation of investment, may need to be reviewed to avoid that they become obsolete or an unintended drag on digital adoption.” As such, ABAC proposes that the APEC Investment Experts’ Group review and recommend policy responses to the impact digital advancement will have on regional investment policies and procedures.

**Recommendations:**

- Take action to reduce risks to inward (and outward) investment flows. Business recommends actions aimed at improving the attractiveness of investment policies to both domestic and foreign investors. These include deepening understanding of decision-making processes by relevant agencies in regard to investment applications by foreign investors, utilizing the recommended procedures in the investment principles and frameworks proposed by the G20, OECD and the World Bank.

- Urge the APEC Investment Experts’ Group to review and recommend policy responses to the impact digital advancement will have on investment policies and procedures.

- Intensify work to enhance trade connectivity in the region, including those identified by the Suggested Framework for Phase Two of the Supply Chain Connectivity Framework Action Plan (SCFAP) 2017-2020 and meaningful pathfinders.

**E. Developing the APEC post-2020 vision**

While acknowledging the need to accelerate efforts to achieve the Bogor Goals of free and open trade and investment in the region, ABAC believes it is timely and pertinent for APEC to develop a post-2020 vision. We welcome the outcomes and recommendations of the Multi-Stakeholder Dialogue on APEC towards 2020 and Beyond held in Ha Noi, Viet Nam in May. ABAC will continue to actively contribute to this process.

**III. Connectivity**

ABAC continues to call on Leaders to build around the valuable template created by the APEC Connectivity Blueprint as a primary means of strengthening region-wide economic integration. Of particular urgency is the facilitation and financing of quality physical infrastructure across the region. As the digital revolution engulfs all of our economies, so it is imperative to address the challenges arising, which include building appropriately robust digital infrastructure, closing the digital divide, building digital trade and encouraging the movement of data and information across borders and throughout the region. ABAC is also concerned at the acute emerging shortages of working people with the skills needed to take advantage of the radically innovative digital technologies that have the potential to boost productivity and raise living standards across the region.
Since some of the most acute shortages are due to powerful demographic shifts, ABAC calls on Leaders to improve the way in which we manage the region-wide movement of international labor, taking account of the Earn, Learn, Return (ELR) initiative first proposed to Leaders three years ago.

The benefits of improved physical connectivity, the digital revolution, and better management of the movement of people are unlikely to be captured without significant behind-the-border adjustments, including regulatory reforms that improve interconnectivity, improve international regulatory coherence and facilitate regional integration.

A. Improving internet and digital connectivity

Enhancing internet connectivity for underserved areas of the APEC region and promoting the free movement of data will ensure that the benefits of the digital economy will be extended to all sectors throughout our economies. We call on economies to promote and incentivize investment in information and communication technology (ICT) infrastructure. We recommend that economies work together to ensure the movement of data and information across borders and throughout the region. Continuing to make progress in these areas will promote regional economic integration, expand regional trade and foster stronger economic growth at all levels of the economy.

Developing each economy's physical digital infrastructure must be a particular priority. Without this many of the most empowering and exciting digital economy developments are unlikely to be realized. Research driven by ABAC members over the past four years, embodied in the Global Connectivity Index for 2017, which compares the progress of fifty economies in ICT investment and future potential, reveals a growing divide and deepening inequality between frontrunners, and those following. This has significant and continuing consequences for those economies lagging behind, in terms of their ability to compete and participate in world trade and prosperity. Provision of infrastructure and core technologies, identifying the needs of entrepreneurship and innovation, and adopting policies that support and encourage participation in the digital economy are critical to closing this growing gap. ABAC also notes that strong progress in developing our digital infrastructure is bringing particular benefit to small companies, and women in the economy, contributing strongly to our aim to reduce inequalities and build more inclusive economies. The imperative of inclusive growth and improved regional integration means that digital divergence must be minimized. ABAC calls on Leaders to collaborate regionally to ensure that the benefits of the digital revolution are shared as widely and evenly as possible.

It also calls for urgent collaboration between business, educators and governments to develop education systems better tailored to equip people to fill our future jobs, including stronger emphasis on Science, Technology, Engineering and Mathematics (STEM) education.

Effective access to the digital and internet economy, transforming the way that business and trade are conducted, APEC economies are connected, and prosperity is realized, requires supportive government policymaking, both at a domestic level in our economies and in international cooperation. Creation of an enabling digital environment and culture across borders, including assessing market readiness factors, government policies, existence of adequate infrastructure and availability of a skilled labor force are key to the ability to seize the great opportunities that technology delivers.

**Recommendations:**

- **Prioritize development of digital infrastructure, particularly in those APEC economies identified as starter or adopting phases of digital technology.** APEC should support capacity building initiatives to assist in this process.

- **Encourage APEC economies to create regulatory environments that will remove unnecessary barriers and enable digital trade, including cooperation in international efforts to enable the secure and efficient transmission of data throughout the region, and reform of domestic regulatory regimes.**

- **Call for region-wide collaboration between business, educators and governments to develop education systems that are more...**
effectively tailored to equip people to fill our future jobs, including stronger emphasis on STEM education, women and MSMEs.

