Executive Summary

The following is a summary of the recommendations that are put forward in this report:

1. Responding to the Suspension of the Doha Development Agenda (DDA) Negotiations. ABAC has been consistent in providing support to the WTO system, including the DDA negotiations. The recent suspension of the Doha Round is a deep disappointment for the business community. The business community urges Leaders to continue to drive liberalization in international markets and particularly in the Asia-Pacific. We urge Leaders to encourage further efforts to secure the progress achieved and a balanced agreement in the Doha negotiations.

The suspension of the DDA does present an opportunity for APEC to focus on steps to strengthen trans-Pacific regional integration.

2. Accelerating Regional Economic Integration. ABAC welcomes the Leaders’ decision to accelerate efforts to promote further economic integration in the Asia-Pacific region. 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 trade and investment liberalization, and achieve the Bogor Goals.

ABAC has undertaken work in a number of areas that could serve as building blocks towards the FTAAP. These include the development of model chapters, the assessment of high quality RTAs/FTAs in order to identify the core elements of regional integration, and a study on rules of origin. We propose that work on an FTAAP be accelerated by completing the current studies on regional economic integration, exploring all options and other measures to achieve the free flow of goods, services, capital and labor within the region.

3. Addressing the Global Credit Contraction and Inflationary Pressures. In light of the global credit contraction sparked by the sub-prime mortgage crisis and write-downs by various international banks, ABAC urges policymakers to help avoid future financial disruptions by: improving confidence in the credit and capital markets through consistent and prudent fiscal and monetary policies and timely liquidity mechanisms; changing the emphasis of regulation from entity-based to activity-based; implementing measures to improve transparency in credit derivatives and highly leveraged markets so that counterparty risk can be clearly understood and established.

ABAC further recommends that high priority be given to coordinated action among the central banks and regulators within the region and globally. Rapid communications, multilateral decision-making and forceful and timely action by regulators and central banks on the dissemination of timely and transparent information would do much to mitigate remaining problems and will facilitate a rapid return to stability and liquidity in the APEC capital markets.

ABAC recommends that policymakers find a balance between allowing sufficient liquidity for corporate and personal investment necessary to maintain growth, while keeping downward pressure on inflation that has begun to emerge in APEC economies. In the current situation, ABAC advises to avoid excessive liquidity which may lead to worsening inflation. In addition, to promote market stability amongst economies, ABAC recommends enhancing cross-border regulatory cooperation aimed at improving and disseminating data on short-term capital flows.

4. 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.

ABAC welcomes the revised work plan to accelerate activities under the APEC Private Sector Development program for SMEs. The associated workshop schedule should be expanded to include new themes identified by the World Bank as relevant benchmarks. ABAC seeks the appropriate opportunity to provide a regional business perspective on planned new regulations to help address these issues, and will collaborate with relevant APEC agencies in capacity building program on better regulatory and business practices for SMEs.

5. Responding to Food Supply and Price Issues. ABAC remains convinced that efforts to increase productivity and ensure the freer flow of foodstuffs and production technologies are the key means by which APEC should address these challenges. We urge APEC Leaders to renew the commitment they made in 1999 to bring the APEC Food System (AFS) into effect, and to instruct officials to review and update the AFS and develop policies and programs required for its effective implementation. We also urge Leaders to renounce the use of embargoes or export restrictions as a means of addressing food shortages.

6. Facilitating Investment Flows. Regional economic integration will be facilitated by measures which improve transparency and make the rules for investing – by both domestic and foreign investors – simpler and clearer. Unnecessary impediments to cross-border investment flows should be avoided and internationally agreed rules for the fair treatment of investments maintained. ABAC strongly commends the advent of the Investment Facilitation Action Plan and will provide recommendations on indicators to measure progress under the plan.

