Executive Summary

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

1. **Support the multilateral trading system.** ABAC reaffirms its commitment to the World Trade Organization (WTO), recognizing that a rules-based, transparent and non-discriminatory global trading system remains the best option to counter protectionism. ABAC urges the early implementation of the Trade Facilitation Agreement (TFA) and of the expanded Information Technology Agreement (ITA) as a signal of members’ commitment to freeing up trade around the world to enhance global prosperity and development. ABAC encourages those APEC economies participating in the plurilateral Trade in Services Agreement (TiSA) negotiations to show leadership and ambition, recognizing the centrality of services to the global and individual economies. We urge more economies to join the Environmental Goods Agreement (EGA) negotiations.

2. **Enable a Free Trade Area of the Asia-Pacific.** ABAC strongly supports the steps taken by APEC towards a Free Trade Area of the Asia-Pacific (FTAAP). ABAC urges APEC Leaders to instruct their officials to complete the Collective Strategic Study on Issues Related to the Realization of the Free Trade Area of the Asia-Pacific (FTAAP Study) with a high level of ambition. FTAAP should be forward-looking in incorporating business priorities, and more importantly, should converge beyond the levels of its pathways, aiming to be an ambitious, high-quality and comprehensive agreement.

ABAC anticipates that after the completion of the FTAAP Study, APEC will be well-positioned to move to the next stage of the eventual realization of FTAAP. Ambitious targets, future timetable and concrete actions are essential to ensure the direction and momentum of the FTAAP process.

ABAC is encouraged by the significant progress that has been made on pathways to an FTAAP. ABAC urges the participating economies to ratify the Trans Pacific Partnership (TPP) at the earliest opportunity, and is hopeful for a swift and successful conclusion to the Regional Comprehensive Economic Partnership (RCEP) negotiations. Together with the Pacific Alliance (PA), ABAC views the TPP and RCEP as building blocks to an FTAAP. To be effective in that respect, they must be ambitious, high-quality, and comprehensive agreements that provide access for future members.

3. **Pursue the new services agenda.** ABAC believes that services trade and investment are critical to the future growth of all APEC economies. Today, the services sector can no longer be seen in isolation as it plays a substantial role within a wide range of economic activities. Services facilitation also offers micro, small and medium enterprises (MSMEs) greater access to global markets, thereby benefitting companies of all sizes.

ABAC regards the APEC Services Competitiveness Roadmap as a key means to advance the services agenda regionally. ABAC also supports ongoing work within APEC to extend and promote the Services Trade Access Requirements (STAR) database, and welcomes and supports the establishment of the Asia-Pacific Coalition of Services Organizations to promote stronger advocacy for services industries.

4. **Accelerate trade and investment liberalization and facilitation.** ABAC highlights the critical importance of pursuing further efforts to expand trade and investment liberalization and facilitation in the region. Despite efforts to reduce tariffs and other impediments to trade through the negotiation of free trade agreements (FTAs) and multilateral trade agreements, non-tariff barriers (NTBs) continue to increase globally. We urge APEC to address NTBs effectively, including by finding practical ways to engage and empower business to play an active role in these efforts. We call for continued support of the work of the Regional Investment Analytical Group (RIAG), established by ABAC, to enhance foreign direct investment (FDI) flows in the region and to develop a cohesive investment framework to assist policy makers. We welcome the APEC Policy Support Unit study and recommendations on Best Practices in Authorized Economic Operator (AEO) Programs as well as APEC’s progress in implementing measures outlined in the Boracay Action Agenda in relation to AEOs. We welcome provisions in the WTO Trade Facilitation Agreement aimed at increasing the number and capacity of AEO participants within the region.
5. Growing global MSMEs. ABAC believes that in a highly competitive and integrated international market, innovative, integrative and sustainable solutions will let MSMEs meet the new demands of international markets and grow them into global MSMEs in the near future. We call on APEC to develop a stronger APEC agenda incorporating key enablers such as reliable information and communication technology infrastructure, low-cost internet access, business-friendly regulations and encourage the existence of e-commerce intermediaries to lower barriers for MSMEs to engage in cross-border e-commerce. ABAC recognizes the need to strengthen MSME participation in local supply chains and global value chains (GVCs) by boosting collaborative mechanisms between large corporations and small businesses. Toward that end, ABAC is developing a report that documents best practices of big businesses that enable MSMEs to access GVCs and seeks to identify policy recommendations to address challenges that hinder the growth of these types of partnerships. ABAC is currently working on MSME-related initiatives, including mapping of Incubators and Accelerators across APEC economies; APEC Cross-Border E-Commerce Training (CBET) program; APEC CBET Network; and ABAC Digital Economy Work Plan, which we believe would complement APEC’s work in furthering MSME access to global markets.