B. Facilitating people-to-people connectivity

ABAC strongly commends the work led by the APEC Human Resources Development Working Group (HRDWG) on improving region-wide labor mobility, and by the Business Mobility Group (BMG) on strengthening the successful APEC Business Travel Card (ABTC) scheme. Our members commit to continue intensive engagement with both groups to structure further improvement, including the potential development of new travel card arrangements, for example for Emergency Response Workers. ABAC also calls upon BMG to review ABTC issuance practices to promote greater consistency across economies. Following a mapping exercise undertaken by ABAC across APEC economies on current ABTC procedures, ABAC found that the scheme will benefit from the simplification of processes by leveraging on digital tools and further capacity building for officials in charge of implementing the scheme.

APEC businesses are increasingly concerned about deepening skills shortages and mismatches across the region, which are being aggravated by powerful demographic shifts, with only four of our economies likely to see any increase in their working populations in the medium term future, and several economies already facing sharp declines in their working populations. ABAC calls on APEC economies to participate in the region-wide Skills Mapping exercise to ensure that emerging shortages can be more clearly anticipated and accurately tracked. ABAC also calls on Leaders to improve the way in which we manage the region-wide movement of international labor, taking account of the Earn, Learn Return initiative first proposed to leaders three years ago.

Recommendations:

- Continue to enhance the APEC Business Travel Card, ensuring that procedures are streamlined and reviewing the current requirements to make them consistent across the region.
- Explore best practices in the administration of the scheme in the region, e.g., following Singapore’s e-ABTC. Promoting further coordination and digitalization of the scheme will allow APEC to tackle current problems such as differences in the validity periods of visas and lower the costs of administration.
- Secure commitment from all APEC economies to contribute to the region-wide Skills Mapping Initiative.
- Commit to improving the region-wide management of the movement of international workers, building on the framework provided by ABAC’s Earn, Learn, Return initiative.

C. Enhancing physical connectivity

Trillions of dollars of investment are needed in building the region’s quality infrastructure, ranging from roads and ports and railways to mass transit systems, electricity grids, clean water management, and the establishment of robust digital infrastructures. The scale of need calls from our region’s economies to encourage intensive engagement by private sector operators and investors, often in Public-Private Partnerships (PPPs). ABAC is committed to working closely with APEC economies, building on the already strong work being done by vehicles like the Asia-Pacific Financial Forum (APFF) and the Asia-Pacific Infrastructure Partnership (APIP). It commends the program of activity being developed in collaboration with other well-established regional and international financial institutions as helpful complements to existing infrastructure building initiatives, and commits to encouraging such activity, where appropriate.

Obstacles remain to effective private sector participation in regional infrastructure building, including on risk-apportionment and on ensuring a stable stream of “investment-ready” projects. ABAC commits to working intensively with APEC officials to overcome these obstacles, recognizing the urgent priority of effective infrastructure building. ABAC believes this means building in conformity with the best international standards covering effective governance, reliable operation, economic life cycle cost, safety, and resilience against natural and human calamities. It means consulting closely through APIP and other public-private dialogues on best-practice rules
and standards that are needed to ensure quality infrastructure investment and transparent and evidence-based policymaking.

**Recommendations:**

- Further develop activity of the APFF and APIP to strengthen public-private partnerships to expedite quality infrastructure building that improves economic efficiency within each of our economies, and enhances regional integration.
- Intensify efforts to eliminate unnecessary barriers to foreign investment.

**D. Increasing institutional connectivity**

The benefits of improved physical connectivity, the digital revolution, and better management of the movement of people are unlikely to be captured without significant behind-the-border adjustments, including regulatory reforms that improve interconnectivity, improve international regulatory coherence and facilitate regional integration.

ABAC commends the intensive program of work being led by the APEC Economic Committee to facilitate structural reforms within and between our economies, and commits to work closely, wherever possible, to support such efforts. In particular, ABAC strongly supports APEC efforts to pursue structural reform in services sectors, and to reduce customs and behind-the-border barriers to improved connectivity, including close scrutiny of non-tariff measures to ensure these do not create barriers to closer integration. It also notes the potentially transformative power of new digital technologies to improve the efficiency and effectiveness of regulation.

**Recommendations:**

- Continue to drive behind-the-border liberalization, including structural reform in the services sector, that can facilitate cross-border trade and investment, improving business efficiency and productivity within and between our economies.
- Improve legal and regulatory frameworks, giving priority to regulatory reforms that facilitate the development of a level playing field for our digital economies.

**IV. MSME and Entrepreneurship**

MSMEs remain the lifeblood of virtually every economy in the region as they make up more than 90 percent of businesses and employ over 60 percent of this region’s workforce. Yet they only account for 35 percent of region’s exports. ABAC calls on APEC to adopt a more innovative approach by focusing its efforts towards developing MSMEs as direct participants of cross-border trade, accompanied by a strong set of measures to improve MSMEs’ competitiveness.

This year, ABAC has prioritized the following areas as concrete measures to facilitate the development of dynamic and global MSMEs in the region: expanding MSME global presence through digital economy and e-commerce platforms; fostering innovative business models; fortifying linkages between MSMEs and large enterprises; expanding MSMEs’ access to finance; and enhancing women’s economic empowerment.

