EXECUTIVE SUMMARY

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

- **Accelerate trade and investment liberalization.** ABAC has been concerned by the lack of progress in the WTO Doha Round. We recognize the immense value of the WTO to the global rules-based trading system. ABAC is committed to the goal of establishing a Free Trade Area of the Asia-Pacific (FTAAP) and urges that all pathways to FTAAP should reflect the key principles of inclusiveness, transparency and comprehensiveness. It calls for substantive progress to be made towards an FTAAP, including through the broadest possible participation in FTAAP initiatives. ABAC also urges APEC economies to continue to identify, investigate and incorporate “next generation” trade and investment issues into free trade agreements. APEC economies should improve the business environment for foreign direct investment, including by providing transparent, fair and predictable guidelines on taxation and transfer pricing.

- **Promote regional financial market integration.** ABAC recommends that APEC economies support and endorse the establishment of an Asia-Pacific Financial Forum (APFF) to promote the emergence of integrated and diverse funding markets, the development of market infrastructure, regulatory frameworks and financial institutions that are vital for the recycling of savings, and sustained growth of markets for long-term securities and infrastructure finance. The proposed APFF is envisioned to be a platform for enhanced public-private collaboration to help develop regionally consistent regulatory frameworks and market infrastructure, as well as common approaches in shaping global financial regulatory reforms in support of region’s financial development goals. As a first step, ABAC recommends that discussions be held in 2013 to develop an agenda that will complement other ongoing regional initiatives promoting the development, convergence and connectivity of financial markets in the region.

- **Enhance 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. APEC should support a holistic and coordinated approach to implementing APEC’s Supply Chain Connectivity Framework. There is much more to be done to improve regional supply chains, in particular: expanding APEC’s role in coordinating the sharing of supply chain best practice information; better data collection; harmonization of customs requirements and procedures, including the single window concept and standardized codes for marking and tracking goods. A wider use of integrated satellite navigation systems like Glonass/GPS might be beneficial in this regard, and we intend to take stock of the related world best practice to report thereon at our meeting in Vladivostok. ABAC also sees a greater APEC role in the leadership, governance and oversight of standardization initiatives within supply chains; capacity building and developing APEC-wide “model measures/protocols” for information and communications technology systems as well as information platforms for logistics for small, medium and micro-enterprises (SMMES); and addressing non-tariff barriers. ABAC notes the need to take full account of growing opportunities and long-term benefits offered by a wider use of alternative transportation routes between the Asia-Pacific region and the rest of the world, as a result of implementation of domestic and international transportation infrastructure improvement projects.

- **Promote investment in infrastructure.** ABAC urges APEC economies to work to improve the investment environment through the adoption of strong investment principles and implementation of measures to facilitate investment. It recommends an integrated infrastructure planning approach in the development
and implementation of infrastructure projects and the development of “APEC High-Level Planning Principles for Infrastructure Investment” to guide government agencies. ABAC invites APEC economies to collaborate in developing concrete measures to provide conducive environments for infrastructure finance through the Asia-Pacific Infrastructure Partnership (APIP) dialogues with the private sector and multilateral agencies.

**Strengthen food security.** ABAC applauds the creation of the APEC Policy Partnership on Food Security (PPFS) and the Kazan Declaration adopted at the Second APEC Ministerial Meeting on Food Security this year. ABAC envisions PPFS to be the focal point for developing and implementing food security policy for the APEC region. ABAC’s recommendations on food security include: establishment of technology dissemination centers in APEC economies in the agri-food sector; development of a regional strategic investment plan to promote investment in the sector; collaboration with the APEC Food Safety Forum in standard-setting for food safety; development of a unified methodology for assessing post-harvest losses; designing a framework for the development of food market infrastructure to minimize food losses during storage and transportation; and improvement of global food market transparency through cooperation with the G20.

**Promote trade in environmental goods and services.** ABAC urges APEC economies to implement the Honolulu Declaration where Leaders agreed to work to develop in 2012 an APEC list of environmental goods and services (EGS) for which to reduce, by the end of 2015, applied tariff rates to 5% or less.

**Address energy security.** ABAC supports a multi-pronged approach to energy security, including the expansion of energy conservation efforts, promotion of clean and renewable energy sources, wider use of natural gas, increased energy productivity and cooperation on nuclear safety. To promote conservation and energy productivity, APEC should expand the exchange of best practices, harmonize standards of measurements and evaluation, support voluntary market-driven technology dissemination that maximize benefits for all parties involved, and facilitate trade in EGS for energy efficiency. Investment in renewable energy resources can be facilitated by appropriate policy, laws and regulations; market aggregation for economies of scale; low-carbon technology deployment; and new market-based instruments as well as innovative research which have the potential to reduce the production cost of clean and renewable energy.

