Executive Summary

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

- **Accelerate trade and investment liberalization.** ABAC continues to believe that the World Trade Organization (WTO) remains the cornerstone underpinning global and regional trade. However, to maintain confidence of the business sector in the WTO, it is vital that the 9th WTO Ministerial Conference in Bali in December 2013 agree to a tangible package of Doha-related decisions. ABAC urges APEC to show leadership in developing and promoting this Doha package as well as in supporting the conclusion of the WTO Information Technology Agreement expansion negotiations. APEC must also show the way to the global community by accelerating trade and investment liberalization in the region. ABAC calls for substantive progress to be made towards a Free Trade Area of the Asia-Pacific (FTAAP), including through the broadest possible participation in FTAAP initiatives. ABAC urges APEC economies to continue to engage in focused capacity building activities to address barriers to foreign direct investment (FDI) and to strengthen the implementation of good regulatory practices in order to reduce or eliminate barriers to free trade and investment. We further support APEC’s work to address trade-distorting local content requirements by agreeing on alternative best practices to promote job creation and economic growth such as by creating an environment conducive to FDI with fair, predictable, transparent and unified regulations and tax systems. To ensure effective monitoring of progress towards the Bogor Goals, ABAC recommends that APEC undertake the APEC Dashboard exercise on an annual or bi-annual basis.

- **Promoting regulatory coherence.** ABAC firmly believes that regulatory coherence strengthens and deepens regional economic integration, prevents barriers to trade from occurring, as well as leads to increases in trade and economic growth. A 2012 study by the Pacific Economic Cooperation Council (PECC) cited lack of transparency in regulations as the most pressing issue for Asia-Pacific free trade agreements, and lack of transparency in regulatory practices as the most serious challenges to doing business in the Asia-Pacific region. Modern supply chains are global; regulators must take into account that components are sourced across the world. Inefficient regulations in just one economy can impact the entire supply chain and impose significant costs to business. For businesses, and in particular small, medium and micro-enterprises (SMMEs), higher compliance costs hinder international competitiveness and complicate the most efficient deployment of economic resources. ABAC encourages the exploration of additional good regulatory practices for implementation beyond 2013, including transparent and equitable implementation/enforcement of regulation as well as voluntary alternatives to regulation, in order to reduce or eliminate barriers to free trade and investment. The APEC Life Sciences Innovation Forum (LSIF) Regulatory Harmonization Steering Committee (RHSC) and APEC Harmonization Center (AHC) are examples of how APEC economies can create multi-year public-private partnerships and advance these vital regulatory issues and future trade flows through targeted sectoral regulatory reforms.

- **Initiate the new services agenda.** Given the significant potential for growth and benefits to be had from trade in services, APEC economies should seek new opportunities to liberalize services trade and investment, starting with a commitment to improve the region’s official statistics on services, removing regulatory barriers that exist behind-the-borders and addressing mobility issues. ABAC calls on APEC to complete and implement the APEC skills mapping project and encourage input into and uptake of the skills mapping tool by all APEC economies. ABAC encourages APEC economies to commit to full participation in, and the smooth operation of, the APEC Business Travel Card scheme, in particular by addressing the priority issues identified by business.

- **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. To help meet APEC’s 10% target for improving supply chain performance in terms of time, cost and uncertainty by 2015, ABAC urges APEC to advance the systematic approach to improving supply chain performance and undertake targeted, focused capacity building initiatives. ABAC encourages APEC to work with experts from multilateral institutions and the private sector, particularly in identifying the
best tools and methodologies that will help economies improve their supply chain performance. Due to the significant potential economic gains, ABAC sees a greater role for APEC in the leadership, governance and oversight of improving supply chain performance in the Asia-Pacific. Specifically, ABAC urges APEC to develop a region-wide framework for global data standards to target specific supply chain chokepoints.

- **Strengthen food security.** ABAC welcomes the development of a strategic, results-oriented roadmap to achieve the long-term goal of setting up a food system structure by 2020 sufficient to provide lasting food security to economies in the region. ABAC urges APEC Leaders to develop policies and to take concrete actions to ensure the roadmap’s effective implementation, including by: facilitating the dissemination and absorption of food-related technology; enhancing collaboration and investment in R&D for sustainable agriculture; reducing food losses and increasing food safety through more effective use of cold chain technology, among others; eliminating export bans on food products and enhancing market access and eliminating non-tariff barriers to trade; enhancing supply chain connectivity for food, including through the use of global product data standards to increase the efficiency, transparency and safety of food trade; and facilitating and reducing the cost of private sector investment in food-related infrastructure.

- **Address energy security.** ABAC urges APEC economies to take further steps to address energy security, including by: creating a conducive legal and regulatory environment for trade and investment in the energy sector; facilitating the development of renewable energy infrastructure to meet green growth targets; expediting the identification and removal non-tariff barriers for environmental goods and services; and supporting the efficient regional trade of energy through transmission infrastructure and domestic and regional power grids. ABAC commends APEC for the groundbreaking agreement on the APEC List of Environmental Goods in 2012 and urges APEC economies to implement the agreed tariff reductions on the 54 items included in the list. ABAC encourages greater public-private partnership and dialogue on non-tariff measures in order to ensure that trade in environmental goods and services flows unimpeded.

