Your Excellency:

It is our great honor to present to you the report and recommendations of the APEC Business Advisory Council (ABAC) for 2016.

We do so in a climate of unprecedented global concern about the pace and extent of trade liberalization and globalization. As business leaders, we are well aware that continuing economic reform has lifted millions from poverty and has enabled the development of new technologies and new business models, which have further contributed to job creation and new drivers of economic growth. In APEC, we have consistently sought to emphasize the need for economic growth to be inclusive through a range of policy measures, which address the needs of micro, small and medium enterprises (MSMEs), women and a younger generation. This work needs to be continued and expanded so that structural reform and trade liberalization continue to provide, along with capacity building, the pillars of sustainable economic growth.

At this time of continuing fragility in the global economy, it would be particularly damaging if governments failed to resist calls for protectionism. More effort clearly needs to be made by both governments and business to explain the benefits of open trade and investment to public stakeholders. More effort also needs to be taken to develop accompanying reform and social policies, which spread these benefits to all sectors of the community and mitigate any negative effects. Good governance, sound regulatory quality frameworks which encourage openness, the growth of services and innovation, address and discourage trade-distorting non-tariff barriers, and recognize the contribution of MSMEs, are indispensable for the region’s economic future.

Significant steps need to be taken to accelerate the momentum for ambitious and comprehensive economic integration in the Asia-Pacific, notably through the proposed Free Trade Area of the Asia-Pacific (FTAAP) and its contributing pathways already identified: the Trans Pacific Partnership, the Regional Comprehensive Economic Partnership, and the Pacific Alliance. We remain fully committed to realizing FTAAP, as the best way forward to continue to reduce barriers to trade and investment and to enable goods, services and capital to flow freely among our economies. FTAAP will allow us to achieve the fundamental goals of the APEC vision. Once the APEC Collective Strategic Study is completed, we anticipate that APEC will be well-positioned to move to the next stage of the eventual realization of FTAAP. In this regard, we firmly believe that ambitious targets should be established, including a future timetable and concrete actions.

We reaffirm the primacy of the rules-based global trading system under the World Trade Organization and encourage the remaining APEC economies to implement the Trade Facilitation Agreement and the expanded Information Technology Agreement. We call for wider participation in and timely conclusion of negotiations for an Environmental Goods Agreement and the Trade in Services Agreement.

The services sector is of critical significance to quality growth. Technology is changing business models and the way companies deliver services. It is crucial that policy settings keep pace with that dramatic process of transformation brought about by technology. We applaud the goals of the APEC Services Competitiveness Roadmap to increase APEC’s services trade beyond the average global level. This is a target which will require concerted APEC-wide efforts as well as unilateral actions by individual economies. The Roadmap should include interim targets with measurable goals and prioritize “backbone services” such as financial services, information and communication technology (ICT), telecommunications, transportation and logistics, education and health care.
MSMEs are the drivers of entrepreneurship and employment. Expanding their role in regional trade and investment is an important means to achieve quality growth and to reinforce the benefits of globalization. ABAC is leading MSME-related initiatives that include: mapping Incubators and Accelerators across APEC economies; APEC Cross-Border E-Commerce Training (CBET); APEC CBET Network; ABAC Digital Economy Work Plan; promoting inclusive business models to facilitate participation in global value chains; and efforts to improve the economic empowerment of women.

We reaffirm that food security is a vital component of an inclusive, healthy and integrated regional economy. We firmly believe that open trade and investment is critical for achieving and maintaining food security, along with practical measures to enhance the productivity of the rural sector, including through new technologies to reduce food waste and loss, better infrastructure and access to related services. Effective public-private partnership on food security is needed and will be crucial to advance these objectives.

We highlight the critical role of finance for sustained growth and avoiding the middle-income trap. Public and private sectors are working to advance the Cebu Action Plan’s initiatives through the Asia-Pacific Financial Forum, the Asia-Pacific Infrastructure Partnership and the Asia-Pacific Forum on Financial Inclusion. The goal is to expand MSMEs’ and households’ access to finance, deepen capital markets, broaden the long-term investor base, facilitate cross-border capital flows, develop a pipeline of bankable infrastructure projects, promote financial innovation and cooperation, and strengthen disaster risk financing and insurance mechanisms. We urge Leaders to reinforce these efforts by encouraging legal, policy and institutional reforms and promote financing of infrastructure projects and regional financial integration.

Closing the connectivity gap remains one of the critical challenges to achieve sound quality growth, as envisioned in the APEC Connectivity Blueprint for 2015-2025. We ask you to strengthen efforts to develop digital infrastructures that will make the region more efficient, competitive and connected. We call on governments to lead by example and to incentivize the private sector to increase spending on ICT infrastructure. We urge public and private sector collaboration to promote policies that enable a strong internet and digital economy that is inclusive and addresses the digital divide. We recommend recognition of Digital Trade as a Next Generation Trade and Investment Issue and encourage innovation in the internet and digital economy through the use of cross-border data flows.

Finally, upholding the rule of law and promoting good regulatory practice are fundamental ingredients for achieving quality growth and human development as well as enhancing trade and investment flows. We urge governments to avoid over-regulation and promote regulatory quality through impact assessments, cost-benefit analysis, transparency, public consultation, consistent enforcement and coordination between domestic and international regulators. To enhance resilience and inclusiveness in our region, we would welcome your leadership to ensure APEC remains a showcase of best practice in the rule of law and regulatory quality.

We look forward to discussing the above recommendations in greater detail during our dialogue in Lima, Peru in November.

Yours sincerely,

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