Main Report

I. Introduction

Global financial and market conditions continue to show signs of improving, with the global economy expected to strengthen over the coming two years. Despite improved prospects, the IMF notes that global economic recovery remains fragile and significant downside risks persist. These include increased risks in emerging market economies arising from the changing external environment, risks to activity from lower-than-expected inflation in advanced economies, and geopolitical risks which have resurfaced. With growth not evenly robust across the globe, more policy efforts are needed to fully restore confidence, ensure robust growth, and lower downside risks.

Within the APEC region, economic recovery is proceeding at varying speeds. And while growth for the region as a whole is improving over the year, the medium-term outlook has weakened. Of concern is a faltering in the contribution of trade to regional growth and a trend fall in productivity growth in the region. This highlights the need to improve competitiveness in the region’s economies by enhancing labor market and productivity growth through innovation, raising the skills quality of workforces, improving efficiencies in economic processes and intensifying connectivity in the region’s markets.

Against this background, ABAC adopted the theme “Building Asia-Pacific Community, Mapping Long-Term Prosperity”. Our work program this year focused on the following priorities, with the realization of a Free Trade Area of the Asia-Pacific (FTAAP), connectivity and infrastructure development and global value chains (GVCs) as the core agenda:

- deepening regional economic integration
- promoting infrastructure growth and connectivity
- encouraging sustainable development
- fostering small, medium and micro-enterprise (SMME) development and entrepreneurship
- promoting the development and integration of financial markets

In this report, ABAC sets out practical actions which APEC economies could take to advance regional economic integration and achieve sustained economic growth and recovery in the region. The recommendations are organized according to ABAC’s five working groups.

II. Regional Economic Integration

ABAC has long championed the need for measurable and verifiable steps towards regional economic integration. The APEC Policy Support Unit’s Dashboard exercise, which measures progress towards achievement of the Bogor Goals by 2020, suggests that progress to date has been mixed. There remains much more to be done and the pace needs to quicken as we draw closer to 2020.

A. Accelerating trade and investment liberalization

Liberalization of trade and investment must remain a cornerstone of APEC’s policy agenda as it is crucial to regional economic integration. As a strong supporter of the World Trade Organization (WTO), ABAC welcomes the outcomes of the 9th WTO Ministerial Conference (MC9) in December 2013. We encourage APEC economies to redouble efforts to move forward the WTO Doha Round agenda and fight against protectionism. Prompt implementation of the “Bali package” is of utmost importance, in particular the Trade Facilitation Agreement (TFA) which will contribute to reducing costs and increasing efficiency in the movement of goods and provision of services.

Recommendations:

- Continue to take the lead in advocating for a multilateral approach to trade and investment liberalization.
- Push for the early implementation of the TFA.

1. Completing expansion of the WTO Information Technology Agreement

The Information Technology Agreement (ITA) is one of the most commercially successful trade pacts in the WTO driving growth, innovation, and creating jobs in both developed and developing economies. The ITA has significantly contributed to promoting innovation in the APEC region and around the world by putting innovative, more
affordable information and communication technology (ICT) products into the hands of consumers. The ITA has also provided access to necessary components of high-value ICT products, encouraging greater integration in global value chains for manufacturing of these devices. Despite tremendous innovation in the technology sector and the appearance of thousands of new ICT products on the market, not a single new tariff line has been added to the ITA in 18 years.

ABAC is concerned about the loss of momentum in completing the negotiations to expand the ITA. Last fall, the APEC Leaders called for the conclusion of the ITA expansion negotiations by MC9. To bring the agreement up to date, ITA member economies held monthly negotiating rounds in Geneva throughout much of 2013. Disappointingly, despite these significant efforts to complete the ITA expansion, economies were not able to narrow their differences for an agreement, and the negotiations were suspended in late November 2013.

**Recommendation:**

- **Demonstrate greater leadership in securing a commercially significant expansion of the ITA, in particular by limiting sensitivities and supporting the mutually balanced and ambitious liberalization goals set forth in the initial ITA expansion negotiations.** Such an outcome will be a significant contribution by APEC to the WTO and the global economy.