**A. Expanding MSME global presence through digital economy and e-commerce platforms**

E-commerce and, more generally, ICT-enabled services offer new opportunities for MSMEs to enhance their competitiveness and innovation to further access international markets and help them overcome obstacles to trade. E-commerce allows MSMEs to cross borders and reach customers at much lower costs. Yet MSMEs face specific obstacles in seizing these opportunities. According to an APEC-wide study conducted by ABAC with the USC Marshall School of Business in 2015, the main issues MSMEs face with web sales include: identifying reliable and secure e-commerce marketplaces; logistics of shipping a good or delivering a service; security and data protection; and payments.

The digital economy remains a central priority of APEC Leaders with greater emphasis being given this year to strengthen MSMEs’ competitiveness and innovation in the digital age. ABAC commends the efforts by the various economies in collectively carrying out concrete and practical programs and
activities to advance the Digital Economy Action Plan and Work Agenda (DEAP) developed by the APEC SME Working Group in 2015.

Recognizing that the promotion of digital literacy and acquisition of digital skills will help diminish digital divides between and within our economies and increase MSME prospects in cross-border e-commerce, ABAC launched the Cross-Border E-Commerce Training (CBET) workshops across APEC economies - i.e. in China (2014), Brunei (2015), Papua New Guinea (2016) and Malaysia (2017). ABAC has expanded the CBET program beyond local borders by launching the CBET online e-Learning program.

Recommendations:

- Utilize fully the outcomes from these projects and programs to formulate an APEC-wide forward-looking e-commerce policy framework; share policies, experiences and best practices of IT adoption; and provide advice on IT solutions, adoption and effective use of digital technologies for MSMEs.

- Promote both online and offline capacity building efforts to make MSME firms e-commerce ready by encouraging programs such as ABAC’s CBET online and offline training programs.

- Facilitate MSME access to information needed to operate internationally by accelerating the establishment of the APEC MSME Marketplace which is an ideal platform to disseminate particularly important information relating to regulatory frameworks and trade requirements, advisory and support services for MSMEs, capacity building activities for MSMEs and provide listings of accredited online marketplaces, innovation centers, incubators and accelerators to encourage business networking and matching among these enterprises.

B. Fostering innovative business models

As grassroots innovations are community-led solutions for sustainability, they can offer promising new ideas and practices for small businesses to prosper. An ecosystem that supports such enterprise creation and increases innovation capabilities of MSMEs is needed to allow MSMEs to penetrate global markets and global value chains.

Progressive grassroots innovations and movements from around the world have aimed to bring about more inclusiveness and generate solutions to social and environmental issues through entrepreneurship. ABAC considers this work relevant to its mission and supports fostering businesses to create more innovative business models, built on best practice business cases that maintain a balance among profit, environmental protection, community and employee welfare, and corporate governance.

Concrete standards for impact business model innovation and governance have been established and have taken root, providing clear direction to MSMEs around the world. More and more, rapidly growing MSMEs are expanding their businesses by creating value for society and the environment. ABAC is confident that, by supporting these movements and activities, more innovative and sustainable solutions will emerge, allowing Asia-Pacific MSMEs access to new opportunities and enhancing competitiveness on the world stage.

Recommendations:

- Create more favorable regulation and environment for MSMEs to innovate more impactful business models.

- Support global grassroots movements that aim to bring about more inclusiveness or solutions to social and environmental issues through entrepreneurial means.

C. Fortifying linkages between MSMEs and large enterprises

Accessing foreign distribution networks and facing the necessary costs for marketing their products abroad can be too costly for MSMEs. It is therefore important for MSMEs to enter into linkages with large enterprises which would significantly reduce MSMEs’ distribution costs, thus making exporting profitable for MSMEs. For this linkage to prosper, APEC needs to create a conducive business environment by developing policies that would create and deepen these types of partnerships and incentivize inclusive business
models that promote supplier diversity which can lead to greater MSME participation in global value chains.

ABAC’s continuing study with the Asian Institute of Management (AIM) documents successful cases and best practices of big businesses that enable MSMEs to access the global value chain and policy recommendations that strengthen trade and investment linkages between MSMEs and large corporations.

**Recommendations:**

- Develop internal and external policies and initiatives that support the verification and certification of diverse vendors.
- Develop internal and external procedures that encourage governments and the private sector to set baseline goals, track and measure spend with diverse suppliers.
- Develop incentives that encourage Tier 2 and Tier 3 suppliers to also source from diverse businesses which enable smaller businesses to benefit.
- Enhance talent and innovation capacity by developing capacity building programs, tools and packages on financing, ICT and supply chain integration to support MSMEs to strengthen linkages with large firms.

**D. Expanding MSMEs’ access to finance**

In most developing economies, MSMEs face serious barriers to financing. In developed economies, lenders typically rely on sufficiently robust legal systems governing collateral, as well as the availability of information on borrowers to provide loans to MSMEs. However, the lack or inadequacy of such systems in most developing economies severely limits traditional lenders’ ability to meet MSMEs’ financing needs. Legal and regulatory barriers to cross-border portability of business owners’ credit information also constrain MSMEs’ ability to seek financing when operating outside their home markets.

