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 by the 10th WTO Ministerial Conference in December this year. ABAC calls on APEC economies to lead in seeking to reinvigorate and conclude the Doha Round of multilateral trade negotiations. ABAC welcomes the consensus reached by 54 WTO members on the expansion of the product coverage of the Information Technology Agreement and strongly urges APEC economies which are participating in the negotiations to lead the final conclusion of the said negotiations without delay. ABAC encourages APEC economies to support the Trade in Services Agreement negotiations, for the further liberalization of trade in services. ABAC highlights the importance of identifying and addressing non-tariff barriers that inhibit access to markets, including by finding practical ways to engage and empower business to take the lead in these efforts.

2. Enable a Free Trade Area of the Asia-Pacific. ABAC strongly supports the process underway following the Leaders’ 2014 Declaration in Beijing, directing officials to undertake the Collective Strategic Study on Issues Related to the Realization of the Free Trade Area of the Asia-Pacific (FTAAP) and intends to make substantive contributions to that process throughout the 2015 and 2016 work program. ABAC’s focus will be identifying business needs and identifying gaps in the coverage of existing Free Trade Agreements (FTAs), reasons for non-utilization of existing FTAs and identifying next generation trade and investment issues. ABAC is encouraged by the progress being made in implementing the Pacific Alliance (PA) and continues to urge the earliest completion of the negotiations of the Trans Pacific Partnership (TPP) and Regional Comprehensive Economic Partnership (RCEP). These negotiations should be mutually supportive and inclusive and should aim for agreements that are high-quality, ambitious and comprehensive.

3. Advance the new services agenda. ABAC shares APEC’s commitment to the new services agenda as a reflection of the importance of the sector as a key driver for growth in the region. Identifying the impediments to the growth of services industries in the region requires access to reliable and comprehensive data such as the APEC Services Trade Access Requirements Database and OECD Services Trade Restrictiveness Index. ABAC recognizes that collection of information regarding the impediments to services trade in the region will be best provided by well-structured and supported services organizations in every APEC economy. To that end, ABAC proposes the establishment of the APEC Coalition of Services Organizations to further promote the new services agenda. We strongly urge APEC economies to step up their actions on the further development of the services sector through the APEC Services Cooperation Framework.

4. Build and strengthen global value chains. ABAC has focused on strengthening of global value chains (GVCs), and the integral role that services play in advancing economic integration and connectivity in the region. ABAC notes that the conclusion of comprehensive agreements such as the TPP, RCEP, PA and a future FTAAP will be enormously instrumental in facilitating GVCs in the region. ABAC welcomes further cooperation to advance APEC’s Strategic Blueprint on Global Value Chains and the measurement of Trade in Value Added data, including assessing the impact of localization policies on GVCs. Addressing non-tariff barriers and pursuing global data standards will strengthen the resilience of GVCs.

5. Accelerate investment liberalization and facilitation. ABAC commends the work of the Regional Investment Analytical Group (RIAG) which was established to provide objective advice on the development and use of quantitative indicators as a tool to promote confidence in, and to socialize the value of, investment performance indicators. ABAC encourages the use of the work of RIAG in reviewing the effectiveness of investment policy settings to contribute to the further development of the APEC Investment Facilitation Action Plan and to enhance long-term investment in the region. ABAC also highlights the importance of capacity building initiatives in the introduction of policy measures designed to attract long-term investment.

6. Achieve food security. Food security is vital for achieving more inclusive growth in the region.
ABAC encourages actions to promote investment and the efficient flow of food and agricultural goods, to reduce trade barriers that impede market access, and to minimize food loss and waste. The private sector needs to be part of the solution for food security, working in partnership with governments. ABAC calls on APEC to deepen the level of strategic engagement and dialogue with the private sector to improve the understanding of the economic and commercial context for food, to address supply chain connectivity and integrity, and promote the participation of micro, small and medium enterprises (MSMEs). ABAC urges APEC to continue to reform the APEC Policy Partnership on Food Security to make it more accessible to the private sector.

7. **Promote a healthy and productive workforce.** Rapidly aging populations and the rising burden of non-communicable diseases pose a substantial challenge to sustainable economic growth. This trend has important implications for the well-being of communities, long-term care costs, as well as the productivity and availability of labor. Health-related absenteeism, disability, productivity losses and early retirement caused by poor health are a substantial concern for both the public and private sectors. A 2014 study jointly commissioned by ABAC and the APEC Life Sciences Innovation Forum (LSIF) found that productivity losses within the six economies measured ranged from 3.5% to 5.3% of Gross Domestic Product (GDP) in 2010. The same study projects that losses will increase to as much as 6.1% of GDP by 2030. In 2015, ABAC and LSIF conducted research that examines the intersection between pensions and early retirement caused by ill health. ABAC urges governments to treat the study data as a call to action to proactively invest in healthy workforces and collaborate with the private sector to develop innovative solutions.

