



## His Excellency

### **Dr. H. Susilo Bambang Yudhoyono**

Chair, Asia-Pacific Economic Cooperation &  
President of the Republic of Indonesia  
Jakarta, Indonesia

Your Excellency:

We have the pleasure to convey to you our priorities and recommendations for 2013. Our theme this year is Partnership, Resilience and Building Bridges to Growth.

While economic conditions have improved this year, ABAC remains concerned over the continuing uncertainty that pervades the global economy, including volatile capital flows and unstable financial markets in the Asia-Pacific region. There is still much to be done to underpin the resilience and openness of our economies so that our region can become a more secure engine of global growth. We support APEC's multi-year commitment to a major infrastructure and connectivity agenda to strengthen growth and deepen regional integration. We believe that APEC should also develop a more ambitious agenda on trade, investment and services and continue to strengthen our financial markets to build foundations for more resilient and inclusive growth. We urge APEC Leaders to stand firmly behind the economic imperative of empowering women and unleashing their potential to achieve prosperity for all.

Major infrastructure investment across APEC is needed to sustain growth and to open new opportunities to integrate our economies into regional and global markets. APEC economies will not be able to fund the region's massive infrastructure deficits without private sector investment. We will need to utilize more APEC savings and develop more innovative financing arrangements. The lack of ready infrastructure projects and slow implementation of Public-Private Partnerships (PPPs) are a real concern to investors. ABAC is prepared to contribute to this effort through the development of an infrastructure investment checklist and through engagement with the Asia-Pacific Infrastructure Partnership (APIP). We remind Leaders of the availability of the expertise of APIP whose members stand ready to advise economies on all aspects of PPP development.

More liquid, integrated and stable financial markets are needed to underpin economic growth in the region. Last year, ABAC proposed the establishment of the Asia-Pacific Financial Forum (APFF) to serve as a regional platform for enhanced collaboration among regulators, officials, the financial industry and multilateral, standard-setting and capacity building bodies to enhance the development of the region's financial markets. We call on APEC economies to endorse the launch of APFF.

New financial solutions to address the credit gap for small, medium and micro-enterprises (SMMEs) are urgently needed. More than three quarters of SMMEs are underserved with a credit gap of US\$1.3 - \$1.6 trillion. ABAC calls on APEC to expand efforts to support SMMEs through the growth of non-bank lending instruments including angel and venture capital, facilitating remittance flows, promoting full-file and comprehensive credit information systems, and strengthening the legal and institutional architecture for secured lending.

New value chains, embodying increasingly higher levels of services and investment, are one of the most significant developments in the 21st century business landscape and in global connectivity. We believe that it is vital for APEC economies to respond to these developments by improving regulatory coherence at every stage of the value chain. The biggest gains for APEC economies will come from enhancing competitiveness in services through domestic regulatory reform, more openness to investment and by liberalizing cross-border trade in services. SMMEs stand to gain most from such reforms. Inefficient and highly priced services in many economies pose real constraints to growth and impede the

ability to compete effectively in international markets. ABAC also calls for further steps to reduce transaction costs and improve supply chain performance by at least 10% by 2015. We are certain that the adoption of common global data standards will help economies achieve this goal and we urge Leaders to direct Ministers to incorporate global data standards into their plans for enhancing supply chain connectivity.

In the face of shrinking global foreign direct investment (FDI), we encourage APEC Leaders to take the lead in ensuring that their economies remain open to cross-border investment and promote broad understanding of the benefits of FDI as a driver of sustainable growth and employment. We believe the increasing contribution of private sector-led sustainability and inclusive growth efforts should be acknowledged as part of promoting the benefits of investment. We further support APEC's work to explore ways that economies can promote job creation, competitiveness and economic inclusion without implementing protectionist measures such as local content requirements.

ABAC welcomes APEC's strategic, results-oriented roadmap on food security which aims to set up a food system structure by 2020. This will require significant public-private collaboration. We urge APEC Leaders to take concrete steps to ensure the roadmap's effective implementation.

We welcome the proposed multi-year APEC Framework on Connectivity. We see this as a way to deepen regional integration to the benefit of business and our communities, even after attaining the Bogor Goals. We look forward to working closely with APEC on key priorities and implementation. The ultimate expression of regional connectivity will be the achievement of a Free Trade Area of the Asia-Pacific (FTAAP). ABAC is pleased with the progress in the leading pathways towards an FTAAP, namely the Trans Pacific Partnership, the Regional Comprehensive Economic Partnership and the Pacific Alliance. We encourage APEC economies in these negotiations to ensure that the agreements remain compatible with the ultimate goal of achieving an FTAAP and with the spirit of APEC cooperation and inclusion and deliver meaningful benefits for business.

ABAC remains committed to the World Trade Organization (WTO) as the cornerstone of the global trading system, despite the lack of progress in the Doha negotiations. We urge APEC to take the lead in garnering global support for achieving a meaningful package of deliverables at the 9th WTO Ministerial Conference in Bali in December, to build business confidence in the WTO and to pave the way for a successful conclusion of the Doha Round.

ABAC applauds Indonesia's success this year in bringing together APEC's trade and investment stream with the APEC Finance Ministers' process as a means to address our most pressing challenges. We encourage APEC to continue to build on these synergies. We appreciate APEC's openness to ABAC contributions and to the increasing interaction we have with Ministers and officials throughout the year.

We look forward to discussing these issues in greater detail with you and our APEC Leaders during our dialogue in Bali in October.

Yours sincerely,



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