MSMEs face additional challenges when selling goods and services across borders. Higher transactional and informational costs of dealing with MSMEs compared to large firms already put them at a disadvantage when seeking trade financing. Heightened compliance and regulatory burdens, particularly with respect to Know-Your-Customer (KYC) rules, have made lenders even more reticent to serve MSMEs. In addition, many MSMEs lack familiarity with innovative alternatives in the market such as supply chain financing, bank payment obligations, forfaiting, warehouse receipt financing and factoring.

ABAC is collaborating with other stakeholders in APFF to address these issues through initiatives under the Finance Ministers’ Cebu Action Plan. Since 2015, capacity building activities were undertaken by ABAC and the World Bank Group under the APFF’s Financial Infrastructure Development Network (FIDN) with several economies, including Brunei Darussalam, China, the Philippines, Thailand and Viet Nam to help modernize their credit information, valuation, insolvency and secured transaction systems.

Under the FIDN, ABAC and the World Bank Group are jointly progressing a pilot cross-border credit information sharing initiative across Mekong Region economies to enable MSMEs to use their credit information in their home markets to access finance in host markets. We have also convened discussions in Singapore on evolving cross-border market practices and clients’ needs, with the aim of developing pilot programs for cross-border supply chain financing.

Financial technology (fintech) has significant potential to help create more inclusive financial systems. Key to achieving this goal is helping regulators respond to its emergence with sound approaches. Such approaches must balance the continued fulfillment of regulatory objectives such as consumer protection, privacy and financial stability with the promotion of innovation and financial inclusion. Toward this end, ABAC collaborates with multilateral bodies and industry through the APFF and the Asia-Pacific Forum on Financial Inclusion to establish platforms for continued dialogues among regulators, industry professionals, innovators and experts.
Recommendations:

- Encourage relevant authorities from member economies to collaborate with ABAC and key stakeholders in APFF and the Asia-Pacific Forum on Financial Inclusion to:
  - create modern credit information, valuation, secured transactions and insolvency systems that can expand MSMEs’ access to finance;
  - develop pilot programs for cross-border supply chain financing to increase their contributions to regional integration;
  - advance the pilot cross-border credit information sharing initiative in the Mekong Region to facilitate MSMEs’ access to finance in host economies;
  - establish a regional platform for continued dialogue on fintech, particularly the development of fintech credit, e-payments, regulatory technology (regtech), cybersecurity and KYC; and
  - promote access to finance for micro-enterprises particularly through micro and agrifinance, financial education, microinsurance, innovations in digital identity and online supply chain finance and the development of distributed ledger technology.

E. Enhancing women’s economic empowerment

Women throughout the APEC region face challenges related to obtaining capital, reaching markets, developing skills and capacity, accessing networks, and achieving leadership positions. These obstacles result in untapped productivity and inhibited economic growth in the region.

Recommendations:

- ABAC welcomes the second APEC Business Efficiency and Success Target (BEST) Award in September 2017 in Hue, Viet Nam, and encourages APEC economies to hold this contest as part of the APEC Women and the Economy fora in the future.

F. Accelerating economic, financial and social inclusion

Globalization, regional integration and the rapid development of technology have led to dramatic economic growth and a rise in living standards across the Asia-Pacific region. However, the gains have been spread unevenly; a large segment of the population in the region has yet to reap the full benefits of trade liberalization. In addition, economic changes due to shifts within industries and the reallocation of resources brought about by the Fourth Industrial Revolution have also adversely affected many. To help address these, we encourage APEC economies to accelerate economic, financial and social inclusion.

Recommendations:

- Adopt the Action Agenda on Promoting Economic, Financial and Social Inclusion to effectively assist those adversely affected by the development of technology and globalization.
- Implement structural reform, ease of doing business, promote start-up, enhance market access and facilitate the internationalization of MSMEs.
- Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.
- Study the report of the 2017 Asia-Pacific Forum on Financial Inclusion and adopt its recommendations as applicable to their respective markets.
V. Sustainable Development

Achieving sustainable development remains a key APEC objective. ABAC has sought to advance work in this area by putting emphasis on: promoting APEC partnership in climate smart food security; encouraging the sustainable management of natural resources; building an inclusive, sustainable community; achieving energy security and sustainability; and promoting a healthy and productive workforce.

A. Achieving food security and sustainable agriculture

Food security is a key component of an inclusive, healthy and integrated regional economy. ABAC has long championed the role played by open trade and investment in linking food supply with growing food demand in the region. ABAC has also highlighted the important role that the private sector plays, in partnership with governments, in finding practical, market-based solutions to the challenges of feeding growing populations with adequate supplies of safe, nutritious and sustainably-produced food. ABAC urges APEC Leaders to take action to reduce barriers that impede the efficient flow of food and agricultural goods; to promote investment and infrastructure development in the food and agriculture sector; to minimize food loss and waste; and to promote the participation of MSMEs and smallholders in food production and trade in a non-trade-distorting manner.