ABAC recommends that priority be given to the promotion of measures to reduce impediments to FDI flows in the region and to remove “behind-the-border” barriers to investment in financial services. Further, in the WTO negotiations, ABAC urges APEC to utilize the checklists it produced in 2006 on goals and best practices for financial services liberalization. This year, ABAC has also revised the financial services checklist to reflect best practices and goals for the securities industry. We recommend that APEC Leaders instruct officials and WTO negotiators to review and use them to further their deliberations in financial services in the securities sector, and implement the goals and best practices in the domestic policy framework for investment in securities services in APEC economies.

7. Facilitating Trade Flows. Removing impediments which impact on the efficient movement of goods at the border is critical to business in the region. Regional business favors a border regime that has minimal impact on the flow of goods and people but with maximum penalties for those who do not comply. A single-entry for all regulatory requirements and seamless data-sharing would help constrain compliance costs, supporting the growth of regional supply chains and economic integration. To that end, ABAC urges the acceleration of the implementation of the “Single Window” approach across the Asia-Pacific region with adherence to recognized international instruments and uniform standards which increase international interoperability.

ABAC fully supports the implementation of APEC’s Second Trade Facilitation Action Plan (TFAP II), and the use of Key Performance Indicators (KPIs) for measuring savings in time and transaction costs resulting from actions taken under the Plan. ABAC has provided what it sees as suitable KPIs to particular APEC sub-fora whose work is directly related to business.

Excessive proliferation of trade security schemes in recent years would hinder the smooth flow of legitimate trade. However, enhanced trade security can and must be compatible with improved facilitation. APEC economies should work closely with regional business to establish reliable and effective risk management systems with a holistic approach to trade security measures.

Business mobility is crucial to promoting trade and investment. APEC should continue to encourage transitional and non-participating economies to fully join the APEC Business Travel Card scheme, and also improve the operation of the
scheme and capacity building facilities in participating economies.

ABAC is building momentum towards the harmonization of standards across the region, to advance an APEC-wide initiative on emergency management standards for security of critical infrastructure. The outcomes from this project, to be available in November, will be reviewed as to their possible value as a template for future work in other sectors.

8. Implementing Structural Reform. Regional economic integration and sustained economic development are underpinned by structural reform. The APEC Ministerial Meeting on Structural Reform agreed to an on-going work program on issues such as competition policy and regulatory reform. ABAC endorses the outcomes of the Ministerial Meeting and recommends them to Leaders.

9. Ensuring Access to Labor. With intensifying globalization and accelerating demographic changes, increased international labor mobility have played a pivotal role in the economic transformation of the Asia-Pacific region benefiting both origin and receiving economies. ABAC has undertaken a study with PECC to assess the economic and business implications of this issue, and has identified common challenges as well as possible cooperative responses. ABAC urges APEC to include, in its 2009 Agenda, a work plan to address related international labor mobility issues that would significantly enhance the benefits to APEC economies.

10. Boosting Innovation. Faster approval of high quality patents will accelerate innovation and increase competitiveness. We urge that APEC economies take steps to harmonize application formats and to share the results of patent searches and examinations in order to create highly efficient patent approval processes, and to support legislation/regulation to prevent copiers from using the safety and efficacy data of the originator to gain marketing approvals of patent infringing products.

Collaboration between private sector and IPR enforcement authorities is essential to effectively crackdown on increasingly globalized and sophisticated counterfeiting and piracy activities. ABAC urges APEC Leaders to encourage the establishment of a platform to collect and analyze IPR infringing cases and share such information through public-private partnership within each economy, and to promote the establishment of a framework for information sharing among economies to take more effective measures.

Protection of digital content is important for purposes of information security, privacy protection and rights management. We urge APEC to develop an action plan to give effect to its 2007 Ministerial Declaration regarding theft of satellite and cable broadcast signals through measures such as the development of best practices and capacity building through public-private sector workshops.