- **Encourage infrastructure investment and development.** APEC economies need to take deliberate steps to evaluate and improve their ability to attract foreign direct investments in infrastructure. Inter-agency coordination is required to address the diverse areas of policy needed to facilitate successful infrastructure projects. Governments need to address barriers to private sector FDI and create an environment conducive to infrastructure finance, public-private partnerships and transparent government procurement processes. ABAC recommends that APEC establish a regional framework under a multi-year initiative to coordinate capacity building and sharing of best practices in infrastructure finance with the collaboration of the Asia-Pacific Infrastructure Partnership. ABAC encourages APEC economies to utilize its “Enablers of Infrastructure Investment Checklist” as a self-assessment tool as part of APEC’s long-term work plan on the development of infrastructure.

- **Facilitate technology dissemination and innovation.** Numerous barriers exist that prevent businesses from bringing cutting-edge technologies and business processes to new markets through cross-border trade and investment. ABAC applauds APEC’s work to implement the 14 non-discriminatory, market-driven innovation policies agreed to by APEC Leaders in 2011. ABAC is exploring the potential of an APEC Open Innovation Platform to facilitate the development and commercialization of cutting-edge technology intellectual property for SMMEs throughout the region. It urges APEC Leaders to enhance opportunities for SMMEs to benefit from the development and application of cutting-edge technologies by simplifying legal and regulatory barriers.

- **Foster the development of SMMEs.** ABAC urges APEC to adopt a comprehensive approach to foster SMME growth and development. New financing solutions are needed to close the credit gap for SMMEs in the region. According to the International Finance Corporation (IFC), at least 45% of formal SMMEs in emerging markets are unserved and 21% are underserved. Globally, the credit gap is roughly US$1.3 - $1.6 trillion. ABAC calls on APEC to expand the growth of both banking and non-bank lending instruments including angel, venture and seed capital funding; enhance remittance flows; support full-file credit bureaus, common accounting standards, and well considered financial regulations,
such as appropriate refinement to the Basel rules on risk weighting for trade finance to reflect its low risk feature. In addition, ABAC calls for policies that promote entrepreneurship and the creation of new businesses as well as policies that promote innovation and new forms of businesses. APEC economies should promote the use of internet technologies to enhance SMME access to international markets and to promote SMME growth. Capacity building initiatives such as APEC SME Summits are particularly helpful in this respect and we urge APEC economies to encourage and support the holding of such summits.

- **Engage Women in the Economy.** Engaging women in the economy is a fundamental element of the inclusive growth that APEC strives to promote and is vital to future competitiveness. The United Nations estimates that various limitations on the economic participation of women cost the Asia-Pacific region US$89 billion a year. The business community in particular has a vested interest in a diverse, skilled and engaged workforce. ABAC calls on APEC economies to take further steps to implement the key policy pillars of the San Francisco Declaration, in particular by promoting access to capital for women, improving women’s ability to access markets, encouraging capacity and skill building programs, including science, technology, engineering and mathematics (STEM) education for women, and addressing barriers that discourage women from assuming leadership positions in the public and private sectors. Each APEC government should consider appointing at least one woman to ABAC.

- **Accelerating regional financial market integration.** Following widespread support at the symposium held in Sydney for the concept and objectives of the Asia-Pacific Financial Forum (APFF), ABAC recommends that APEC economies endorse the launch of APFF, which would serve as a regional platform for enhanced collaboration among regulators, officials, the financial industry and multilateral, standard-setting and capacity building bodies in developing our region’s financial markets. APFF can add value to ongoing initiatives under various fora by bringing the private sector to work with public officials to identify crucial gaps not yet being addressed and unintended consequences of new regulations, as well as to help financial authorities take a more active role in shaping global financial regulatory standards.

- **Mobilizing regional savings for long-term investments.** To enhance investment flows across the region, ABAC is supporting an initiative involving a three-year program to encourage greater predictability and transparency in investment decision-making. An aspect of the program is to encourage institutional savings held in sovereign wealth funds (SWFs), superannuation, insurance and others to be invested in domestic and cross-border long-term infrastructure projects that are economically viable and sustainable, subject to prudent investment principles. Open market investment principles require a competitive environment for all investors, including SWFs and state-owned enterprises (SOEs). Research is presently being undertaken on the project and a dialogue involving officials, business, academia and representatives of SWFs and SOEs will be convened in Beijing in September 2013. The outcomes and recommendations from the Beijing dialogue will be reported back to the Finance Ministers.

- **Facilitating internationalization of emerging economies’ currencies.** ABAC notes the development of emerging economies’ currencies in trade and investment has captured the attention of the corporate sector and financial community worldwide. As these currencies become increasingly interwoven into the fabric of international finance and trade, it is important that the public and private sectors step back and take a holistic view of the internationalization of emerging economies’ currencies, working in collaboration and avoiding unilateral actions that could disrupt the path towards sustainable growth. Harmonization and transparency are necessary attributes for emerging economies currencies to become truly international. Two main areas where concrete measures can be taken to promote continued growth are improving liquidity and operations.