In 2016, ABAC commissioned a report from the USC Marshall School of Business which found, inter alia, that the most burdensome NTBs affecting food trade relate to technical measures (especially labelling) and procedural obstacles including excessively bureaucratic, unpredictable and slow customs processing and other administrative measures, for example relating to import licensing. The Marshall School also found that sanitary and phytosanitary measures without sound scientific justification can be significant and can serve to restrict trade unnecessarily. The Marshall School recommended a range of actions aimed at enhancing transparency, consistency and timeliness for trade. In order to target the most burdensome NTBs affecting food trade, ABAC urges APEC Leaders to give serious consideration to implementing the Marshall School recommendations, which include:

- designation by economies of a single point of contact for agri-food trade negotiations;
- the creation of a centralized online repository of agri-food regulations and certification procedures by economy;
- the further pursuit of regulatory coherence through exploration of pros and cons around harmonization, mutual recognition, and national treatment;
- the exploration of accreditation of third-party testing facilities;
- support for consensus-building initiatives that specifically include MSMEs;
- a commitment to covering NTBs in FTAAP and other trade agreements; and
- continued support for efforts seeking to automate cross-border trading requirements.

ABAC has been concerned that the APEC Policy Partnership on Food Security (PPFS) is failing to make sufficient progress towards achieving APEC’s food security goals, including the realization of the APEC Food System by 2020. A greater level of engagement by all, including the private sector, is needed to achieve durable food security in our region, especially in the context of climate change. ABAC urges a careful re-examination of the current structure and operation of PPFS in order to encourage and enable more effective participation from the private sector.

Recommendations:

- Continue to prioritize inclusive and equitable access to safe, nutritious and sustainably-produced food, inter alia, by reducing and eliminating barriers to food trade, including non-tariff barriers as outlined in the report ABAC commissioned from the USC Marshall School of Business in accordance with our WTO-consistent cross-cutting principles for NTMs/NTBs.
Deepen the level of strategic engagement and dialogue with the private sector, to improve the understanding of the economic and commercial context for food, including through a careful re-examination of PPFS to make it more accessible to the private sector.

B. Improving energy security

It is essential to achieve a balance between stable energy supply associated with sustainable economic growth and environmental preservation. Current shifts in the energy market, including falling prices and volatility, will have serious repercussions for both the public and private sectors. It is important that APEC continues to accelerate efforts to remove barriers and promote energy trade and investment. Policies that are open and create fair competition on a level playing field with market-based pricing undistorted by subsidies, are all required to facilitate the development and adoption of renewable energy and free trade of oil and gas and to enhance multilateral energy cooperation.

In addition, APEC economies account for over half of global energy production and consumption, and its share can be expected to grow. ABAC supports APEC’s pledge to double the share of renewables in the APEC energy mix by 2030, but current projections, according to the Asia-Pacific Energy Research Center (APEC), show fossil fuel, including coal, will continue to be the main power source for energy supplies in the APEC region until 2040 unless significant policy changes are pursued.

The production and use of fossil fuel releases not only carbon dioxide (CO2) but also air pollutants. The World Health Organization (WHO) announced last year that the number of deaths due to air pollution reaches 6.5 million each year. Therefore, when planning and adopting energy policies, APEC economies need to direct their attention to the issue of air pollution in tandem with efforts to reduce CO2 emissions. APEC economies should deepen the level of engagement on expanding renewables in the APEC energy mix and shifting from coal to natural gas.

ABAC recommends APEC economies promote the introduction of quality energy infrastructure to reduce environmental impacts, improve the quality of existing energy infrastructure, support the development and dissemination of innovative technologies in the environmental field, and extend support for the adoption of these technologies.

Recommendations:

- Create policy certainty ensuring sanctity of contracts.
- Establish open and fair competition on a level playing field devoid of local content rules, quotas, tariffs, restrictions on foreign ownership and investment.
- Improve the infrastructure related to oil and gas trade and promote experience sharing and best practice exchanges among various economies in the field of customs clearance standardization, integration and automation of custom procedures.
- Deepen the level of engagement on expanding renewables in the APEC energy mix, including shifting from coal to natural gas.
- Establish and strengthen emission regulations, support development and dissemination of innovative technologies in the environmental field, subject to appropriate assessment and consultation, including the development of reasonable transitional arrangements.
- Promote quality energy power infrastructure such as environmental equipment and highly efficient coal-fired power plants.

C. Accelerating green growth

ABAC commends APEC for its concrete commitments to green growth. APEC’s commitment to reducing applied tariffs on 54 environmental goods has enabled improved access to environmental technologies, including through the APEC Environmental Services Action Plan. The capacity building that accompanied this commitment should now be leveraged so that the Environmental Goods list can be further developed. This will expand market opportunities for environmental technology firms and contribute to APEC’s goals of...
increasing the share of renewables in the energy mix and reducing APEC's energy intensity.

ABAC proposes that support for renewable energy for reducing CO2 emissions should incorporate all technological innovations. This work can also help foster new industries that create new jobs. As APEC expands its use of renewable energy such as solar power and wind power, the use of heat pump technology should be considered as a viable source of renewable energy technology.

Furthermore, given the heavy reliance on oil in the transportation sector, the development of a wide range of new energy vehicles should be encouraged and supported continuously to reduce CO2 emission in the sector.

