



His Excellency

**Barack Obama**

Chair, Asia-Pacific Economic Cooperation

President of the United States

United States

Your Excellency:

In 2011, ABAC focused on regional economic integration, sustainable growth and small and medium enterprises (SMEs) (including micro-enterprises) as critical areas where the business community can contribute to ABAC's vision of 21 economies working towards 21st Century prosperity. We look forward to discussing these key priorities with you during our dialogue in Honolulu. A full report of ABAC recommendations is attached.

These recommendations were informed by a volatile and uncertain economic environment characterized by strains on financial markets caused by the lack of progress in global rebalancing, high levels of debt and low growth. This situation has created disincentives for private sector investment and risks renewing protectionist sentiments. ABAC calls on governments to liaise closely with business as we work together to stimulate economic growth and create jobs in the short term, and work towards balanced growth in the long term.

ABAC strongly supports the goal of regional economic integration and believes the best way to achieve this is through a comprehensive and high quality Free Trade Area of the Asia-Pacific (FTAAP). We support further efforts by APEC economies to develop preferred pathways to FTAAP that seek to remove barriers to the efficient flow of goods, services and investments.

This year, ABAC has focused on regulatory coherence and identified a number of next generation issues that need to be addressed for trade agreements to keep pace with the increasing complexity of regional and global business models. APEC Trade Ministers selected three of these next generation issues (SME participation in global supply chains; promoting effective, non-discriminatory, and market-driven innovation policy; and facilitating global supply chains) for immediate action. ABAC wants APEC economies to be at the leading edge in the development of trade agreements. Therefore, ABAC recommends continued work on several other next generation issues including competition policy, investment, services, government procurement and shortages of skilled personnel. Action on these issues will put APEC in the best position to achieve a comprehensive and high quality FTAAP.

ABAC has developed an integrated supply chain and value chain framework for goods, services, and investment to help build understanding of the complex and integrated nature of global and regional supply chains and help pinpoint the costly chokepoints that can arise. We have only to look at the serious national, regional and global supply chain disruptions that occurred in the wake of Japan's devastating earthquake and tsunami to realize the critical importance of the integrated supply chain and value chain framework. There is also a clear need for economies to step up the level of emergency preparedness so that they can keep supply chains, and business critical infrastructure, open in times of large-scale disasters.

Regional integration of financial markets and the efficiencies it brings is seen by ABAC as integral for enhancing financial support to economic growth across the APEC region. To this end, ABAC decided at its meeting in Lima to commence work to develop a proposal to be put to Leaders for improving the regional financial system. ABAC recognizes the importance of working collaboratively to improve the regional financial system, including strengthening monitoring of cross-border capital flows, and supporting the efficient allocation of resources through ongoing review of international credit rating systems, so as to promote the stable development of financial markets.

SMEs (including micro-enterprises) continue to be important engines of growth and prosperity in APEC economies. ABAC is leading capacity building efforts through SME and Young Entrepreneurs' Summits, the Advisory Group on APEC Financial System Capacity Building and the creation of the ABAC Women's Forum. We support APEC's efforts in the elimination of barriers to cross-border trade and capital flows, most particularly the lack of access to financing for SMEs. We recommend that APEC economies enhance the lending environment for SMEs, establish easily accessible and comprehensive credit reporting systems and bolster support for public-private financing initiatives.

ABAC places high priority on sustainable growth and supports APEC's work on green growth. ABAC has identified impediments to trade and investment in environmental goods and services (EGS). ABAC believes that addressing tariffs and non-tariff barriers in EGS, creating effective market-based mechanisms to improve access to green technologies, and sharing best practices among APEC members will facilitate greater technology and product diffusion.

An affordable and adequate supply of safe food must be available to ensure sustainable growth; if not, all businesses and their consumers will suffer. To this end, ABAC applauds the creation of the APEC Policy Partnership for Food Security. This achieves ABAC's long held objective of bringing government and the private sector together to collaborate on food security policy. Looking ahead, ABAC recommends a set of guidelines for balanced and efficient use of food sources and the adoption of a "Food System" approach which ends trade restrictions. ABAC agrees that immediate priorities should be increasing agricultural productivity and preventing post-harvest loss where practical solutions already exist.

This year, ABAC significantly stepped up engagement with APEC contributing to greater collaboration between the public and private sectors. ABAC Members have participated in APEC Ministerials, Senior Officials' Meetings and related fora while Senior Officials have contributed to business council meetings. Working together, we are finding sustainable solutions to challenges facing the region.

Yours sincerely,



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