8. **Accelerate green growth.** ABAC commends the many initiatives endorsed by APEC to reduce the region’s environmental footprint. ABAC welcomes the APEC Leaders’ ambitious commitment to double the share of renewables, including in power generation by 2030. Many APEC economies will continue to generate power using fossil fuels and it is imperative that the environmental impact is addressed. We therefore urge APEC to take decisive actions on environmental services, including further identification and elimination of non-tariff barriers to environmental goods and services and support for the development of renewable energy and low-carbon technologies such as clean coal technology and carbon capture. ABAC urges APEC to honor its commitment to reduce applied tariff rates to five percent or less by the end of 2015 on the list of 54 environmental goods as endorsed by APEC Leaders in 2012 and reaffirmed annually since. ABAC encourages all APEC members to sign on to the APEC Remanufacturing Pathfinder to promote remanufacturing, a process that restores used and end-of-life commercial goods (commonly referred to as “cores”) to meet the same performance and safety standards as new goods, with significant benefits to the environment.

9. **Increase energy security.** Energy security is vital to economic growth and continues to be a regional challenge. For business to thrive in rapidly changing times, it is imperative to establish rules and regulations that are predictable. ABAC urges APEC to accelerate efforts to remove barriers and promote energy trade and investment. Key elements to promote energy trade and investment include, among others: policy certainty ensuring the sanctity of contracts; open and fair competition on a level playing field devoid of local content rules, quotas, tariffs, restrictions on foreign ownership and investment; market-based pricing undistorted by subsidies; relaxed liquefied natural gas (LNG) destination clauses; and diversified and flexible LNG trading mechanisms.

10. **Foster sustainable and livable cities.** APEC cities continue on the path of rapid development, and as cities grow, both the public and private stakeholders strive to find new solutions to efficiently utilize resources to meet the city’s most pressing needs. Solutions to urbanization challenges vary greatly from one city to another, and different paths are pursued in building a more livable, healthy and sustainable urban environment. ABAC recommends that APEC, through the Friends of the Chair on Urbanization, cooperate with ABAC on the work it started this year on measuring the challenges and success factors of urban development planning. This effort could include streamlining data collection framework to better measure the level of city development; learning from best practices and analyzing policies drawn from data comparisons; and encouraging closer public-private sector engagement in finding solutions towards building more livable, sustainable and competitive cities in the APEC region.
11. Facilitate the development of the mining sector in APEC. The mining sector plays a vital role in the economic success of all of APEC member economies by generating investment and driving regional trade. As ABAC’s 2014 mining sector study noted, most APEC economies earn a proportion of their GDP through mineral rents. Close cooperation between governments, industry associations and the private sector is needed to promote business-friendly regulatory environments and best practices in sustainable mining that create positive outcomes for investors, economies and communities. In this regard, ABAC applauds APEC’s decision to renew the Mining Task Force’s mandate and strongly supports the sub-fund which is devoted to mining-related capacity building projects. While maintaining strong engagement with the private sector, ABAC urges APEC to adhere to APEC’s 10 Mining Principles in the development and regulation of the mining sector and implement policies that promote open, predictable and stable investment environments based on an understanding and recognition of the inherent challenges for mining companies.

12. Accelerate infrastructure development. According to the World Economic Forum, the estimated shortfall in global infrastructure debt and equity investment is at least US$ 1 trillion per year. ABAC applauds APEC’s efforts to address this gap by examining barriers to physical connectivity as part of its effort to implement the APEC Connectivity Blueprint for 2015-2025 and is keen to support APEC’s efforts by utilizing the Enablers of Infrastructure Investment Checklist to gather data on best practices and help economies benchmark performance. ABAC has endeavored to integrate progress made by the Asia-Pacific Financial Forum and the Asia-Pacific Infrastructure Partnership on developing deep and liquid capital markets, and public-private partnerships as a vehicle to promote much needed infrastructure investments with the outcomes of the Checklist. ABAC endorsed the work of the Urban Infrastructure Network in developing a holistic policy framework for urban infrastructure planning, project development and financing at the various levels of government.