Addressing climate change is one of the main priorities in the world. ABAC continues to strongly support global efforts to reduce greenhouse gas emissions (GHG), such as the Paris Climate Agreement. ABAC admits that climate change, air pollution and sustainable development remain areas for further cooperation and knowledge sharing in the region, responsible for around 60 percent of global GHG emissions. Domestic and corporate approaches on low-carbon development based on market and non-market mechanisms, including carbon pricing, also correlate with sustainable consumption and production process that reduce the environmental and social costs of production and strengthen economic competitiveness. These measures incentivize the changes needed in investment, production, and consumption patterns, and induce the kind of technological progress that can bring down future abatement costs and may be further induced with additional measures such as introducing or raising efficiency standards, investing in relevant R&D initiatives, etc.

Recommendations:

- Fulfill the commitment to reduce applied tariff rates for the 54 environmental goods to 5 percent.
- Take decisive actions to reduce barriers on environmental services.
- Identify and eliminate non-tariff barriers to environmental goods and services.
- Promote greater use of renewables and support technical innovation.
- Consider use of heat pump technology as a source of renewable energy.
- Implement policies to encourage the purchase and usage of new energy vehicles and encourage the use of new energy technologies and accelerate their commercialization process.
- Collaborate in technology research and enhance mutual exchange of latest technologies and products.
- Explore every opportunity provided by the Paris Agreement to address climate change, including further cooperation and knowledge sharing amongst APEC economies in the field, i.e. carbon pricing, explicit and implicit.

D. Strengthening the inclusive development of the mining sector

APEC’s mining industry is a vital contributor of essential resources used worldwide. Given its significant role, strong cooperation between governments and the private sector is critical to promoting a sustainable, innovative, and productive mining industry.

ABAC applauds APEC’s ongoing work in the Mining Task Force (MTF), including this year’s fourth consecutive annual Public-Private Dialogue on Mining, and calls upon Leaders to extend the MTF mandate through 2020. The MTF has proven to be an effective venue for public and private sector collaboration, and the MTF’s work should continue in order to deepen this engagement. Building on the success of the 2017 PPD, ABAC looks forward to continuing its engagement with the MTF on a host of mining issues, including community engagement, innovation, application of market-based principles, and sustainability, among others. Toward that end, ABAC calls upon economies to re-commit to the 10 APEC Mining Policy Principles, agreed to in 2007. Application of these principles is fundamental to supporting strong growth in the mining sector in the region, and ABAC encourages all economies to support and re-commit to implementing these principles fully in the coming year.
Drawing on the experiences of Papua New Guinea and other APEC economies with significant extractive industries (mining, oil, and gas), ABAC has considered the theme ‘Creating Inclusive Growth through the Extractive Industry.’ This activity has culminated in the endorsement of a White Paper on this subject matter that demonstrates how the extractive sector can create inclusive growth that benefits some of the poorest and most marginalized communities in the region.

Recommendations:

- Extend the MTF’s mandate through 2020 in order to continue valuable work being done in this forum.

- Continue the MTF’s strong engagement with private sector stakeholders through public-private dialogues and collaboration in capacity building projects in 2018-2020.

- Re-commit to the 10 APEC Mining Policy Principles and promote full adherence to these principles in order to ensure strong development of the mining sector.

- Engage closely with the private sector on a potential Mining Ministerial in 2018. Hold an Inclusive Business Public-Private Dialogue in 2018. The dialogue will focus on the extractive sector and aim to facilitate discussion that promotes opportunities for collaboration that can benefit low income communities.

- Align stakeholders to explore the creation of an APEC Inclusive Business Center of Excellence for the Extractive Sector that shares best practice, builds capacity, and creates alignment between extractive companies and APEC economies in order to support inclusive growth for all.

- Encourage extractive companies to develop and implement economic empowerment plans that center on building inclusive businesses for host communities at the project development phase, as part of their voluntary commitments.

- Support and incentivize the development and implementation of economic empowerment plans by extractive companies that center on building inclusive businesses.

- Adopt, voluntarily and in principle, the G20 Framework on Inclusive Businesses as a way to support and encourage inclusive business activity in the region.

E. Promoting healthy workforces

Healthy workforces are a critical requirement for inclusive growth. Increasing access to and investments in healthcare will have measurable impact on improving the quality of life for the citizens of the Asia-Pacific. Without additional investments, a business as usual model predicts a loss of GDP in the region of up to 8.5 percent due to ill-health and early retirement due to disability. Developing a clear understanding of the direct and substantial impact health has on every economy’s bottom line in human and economic terms can drive the creation of innovative health solutions and outcomes that provide shared benefits.

ABAC welcomes the Leaders’ recommendation to examine the fiscal impacts of ill-health and applauds the efforts of the APEC Life Sciences and Innovation Forum (LSIF) and the Health Working Group (HWG) to forge dialogues and exchanges with the private sector, finance, and health ministries to achieve the common goal of proactive investment in healthy workforces by improving the use of government financing and expenditure tools that can lead to more efficient financing of and access to healthcare.

ABAC supports the continued development and utilization of the Healthy Women, Healthy Economies (HWHE) toolkit which showcases government policies and business practices that address health-related barriers to women’s effective participation in the workforce.

Recommendations:

- Encourage coordination in the policy dialogue between health, finance and economic ministers to achieve proactive investment in healthy workforces and collaboration with the private sector to develop innovative solutions.