11. Promoting ICT-Enabled Growth. Effective utilization of ICT increases productivity and will continue to be encouraged. However, access to, and adoption of, ICT are not sufficient to close the digital divide. The focus should shift to the creation of digital dividend, to reduce poverty in line with the United Nations Millennium Development Goals (MDGs), through effective development programs that aid the growth of new economic opportunities for future ICT markets. To this end, the elimination of tariffs on ICT products and devices by the WTO Information Technology Agreement (ITA) should be maintained. ABAC also encourages APEC to support the ICT/Electronics and Electrical Products sectoral talks under the WTO DDA.

12. Ensuring Energy Security. Expansion of, and access to, all energy resources, including traditional oil and gas as well as renewable and alternative sources, will be necessary to achieve long-term energy security. As an initial step, each APEC economy should formulate its goals and action plans for improving energy efficiency towards achieving APEC’s “aspirational goals of a reduction in energy intensity of at least 25 percent by 2030” set by Leaders in 2007.

13. Mitigating Climate Change. An effective Post-Kyoto framework should satisfy the following three conditions: (a) participation of all major emitters; (b) each economy setting and implementing equitable and
fair targets for greenhouse gas emissions reduction; and (c) acceptance of diverse approaches. In formulating goals and monitoring results, verifiable and objective data and indicators of major industrial sectors should be shared.

Also important are: (a) public and private partnerships in developing new energy technologies; (b) pursuing sectoral approaches to improve energy efficiency in major greenhouse gas emitting industries; (c) market-based technology transfer to developing economies; (d) mobilization of private funds through various incentives and through eliminating impediments; (e) the establishment of clear legal and regulatory frameworks; and (f) trade liberalization of environmental goods and services.

14. **Deepening and Strengthening Capital Markets.** Continued efforts by APEC economies to **deepen and strengthen capital markets** will help dampen market volatility and allow economies to withstand future financial shocks by providing a diverse and broad supply of liquidity to those entities seeking funds. ABAC therefore recommends specific areas of capacity building initiatives on local bond markets in the region, investment facilitation in financial services, commercializing microfinance, and fiscal reforms to encourage capital market development.

ABAC recommends the launching of a policy initiative in APEC to promote **financial inclusion** focused on providing an enabling legal, policy and regulatory environment for microfinance. Noting the value in the sharing of **bond market development** experiences, ABAC proposes the continued holding of the APEC Public-Private Sector Forum on Bond Market Development.

ABAC proposes the establishment of a **Regional Infrastructure Dialogue** among representatives from government, private sector and host communities to strengthen planning capabilities, promote best practice governance arrangements, and support capacity building initiatives. With regard to **strengthening regional financial stability,** further efforts are needed to help deepen understanding by regulators and financial market players of changes in the financial environment.

We recommend support for measures being developed by international agencies in response to the rapid growth of **sovereign wealth funds** and to activities relating to other flows which may impact on security or national interests.

ABAC recommends promoting greater participation by data furnishers in a private consumer **credit reporting system** and the use of full-file and comprehensive credit reporting to provide increased and more equitable access to credit, while also effectively addressing concerns about privacy, identity and restricted distribution of confidential data.

ABAC continues its collaboration with other regional institutions to promote effective implementation of Basel II and **governance in banking systems.** ABAC recommends continued participation of banking supervisory agencies in the annual regional public-private dialogue on Basel II implementation hosted by SEACEN.

APEC economies, both developed and developing, are facing a variety of new challenges related to disproportionate population ageing and the funding and management of retired workers’ **pensions.** ABAC believes that pay-as-you-go social security structures have inherent weaknesses and should be replaced over time with some form of funded mechanisms. It is essential that governments urgently attach importance to the significance of social security systems.

15. **Promoting Corporate Social Responsibility.** ABAC agrees that **Corporate Social Responsibility (CSR)** is an important and wide ranging issue. It is strictly a business activity, driven by corporate values and circumstances unique to each company and the communities in which they operate. It must be voluntary and not mandated or legislated. ABAC has undertaken further work on CSR, including a showcase of best practices in CSR currently underway in APEC economies, a compendium of examples of CSR practices, and an inventory of CSR principles, standards, codes of conduct, and definitions.