



**His Excellency Dr. Alan Garcia**

Chair, Asia-Pacific Economic Cooperation  
President of the Republic of Peru  
Lima, Peru

Your Excellency:

Our report is written against the background of a regional economy much less buoyant than it was last year. Businesses throughout the region are feeling the dampening effects of market instability, rising inflationary pressures, declining demand, and constraints on liquidity. Efforts to close the income and development gaps within and between economies are at risk. In addition, the recent suspension of the Doha Round is a deep disappointment for the business community. This letter focuses on the issues that in our view deserve your immediate attention.

**Accelerating Regional Economic Integration.** We urge Leaders to encourage further efforts to secure the progress achieved and a balanced agreement in the Doha negotiations. At the same time, the suspension of the DDA does present an opportunity for APEC to focus on steps to strengthen and deepen trans-Pacific regional integration. ABAC reiterates its belief that the Free Trade Area of the Asia-Pacific (FTAAP) represents a practical means to achieve convergence among RTAs/FTAs, advance regional liberalization, and achieve the Bogor Goals. ABAC has undertaken work in areas that can serve as building blocks towards the FTAAP. We propose that work on an FTAAP be accelerated by completing the current studies on regional economic integration and exploring all options to achieve the free flow of goods, services, capital and labor within the region.

**Addressing the Global Credit Contraction and Inflationary Pressures.** To avoid future financial disruptions in the wake of the current global credit contraction, ABAC urges policymakers to improve confidence in the credit and capital markets through consistent and prudent fiscal and monetary policies and timely liquidity mechanisms and to change the emphasis of regulation from entity-based to activity-based. ABAC further recommends coordinated action among the central banks and regulators both within the region and globally. These policy actions, however, must be appropriately balanced with the risk of inflation that has begun to emerge in some APEC economies.

**Enhancing SME Development, including Micro-Enterprises.** Acknowledging the vital role that SMEs play in APEC economies, ABAC held the first session of the Second ABAC SME Summit in Hangzhou, China in August 2008. A second session is being organized in Lima, Peru in November 2008. We urge Leaders to continue to give importance to SME development by implementing special support programs on technological infrastructure, financing capacity building, and training.

The associated comprehensive report contains our detailed comments and recommendations on other issues including trade and investment facilitation, food security, energy security, climate change, international labor mobility, ICT-enabled growth, structural reform and intellectual property rights.

We look forward to discussing the above recommendations with you during our dialogue in Lima in November.

Sincerely,

**Juan F. Raffo**  
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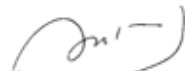


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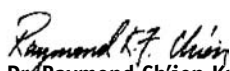


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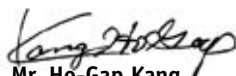


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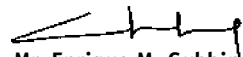


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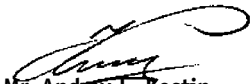


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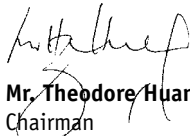


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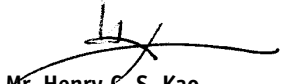


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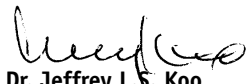
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