6. Expanding MSMEs’ access to finance. ABAC has identified the main impediments to MSMEs’ access to finance, including inadequate legal and institutional infrastructure to enable lenders to use business owners’ transaction data and accept movable assets as collateral; regulatory issues; lack of enabling environments for equity-based financing and financial innovations; and MSMEs’ lack of access to insurance. ABAC calls on APEC economies to work closely with the Financial Infrastructure Development Network (FIDN) in developing modern credit information, secured transactions and insolvency systems that can expand MSMEs’ access to finance and better integrate them into the global economy. We encourage governments to collaborate with the Asia-Pacific Financial Forum (APFF) in holding dialogues on regulatory issues and emerging facilitators of trade and supply chain finance.

7. Enhancing women’s economic empowerment. ABAC applauds the creation of the Women and the Economy Dashboard and encourages policy makers to utilize the 80 various data points to identify gaps and best practices. ABAC is working to champion a Science, Technology, Engineering and Mathematics (STEM) challenge in 2016 and the adoption of other new disruptive technologies with a gender lens. ABAC also encourages APEC to intensify efforts in reducing barriers that disproportionally impact women-owned MSMEs so that they can access and benefit from the opportunities created by international trade. These barriers include inadequate access to capital and lack of ownership of land and resources.

8. Achieving food security. 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. We recognize that smallholder farmers are a critical part of the agriculture sector in the Asia-Pacific. Their development is critical to the achievement of food security, rural development and farmer advancement.

ABAC has also highlighted the important role that the private sector has to play, 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. We encourage APEC Leaders to deepen the level of strategic engagement and dialogue with the private sector and continue to resist protectionism in all its forms, including by eliminating trade-distorting policies in relation to food production and trade.

9. Accelerating green growth. ABAC encourages APEC to implement policies that will accelerate the use of renewable energy, and promote research and development and practical demonstrations of renewables as a sustainable energy source. ABAC supports global efforts to reduce greenhouse gas emissions, such as the Paris Climate Agreement.
10. Improving energy security. Energy security remains an important issue for the region as a whole as energy consumption will increase in line with economic growth throughout the APEC region. It is absolutely crucial that APEC continues to accelerate its efforts to break down barriers and to promote cross-border trade and investment in energy, in the interests of encouraging economic growth across the region.


We applaud the endorsement by Leaders of the Healthy Asia-Pacific 2020 Roadmap. ABAC supports APEC’s focus on health as a critical issue for growth in the region. In 2015, APEC Leaders acknowledged the intersection of health and fiscal stability: “We recognize the importance of our health systems in promoting the development of human capital and inclusive growth and look forward to further work in 2016 to address the fiscal and economic impacts of ill health.” ABAC encourages 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.

ABAC encourages governments to work closely with employers to determine the data science competencies in demand and develop an APEC “Data Science Competency Checklist” to enable APEC youth to secure the jobs of tomorrow and move with ease in changing labor markets.

12. Strengthening the rule of law and promoting good regulatory practices. In recent years, there has been an emerging recognition of the need to tackle behind the border issues that create unnecessary non-tariff barriers to free trade and investment. For businesses, and in particular MSMEs, higher compliance costs hinder international competitiveness and complicate the most efficient deployment of economic resources. Over-regulation has been a major barrier for growth globally and most APEC economies see regulatory risk as rising. Upholding the rule of law and promoting good regulatory practices (GRPs) promote trade and investment. In this regard, ABAC urges APEC to strengthen implementation of the three GRPs agreed to by APEC Leaders in the Honolulu Declaration, as well as the three GRP tools identified in the APEC Bali Declaration. ABAC supports efforts to more closely align APEC economies’ regulations with global best practices, utilize performance-based rather than prescriptive-based regulations, and design regulatory institutions that promote trade-friendly regulations.

Furthermore, consistent and transparent regulation could drive investment and trade strategies in the coming years. Therefore, regulatory quality reform must be assessed by measuring the quality of cost-benefit analysis of existing and new regulations. These regulations shall be implemented in consultation and with the engagement of private sector and non-governmental stakeholders that enhance accountability, promote mutual learning, and encourage the use of best practices. There should be transparency in the regulatory process, equal enforcement, and coordination both among regulators internally and internationally. Additionally, ABAC has identified that divergent political and legal systems make it harder for businesses to comply with rules or standards in their different economies of operation. Governments shall use international regulatory cooperation as a tool to promote regulatory harmonization. Lastly, new concerns must be addressed, in consultation with the private sector, in areas such as the digital economy on peer-to-peer trading, cybersecurity, digital currency, and other issues by providing market solutions and avoiding over-regulation in these new areas.

13. Promoting the development of the mining sector. The mining sector plays a vital role in the economic success of all of APEC member economies by providing essential resources to the global economy. Close cooperation between governments and the private sector is essential to
promote regulatory environments that facilitate sustainable mining practices that integrate new technologies and benefit investors, communities, and economies. ABAC encourages APEC economies to refrain from introducing regulation that unfairly targets the mining sector, and instead promote development of regulatory systems that encourage the development of new technologies through research and development.

14. **Encouraging urban infrastructure development.**
APEC economies must step up efforts to work with the private sector, multilateral development bank specialists, regional and global agencies, community groups and academics to foster sustainable and livable cities. As cities grow, both the public and private sector stakeholders should strive to find new solutions to efficiently utilize resources to meet the most pressing needs of urbanization.