13. Strengthen 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. ABAC calls on APEC economies to meet the 2010 Leaders’ objective of a 10% APEC-wide improvement in supply chain performance in terms of reduction of time, cost and uncertainty of moving goods through the region by the end of 2015. ABAC welcomes the progress made in areas such as the Model E-Port Network, and supports APEC’s innovative capacity building initiative to help developing economies improve supply chain performance, and encourages APEC economies to utilize the APEC Alliance for Supply Chain Connectivity to help implement the WTO Trade Facilitation Agreement. ABAC continues to support APEC’s systematic approach to improving supply chain performance and encourages increased APEC funding of a dedicated APEC Trade and Investment Liberalization and Facilitation Sub-Fund for Supply Chain Connectivity. To improve regional connectivity and enhance supply chain performance, ABAC urges APEC economies to continue to work towards the adoption of a region-wide framework for global data standards. Support is also proposed for ABAC’s emerging pilot project focused on measuring the benefits of applying global data standards to international trade in medical products.

14. Promote the digital and internet economy. Today, digital and internet-based technologies provide the underpinning for the global economy, acting as a platform and catalyst for new innovations, and enabling new businesses and markets. The digital and internet economy is growing at a rapid pace all around us, and it offers enormous opportunities to advance APEC’s regional economic integration and connectivity objectives, integrate MSMEs into global supply/value chains and markets, foster more inclusive and sustainable economic growth, advance human capital development, and address other critical societal goals. ABAC supports the creation of the SOM-level group on the Internet Economy, and looks forward to strong private sector engagement within this group. In 2014, ABAC established a digital economy workstream in the Connectivity Working Group, which aims to provide a unique, private sector perspective to APEC’s work on the digital and internet economy. ABAC also encourages APEC to promote MSME inclusion in the digital and internet economy and plans to focus on policies that enable a strong digital and internet economy – including the Internet of Things, big data and data analytics, and on broadband developments – as well as bridging the digital divide.
15. Address skills shortages and facilitate cross-border worker flows. For over a decade, ABAC has sought to improve the way in which the movement of the region’s 30 million international workers is managed. At last, significant momentum has built around the Earn, Learn, Return (ELR) principles developed over the past year and now being explored jointly with APEC officials. Together with the APEC Skills mapping initiative, APEC work on region-wide recognition of specific qualifications, ABAC is confident that we can improve greatly the effective matching across the region of reservoirs of in-demand skills in the areas of keenest shortage. As demographic changes amplify problems across the region of skills shortages and mismatches, this work is critical in all areas of business and ABAC seeks strong support from APEC Leaders to expedite progress.

16. Develop the APEC Business Travel Card. With over 150,000 APEC Business Travel Cards (ABTCs) now in use and demand for the card growing strongly, it is critically important to improve the card, and to minimize the workload of government officials in processing new cards. Agreement in 2014 to extend the life of the card from the present three years to five years was an important improvement. ABAC now seeks to cooperate with APEC officials to introduce e-Lodgment of cards – enabling applicants to fill in applications themselves and electronically. It is ABAC’s hope that this important labor–saving initiative will both save processing time, and improve the reliability of information uploaded on the ABTC database.

17. Promote 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. High compliance costs make it difficult for companies, particularly MSMEs, to compete and grow in the global marketplace. ABAC urges APEC to strengthen implementation of the three good regulatory practices (GRPs) agreed to by APEC Leaders in the Honolulu Declaration as well as the three GRP tools identified in the APEC Bali Declaration. In this regard, ABAC applauds the agreement in Beijing on the APEC actions on public consultations on proposed regulations in the Internet Era and looks forward to assisting economies with implementing these actions through capacity building. Specifically, ABAC supports efforts to more closely align APEC economies’ regulations with global best practices, including those that promote regulatory coherence, utilize performance-based rather than prescriptive-based regulations, and design regulatory institutions that promote trade-friendly regulation. Further, ABAC encourages the strengthening of public-private cooperation through the use of consultation mechanisms to enhance accountability, promote mutual learning, and encourage best practices.

18. Strengthen the rule of law. ABAC highlights the importance of focusing on domestic policies and business environments affecting trade and investment within the borders. In 2015, ABAC has promoted the rule of law and its many features that include open and transparent government, absence of corruption, regulatory enforcement, fundamental rights, order and security, among others. ABAC urges governments’ support to ensure that the laws are clear, publicized, stable and fair, thus providing an environment of legal certainty. ABAC encourages the sharing of best practices between APEC champions and economies that are underperforming on the rule of law and the holding of policy dialogues to improve in areas where public policy is hindering trade and investment. Recognizing that corruption has a negative impact on the ability of businesses and governments to operate effectively and ethically, ABAC endorses the APEC General Elements of Corporate Compliance adopted by APEC Leaders last November. The private sector has an important role to play in anti-corruption and we commit to sharing these Elements within our respective business communities. ABAC also encourages all economies to rigorously implement the Beijing Declaration on Fighting Corruption, enforce their corruption laws and actively participate in the newly created APEC Network of Anti-corruption Authorities and Law Enforcement Agencies (ACT-NET).