- Continue efforts to implement the Healthy Asia-Pacific Roadmap by strengthening health systems, improving emergency preparedness, and improving the prevention and management of non-communicable diseases.
VI. Finance and Economics

ABAC has been focused this year on encouraging innovation and legal and regulatory reforms to ensure sustained, balanced and inclusive growth across the Asia-Pacific. Finance plays a key role in this effort, and we believe the greatest progress toward addressing these broader issues can be achieved in the areas of capital market development, MSME access to finance, infrastructure, and innovation. We also note that risk-taking is necessary for growth, especially in these areas, and should be enabled by policies that strike a healthy balance between growth and protecting financial stability, while also providing appropriate levels of transparency as to the risks involved.

A. Promoting capital market development

Development of capital markets is indispensable for achieving the Cebu Action Plan (CAP)’s goals of promoting financial integration, resilience and infrastructure. However, many economies face complex challenges, including the lack of liquidity and depth, lack of market players’ access to hedging instruments, lack of high-quality and timely information and underdeveloped custody, clearing, settlement and payment systems that keep transaction costs and risks at elevated levels and hinder cross-border portfolio capital flows.

Recommendations:

- Focus efforts on promoting capital market development, including policy and regulatory reforms and capacity building measures.
- Create deep and liquid markets, supported by a stable macroeconomic environment.
- Make appropriate economic reforms; create sound legal frameworks; and draft policy measures that ensure the broad availability of information.

B. Expanding MSMEs’ access to finance

ABAC is also undertaking work on MSMEs’ access to finance which is discussed in the MSME and Entrepreneurship section of this report.

C. Encouraging infrastructure financing

The infrastructure needs in APEC economies are as vast as they are critical to advancing economic growth. Substantial private funding is available to complement State and Multilateral Development Bank (MDB) source funding. Yet a lack of bankable infrastructure projects persists. Significant gains in planning and implementation would follow from improved coordination among agencies responsible for PPP projects and enhanced governance arrangements aimed at building trust between governments and private sector investors. Creating the regulatory certainty through the policies would, in itself, also aid development.

Recommendations:

- Boost quality infrastructure development and delivery in the APEC region by developing and promoting bankable and investment-ready infrastructure project pipelines.
- Enhance the role of Multilateral Development Banks as catalysts for private sector investment.
- Foster green finance markets.
- Establish diversified, market-based infrastructure financing models.

D. Enhancing the role of finance through innovation

The development of innovative new technologies in the financial arena (fintech) has already demonstrated tremendous potential to help create more inclusive, stable and efficient financial systems. New fintech solutions are enabling micro-businesses to take advantage of growing export opportunities and creating alternatives for underserved communities to gain access to banking services. Policymakers across the region are currently working to evolve their regulatory structures to promote innovation and continued expansion of the fintech sector while at the same time ensuring that basic consumer protections are still assured.
Recommendations:

- Adopt technology-neutral regulatory frameworks that encourage continued investment and innovation and do not discourage the adoption of new technologies.

- Engage with industry leaders to determine how existing regulatory policies that protect consumers and promote financial stability can be extended to new technologies in ways that will promote consumer confidence and economic growth.

- Support regular regional dialogues between public and private sectors. These dialogues should focus on key issues such as ensuring a level playing field for financial technology, modernizing legal and regulatory frameworks related to privacy and data protection, removing barriers to cross-border business activities and movement of data, and the potential for using data to promote greater financial inclusion and cybersecurity.

E. Strengthening public-private sector collaboration under the Cebu Action Plan to accelerate financial market development

In 2017, ABAC undertook activities in pursuit of various deliverables under the Cebu Action Plan. APEC Finance Ministers have entrusted several of these deliverables to three policy initiatives led by ABAC – the Asia-Pacific Financial Forum, the Asia-Pacific Infrastructure Partnership and the Asia-Pacific Forum on Financial Inclusion. Details of these activities, their outcomes and recommended next steps are contained in the 2017 APFF Progress Report to the APEC Finance Ministers, the 2017 Report on Capacity Building Measures to Strengthen and Develop Financial Systems and the Report of the 2017 Asia-Pacific Forum on Financial Inclusion.

Following are highlights of our initiatives’ contributions to the implementation of the Cebu Action Plan:

**Developing Deep and Liquid Capital Markets.** This year, activities included capacity building sessions in Thailand and China to promote sound and liquid repo and derivatives markets and continued dialogues with regulators to support progress and expansion of the Asia Region Funds Passport (ARFP). In collaboration with a broad range of stakeholders from industry, multilateral organizations, regulatory authorities and government agencies across the region, APFF developed a roadmap envisaged in the CAP to enhance the region’s financial market infrastructure.

**Expanding the Private Sector’s Contribution to Financial Resilience.** A key element of the strategy to help financial markets better absorb shocks from natural disasters is getting the private sector to play a larger role in developing innovative disaster risk financing and insurance mechanisms, including microinsurance. APFF brought together stakeholders from the insurance, microinsurance and regulatory community to commence work on the roadmap envisaged by the CAP for expanding the coverage of microinsurance in the region. A similar effort to create the roadmap for expanding the private sector’s role in disaster risk financing and insurance is under way.