**2. Promoting investment liberalization**

ABAC continues to encourage APEC to focus on spurring improvements in the investment environment of each economy. As a result of ABAC’s several initiatives in supporting the efforts of APEC in these areas, APEC successfully updated the APEC Non-Binding Investment Principles (NBIP) in 2011 after intensive discussion with ABAC.

ABAC acknowledges that in some economies, these principles are well embodied in the policy to attract foreign direct investments (FDIs) and converted into bilateral investment chapters of trade agreements. Most importantly, the introduction of this bilateral mechanism has greatly contributed to the betterment of the foreign direct investment climate in participating economies as well as to increasing their volume of FDI. ABAC believes this kind of bilateral mechanism, which reflects the NBIP, should be developed in regional free trade agreements such as the Trans Pacific Partnership (TPP), Regional Comprehensive Economic Partnership (RCEP), Pacific Alliance (PA) and ultimately the FTAAP.

**Recommendation:**

- **Encourage APEC economies to recognize the importance of bilateral investment mechanisms and their implementation reflecting the APEC Non-Binding Investment Principles.**

3. **Building effective global value chains**

Global value chains have become a dominant feature of the global economy, involving economies at all levels of development. When value chains are global, economies’ trade and investment policies become more interdependent and the costs of protectionism are higher, more immediate and more pervasive. In this context, measures are necessary to prevent the spread of new trade-distorting measures such as local content requirements (LCRs). Although LCRs are sometimes seen as a way to “climb” a value chain, they in fact cause significant economic repercussions to all trading partners by stifling their investment climates, and negating the gains of otherwise effective trade facilitation measures.

This growing fragmentation of production across borders reinforces the need for economies to adopt an open, predictable and transparent trade and investment regime as tariffs, non-tariff barriers and other restrictive measures impact not only foreign suppliers, but also domestic producers. This also underscores the importance of pursuing high-standard trade agreements that have the largest impact by covering as many dimensions of GVCs as possible, including not only goods but also services, investment, competition, intellectual property and the temporary movement of workers.
Recommendations:

- Utilize the private sector as a source of expertise in the development of APEC's Strategic Blueprint on Global Value Chains. GVCs place new demands on firms, in particular as regards the need for strong coordination and efficient links between production stages and across economies.

- Emphasize the reduction or elimination of import/export restrictions in order to facilitate broader APEC economy engagement in GVCs. APEC officials should also provide leadership and support for high-standard trade agreements that cover as many dimensions of GVCs as possible.

4. Promoting good regulatory practices

In recent years, there has been an emerging recognition of the need to tackle behind-the-border issues that create unnecessary non-tariff barriers to free trade and investment. A 2012 study by the Pacific Economic Cooperation Council (PECC) cited lack of transparency in regulations as the most important issue for Asia-Pacific free trade agreements, and a lack of transparency in regulatory practices as most serious challenges to doing business in the Asia-Pacific region. For businesses, and in particular SMMEs, higher compliance costs hinder international competitiveness and complicate the most efficient deployment of economic resources. Enhancing regulatory cooperation within APEC economies will lower the costs of doing business, shorten supply chains and help achieve a seamless commercial environment. The recently released APEC Progress Report on the 2011 Baseline Study on Good Regulatory Practices (GRPs) found significantly more economies are implementing the GRPs than in 2011, and economies that have already adopted the GRPs are investing substantial political and financial resources in strengthening and widening the application of the GRPs. However, the intensity of GRP implementation still varies dramatically between economies and there remains significant work to be done.

Recommendations:

- Strengthen implementation of the three good regulatory practices agreed to by APEC Leaders in the Honolulu Declaration as well as the three GRP tools identified in the APEC Bali Declaration.

- Support APEC’s initiative on public consultations on proposed regulations in the Internet Era. ABAC looks forward to providing practical perspectives on actions economies can take to strengthen their public consultations through information technology.

- Align more closely APEC economies’ regulations with global best practices, utilize performance-based rather than prescriptive-based regulations, design regulatory institutions that promote trade-friendly regulation, and strengthen public-private cooperation through the use of consultation mechanisms to enhance accountability, promote mutual learning, and encourage best practices.