19. Enhance the internationalization of MSMEs. MSMEs’ participation in regional and global markets is enhanced when they leverage on the benefits provided by e-commerce. A joint study by ABAC and the USC Marshall School of Business however found that existing international trade frameworks and regimes have been designed for traditional forms of trade and investment and are inhibiting growth and MSME participation in cross-border trade. The current systems have been built for big businesses
and MSMEs are struggling to deal with complex customs requirements and high trade compliance costs, high logistics costs, lack of cyber security laws and data protection, and lack of e-commerce infrastructure and e-payment facilities. It is recognized that governments have made efforts to keep pace with the onset of digitization, but there is still much work to be done. ABAC recommends that APEC economies: simplify and harmonize domestic policies and processes that enable internet-based business and trade; undertake capacity building initiatives that promote the adoption of internet-based tools and assist MSMEs to explore cross-border e-Commerce; encourage greater sharing of successful online training programs designed to educate MSME firms on cross-border e-Commerce, including ABAC’s Cross Border E-Commerce Training Program (CBET); establish an APEC-wide action plan focused on creating forward-looking e-Commerce policy frameworks; and include e-Commerce trade facilitation provisions in FTAs and Regional Trade Agreements which is critical for connecting MSMEs to global and regional markets.

20. Facilitate MSME access to finance. ABAC welcomes the launch of the APEC Finance Ministers’ Cebu Action Plan. ABAC calls for steps to enhance MSME access to finance as this remains a significant barrier to MSME expansion. These could include: launching pathfinder initiatives to help interested economies develop credit information systems and effective secured transaction regimes; regional dialogues on regulatory issues as they affect trade and supply chain finance and MSME finance in general; workshops on emerging facilitators of trade and supply chain finance; enhancing public-private collaboration to develop alternative funding mechanism for MSMEs and start-ups; and the development of best practices for strengthening MSMEs’ resilience to the impact of financial crises, natural disasters and other unexpected events.

21. Build innovation and value-adding activities in MSMEs. ABAC recognizes the vital role that MSMEs play in bringing new ideas to the market and play a crucial role in fostering innovation in the 21st century. There is, however, a need to boost innovation by creating an ecosystem that supports enterprise creation and increase innovation capabilities of MSMEs. Partnerships and networking among innovation systems, including those involving large and small businesses and the public sector need to be supported as part of a strategy that promotes innovation in more effective ways. A joint study by ABAC and the Asian Institute of Management highlights the need for APEC economies to identify and address the challenges that hinder the growth of these types of partnerships. Knowledge inputs and policy measures, based on careful analysis of behind the border, at the border and across the border issues pertinent to the internationalization of MSMEs, are key to addressing these.

22. Harness women’s participation in the economy. Women’s economic empowerment is a fundamental element of the inclusive growth that APEC strives to promote and is vital to the future competitiveness of the Asia-Pacific region. While ABAC applauds that steps have been taken to enhance women’s economic participation, ABAC urges APEC to sustain the momentum to build on the gains. In 2015, ABAC is actively engaging the private and public sectors to consolidate best practices for increasing women’s representation in the board room, corporate family responsibility, and integration of women-owned businesses into the global supply chain. ABAC looks forward to working with APEC to make continued strides toward a future of full economic inclusion of women, in particular by addressing barriers that prevent women from having access to capital, education, health and ownership of land and resources, and appointing women to serve in ABAC.

23. Build resilient communities and small businesses through micro-insurance and disaster risk financing. The Asia-Pacific region has for decades experienced the largest number of natural disasters, with enormous economic consequences. The region’s vulnerable low income population remains for the most part without access to safety nets. To help build financial inclusiveness and resilience of communities and small businesses, ABAC recommends that APEC design roadmaps for the development of micro-insurance and disaster risk financing, in collaboration with experts from the private sector and international organizations. ABAC urges the adoption of a formal definition of financial inclusion to help measure and compare financial inclusion across economies and serve as a useful guide for policymakers and make an APEC model framework for financial inclusion strategies that can help economies in designing domestic strategies suited to local needs and conditions.