**Accelerating the Development of a Regional Pipeline of Bankable PPP Projects.** To help economies develop more bankable infrastructure projects, APIP and APFF this year commenced work to promote best practice guidelines and capacity building in specific sectors where projects are currently being developed as a matter of urgency. In collaboration with multiple stakeholders, APIP and APFF are convening dialogues to support the development of technical guidelines for waste-to-energy projects in Indonesia, the Philippines and Viet Nam.

**Expanding Long-Term Investors’ Roles in Financing the Region’s Infrastructure.** In line with the objectives of the CAP, APFF is convening discussions among industry and regulators to help expand investment by pension funds and insurers in infrastructure. To facilitate the participation of Islamic financial institutions in infrastructure, APFF is developing a work program to address these issues through an Islamic Infrastructure Investment Platform (I3P).

**Expanding MSMEs’ Access to Finance.** To facilitate MSME access to finance, ABAC and the World Bank Group led capacity building activities under the APFF’s Financial Infrastructure Development Plan.
Network (FIDN) to help Brunei Darussalam, China, the Philippines, Thailand and Viet Nam modernize their credit information, valuation, insolvency and secured transaction systems. A pilot cross-border credit information sharing initiative in the Mekong Region is being progressed to enable MSMEs to use their credit information in their home economies to access finance in host economies. APFF workshops are also being held to help develop pilot programs for cross-border supply chain financing.

**Promoting Financial Innovation.** APFF began convening dialogues among regulators, industry practitioners and experts on fintech, which this year particularly focused on the critical areas of fintech credit, payments, regulatory technology (regtech), cybersecurity and customer due diligence.

**Recommendations:**

- Encourage relevant officials and regulators to collaborate with APFF’s capacity building activities in promoting deep and liquid bond, repo and derivatives markets; modernizing credit information, valuation, secured transactions and insolvency systems; developing pilot programs for cross-border supply chain financing; and expanding long-term investors’ roles in infrastructure development.

- Support APFF’s efforts to develop a regional platform for public-private dialogue on harnessing fintech to create inclusive, sound and efficient financial systems.

- Host discussions on the ARFP where APFF can convene experts from regulatory, industry, multilateral and academic institutions.

- Encourage relevant authorities to collaborate with APFF in finalizing in 2018 a work program for the I3P to help expand cross-border investment by Islamic financial institutions in infrastructure, and developing technical guidelines and undertaking seminars for public sector officials to build a pipeline of bankable waste-to-energy projects.

**VII. Industry Dialogues**

**A. Chemical Dialogue**

ABAC underscores the significant contribution of the chemical industry to trade and economic growth as well as the pivotal role of chemistry in achieving the Sustainable Development Goals. ABAC welcomes the continuing efforts of the Chemical Dialogue to encourage the use of good regulatory practices, including the adoption of risk-based approaches to chemical regulation, which facilitates regulatory cooperation and trade. ABAC urges economies to align their approaches and address divergences in implementation of the Globally Harmonized System of Classification and Labeling of Chemicals (GHS) so that the economic, health, and environmental benefits of a harmonized system can be realized. ABAC supports the Dialogue’s contributions to APEC’s trade facilitation objectives through efforts to address divergent customs practices for industrial chemicals in order to facilitate trade. ABAC continues to support collaboration between the Chemical Dialogue and the Oceans and Fisheries Working Group on innovative solutions to mitigate marine debris. In particular, ABAC welcomes efforts to establish the political, economic, and legal/regulatory conditions to incentivize investment in waste management solutions, including through APIP and APFF and encourages economies to prioritize investment in waste management systems.
B. APEC Life Sciences Innovation Forum

ABAC welcomes the 7th High-Level Meeting on Health and the Economy hosted by the Minister of Health of Viet Nam and its focus on healthcare financing and public-private partnerships. ABAC strongly supports the LSIF’s collaboration with health and finance officials to address the fiscal and economic impacts of ill-health, including through the identification of alternative financing mechanisms and their enablers as well as tools to help economies better measure the return on public investment in health to ensure that our workforce remains healthy and competitive. ABAC encourages economies to participate in the ABAC-LSIF projects on serialization and verification as part of APEC’s broader efforts to promote the use of interoperable global data standards. ABAC supports the continued development and utilization of the HWHE toolkit to address health-related barriers to women’s effective participation in the workforce. In addition, ABAC welcomes initiatives to facilitate the use of big data analytics in bio-medical research and decision making. ABAC urges economies to continue working towards regional convergence on regulatory approval procedures for medical products by 2020 and welcomes the establishment of a network of centers of excellence for regulatory sciences. ABAC also welcomes continued work to address antimicrobial resistance, blood safety, rare diseases, and health aging.

VIII. Conclusion

Given the economic upswing, APEC economies should implement the appropriate economic policies to sustain the recovery, particularly by addressing the downside risks and seizing the opportunities offered by the digital economy. At the same time, efforts should be made to address rising inequality and the turn towards protectionism. In this report, ABAC has sought to outline concrete steps which APEC economies could take to inject new dynamism in the region and help achieve sustainable, innovative and inclusive growth. Key APEC action areas include advancing work on regional economic integration, deepening regional connectivity, enhancing MSME competitiveness, achieving sustainable and inclusive development, and developing robust and inclusive financial markets. ABAC believes that focusing on such efforts would eventually lead to a prosperous Asia-Pacific community and foster a shared future for all.