ABAC has endorsed the work of the Urban Infrastructure Network (UIN) in developing a holistic policy framework for urban infrastructure planning, project development and financing at the various levels of government.

15. **Facilitating the internet and digital economy.**
The internet and digital economy is creating new opportunities and business models, and will require new policies relevant to the 21st Century. ABAC urges APEC economies to promote policies that enable a strong internet and digital economy that is inclusive and bridges the digital divide. An important step will be for APEC to engage business and stakeholders for their input on the digital agenda in the trade area, and encourage innovation in the internet and digital economy through the use of cross-border data flows and prevent customs and regulatory trade barriers. To encourage digital transformation among enterprises and citizens, governments should lead by example and increase spending on ICT infrastructure that benefits the general public. In addition, ABAC urges APEC Leaders to recognize digital trade as a Next Generation Trade and Investment Issue.

16. **Enhancing 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. Initiatives advancing these goals include the APEC-wide initiative to achieve 10% improvement in supply chain performance in terms of time, cost and uncertainty by 2015. ABAC seeks greater private sector participation in the APEC Alliance on Supply Chain Connectivity, a public-private forum that works with economies to advance capacity building initiatives and projects. ABAC urges APEC economies to continue to work towards the adoption of a region-wide framework for global data standards (GDS). Such a framework would enhance supply chain performance and connectivity in the Asia-Pacific region, stripping out costs for business and consumers and allowing trade to flow more securely and smoothly for the benefit of Government, business and consumers, thereby helping fully to realize the Bogor Goals. GDS pilot projects currently underway around the region should help to demonstrate the potential costs and benefits from such a framework. ABAC welcomes the progress of work of the APEC Cooperation Network on Green Supply Chain (GSCNET), and will continue contributing to a well-functioning GSCNET.

17. **Easing the mobility of skilled workers.**
Demographic and technological changes are aggravating skills shortages region-wide. At the same time, barriers to the efficient movement of international skilled workers are adding business costs and impeding economic growth. ABAC urges APEC economies to build a reliable predictive “Skills Map” that can identify areas of emerging and acute skills shortage; improve the management of international skilled workers; and support initiatives to facilitate the region-wide recognition of qualifications.

18. **Enhancing financial resilience in emerging economies.**
Effective risk management through micro-insurance is critical for low income individuals and micro and small enterprises, especially in developing economies. However, only around 5.2 percent of people in emerging markets
worldwide are currently covered by micro-insurance. Related to this, Asia-Pacific policy makers need to develop financial instruments to mitigate the impact of natural catastrophes in the world’s most disaster-prone region. ABAC urges APEC economies to complete the roadmap for expanding micro-insurance coverage in the region; initiate steps to promote private disaster insurance schemes; and complete the stocktaking work on availability of risk exposure data as a step toward the development of regional risk sharing measures; and collaborate with APFF in drafting an APEC roadmap for disaster risk financing and insurance.

19. Promoting investment in infrastructure and capital markets. The APEC region needs investments to bridge its huge infrastructure gap. While investors have plenty of appetite for opportunities in infrastructure, too few bankable infrastructure projects are available due to insufficient capacity for project preparation in the public sector. A related issue is how APEC can help build and mobilize the region’s long-term investor base, in particular insurers, pension funds and Islamic financial institutions. In addition, many of the region’s local currency capital markets lack the depth and liquidity to effectively serve as channels for investment in infrastructure. ABAC calls on APEC economies to pursue a range of activities to help address the infrastructure gap, including through the Asia-Pacific Infrastructure Partnership, Public-Private Partnership Experts Advisory Panel, cooperation with the Global Infrastructure Hub and the Urban Infrastructure Network, establishment of an Islamic Infrastructure Investment Platform, participation in the Asia Region Funds Passport, and the development of a roadmap for improving regional financial market infrastructure. We also recommend that APEC economies establish mandatory retirement systems, introduce stronger tax incentives to promote retirement savings, promote regulations and accounting standards that enable insurers and pension funds to invest long term and encourage participation of relevant authorities in the seminar on expanding the region’s long-term investor base that APFF plans to hold in 2017.

20. Enhancing the role of finance through cooperation and innovation. As economic cooperation within APEC progresses, we anticipate that demand for finance will grow significantly. Meeting this demand will require closer financial cooperation among governments and regulatory bodies and the support of multilateral development banks. It will also require innovations in financial services and platforms for various forms of collaboration among commercial financial institutions in the APEC region. ABAC calls for closer regional cooperation in modernizing financial policy and regulatory frameworks, particularly in response to developments in financial technology, and encourages policy makers and regulators to participate in APFF dialogues on these matters. Additionally, last year’s Leaders’ Declaration noted the need to further explore and address the fiscal and economic impacts of ill health. APEC Ministers also recommended the convening of cross-fora dialogue for this purpose. ABAC supports these calls and encourages finance and health officials to collaborate in developing solutions to deal with this issue.