APEC should also reduce barriers to cross-border energy investment and trade, invest in new transportation infrastructure and technology to maximize the availability of lower-carbon natural gas, and create economic frameworks that encourage the phasing out or upgrading of antiquated and inefficient power generation and industrial plants. For the longer term, more attention must be directed to the creation of open and fair markets based on a transparent and predictable environment of laws and regulations, so as to support efficient regional trade of energy through integrated transmission infrastructure and domestic power grids.

**Promote living cities.** Substantial actions are needed from APEC economies on altering the present environmentally harmful ways of living, by introducing new principles and innovative solutions into city planning and infrastructure development, and by following harmonized criteria for living cities in APEC. ABAC recommends adoption of a livable, low-carbon community and eco-city/living city approach based on the integration of social, environmental and economic principles when building and re-developing cities. Priority should also be given to the introduction of effective incentives for the business community in APEC economies to respect the living city principles, so that living cities criteria are
included in cities’ construction plans; and support is given for “green” industries, financial and tariff incentives, corporate social responsibility programs, as well as new regulations targeting waste reduction and recycling and the reduction of carbon footprints.

- **Facilitate technology dissemination, innovation and cutting-edge technology investment.** Economies in the APEC region can enhance their prosperity by improving their capacity to adopt technologies from abroad and taking steps to enhance their capacity for innovation. ABAC recognizes the importance of voluntary, market-driven dissemination of technology and supports measures to create a legal and regulatory environment that encourages and facilitates this process. To expand the spread of technology, ABAC encourages economies to address barriers to trade and foreign investment. Additionally, economies should take steps to enhance absorptive capacity as well as promote innovative growth. To facilitate technology dissemination, ABAC also advocates coherent regulation and the strengthening of mutually beneficial partnerships among stakeholders in the APEC technology community.

- **Support SMME development.** SMMEs are the backbone of the modern economy based on innovative growth. Yet, SMMEs face numerous challenges, top of which is access to financing. For many SMMEs, there are barriers to access to international supply chains which include lack of knowledge and resources to do business abroad. ABAC strongly supports the development of the APEC Next Generation Interactive Tariff Database and the APEC Services Trade Access Requirements (STAR) Database as tools to address these barriers. We encourage APEC to coordinate efforts to enhance continuity, address funding, and ensure that the databases are commercially relevant. ABAC encourages capacity building initiatives for SMMEs, including the APEC SME and Young Entrepreneurs’ Summits and the use of information and communications technology (ICT) tools such as e-commerce platforms and online portals. ABAC calls on APEC economies to address barriers which hinder SMMEs from taking advantage of cross-border strategic alliances that can facilitate innovative growth.

- **Promote the participation of women in the economy.** ABAC urges APEC economies to continue to address barriers that prevent women from participating more fully in the economy. Specifically, governments could implement policies that encourage diversity and inclusion in the workplace. Following the San Francisco Declaration, each APEC government should consider appointing at least one woman to ABAC.

- **Financing innovation.** Overcoming existing challenges to financing of innovation is important for maintaining the region’s continued rapid economic growth. Governments play crucial roles in this process from the birth of an innovative idea to full commercialization and the sale of the company or product. ABAC recommends that APEC economies support angel and venture capital through effective programs, such as tax credits, matching funds or optional buy-out programs and by identifying, developing and mobilizing angel investor networks across different sectors. APEC economies should provide an enabling legal and regulatory environment for the entire chain of financial activities that support companies across various stages of innovation, including angel investors in the early stages, venture capital in the middle, and private equity, commercial and investment banks, and institutional investors such as pension funds in the latter stages, as well as exit mechanisms. ABAC urges support in creating, maintaining and enhancing the fundamental conditions that encourage entrepreneurship and innovation, particularly at the incubation stage.
Initiate a new services agenda. Building on our 2011 report entitled “Understanding Services at the Heart of a Competitive Economy”, ABAC calls for the formation of a group of services experts drawn from the public and private sectors and academia to look at how to improve the global governance of services trade and investment; the launching of a new and dedicated initiative specifically aimed at liberalizing regional services trade and investment; and the improvement of the region’s official statistics on services. ABAC urges APEC economies to complete the skills mapping and labor market signaling projects being undertaken by APEC’s Human Resource Development Working Group, with input from the business sector, as speedily as possible in order to create a pool of more readily available information on skills and labor shortages across the region.

Resolve APEC Business Travel Card issues. The APEC Business Travel Card is one of the most significant business facilitation initiatives in the region. However, business travelers are encountering increasing difficulties when applying for or renewing their cards, thereby undermining the value of this scheme. We call for APEC Leaders’ support to resolve these problems as a matter of priority.

Optimize policy exchange between business and APEC. Over the past two years, ABAC has stepped up its engagement with APEC and has devoted considerable attention to how its members can optimize information exchange between APEC policy makers and the region’s business community. ABAC has broadened exchanges beyond the annual letters and reports to Leaders, to include focused input to senior officials’ meetings, and into specific ministerials. ABAC is keen to develop these dialogues further, and looks forward to being able to augment our input on business concerns and priorities in response to initiatives being considered or developed in APEC.