B. Achieving a Free Trade Area of the Asia-Pacific

Over the last decade, ABAC has consistently called for an ambitious approach to a comprehensive regional free trade area (FTA) which has become encapsulated in the concept of a Free Trade Area of the Asia-Pacific. FTAAP will be the ultimate expression of the achievement of APEC’s Bogor Goals. To achieve regional economic integration, we need to complete the Bogor Goals of free and open trade and investment in the region; to achieve Bogor, we need FTAAP and to achieve FTAAP, we need to complete one or more of the various negotiating pathways including TPP, RCEP and PA.

ABAC welcomes the work undertaken in these three potential pathways to FTAAP. ABAC urges the broadest possible participation in pathways to an FTAAP in line with the spirit of open regionalism. ABAC also emphasizes the importance of quality, ambition and comprehensiveness if the potential pathways are to lead to an FTAAP. At the same time, those processes should strive for coherence with the numerous bilateral or plurilateral trade agreements that exist between the different APEC economies. We believe that an FTAAP should
converge around the highest standards from each of the pathways.

ABAC appreciates APEC’s important and meaningful contribution as an incubator of an FTAAP by providing leadership and intellectual input into its development, and by playing a critical role in defining, shaping and addressing the “next generation” trade and investment issues that an FTAAP should contain. As we near the 2020 deadline for achieving the Bogor Goals, ABAC sees the need for more “top down” direction from APEC in the FTAAP process to accompany the “bottom up” approach through the negotiating pathways. This should comprise further articulation of the overall vision, robust economic analysis of the possible gains and a dialogue aimed both at increasing transparency and identifying business needs. At this time, we would welcome concrete steps towards the realization of an FTAAP such as developing a roadmap and conducting analytical work as agreed by APEC Ministers Responsible for Trade who met in May 2014. Any such undertakings should build on the extensive work completed by APEC, ABAC and PECC, including economic analyses and model FTA provisions, and should also recognize that TPP, RCEP and PA are important building blocks toward an FTAAP which should be concluded as early as possible. We are ready to be part of the process, cooperating actively with PECC, and provide business inputs.

Recommendations:

- APEC economies participating in any of the various pathway negotiations such as TPP and RCEP should adhere to the principles of quality, ambition and comprehensiveness.
- Provide additional direction on the process from getting from the individual pathway negotiations to an FTAAP and conduct appropriate analytical work.

C. Pursuing the new services agenda

Trade and investment in services is an important and fast growing part of the regional economy. Services also play a crucial role in the competitiveness of global supply chains and value chains. However, many barriers remain to be addressed so liberalization of services trade and investment remains a high priority for ABAC.

We welcome the endorsement of manufacturing-related services as a next generation trade and investment issue to be addressed in APEC. For its part, ABAC is undertaking numerous initiatives with respect to services, including a mapping exercise to identify business organizations across APEC with a specific interest in services liberalization which should create a useful platform from which to drive future services-related initiatives. ABAC also advocates for a better regional framework for managing the efficient movement of workers and workplace development around the region.

1. Promoting the efficient management of labor mobility and skills transfers in the region

Skills shortages and mismatches in the APEC region inhibit investment and economic development in the region. ABAC proposes that this problem be addressed by a framework that will efficiently manage labor mobility and skills transfers in the region and promote workforce development. The framework calls for closer coordination among businesses, workers, and government regulatory agencies. Key elements of the framework include: a sector-based regulatory structure built around a new category called an “APEC Worker”; regulatory convergence of training, assessment and certification of skills and qualifications; transparent, regulated and standard process for skills mobilization and deployment; a next generation of APEC-wide services catering to the needs of an APEC Worker. The creation of an APEC worker card, along the lines of the existing business travel card is proposed. The proposal builds on the objectives and ongoing projects of the APEC Human Resource Development Working Group.

Recommendations:

- Engage with ABAC to develop further ABAC’s proposed Earn, Learn and Return Framework.
- Encourage participation by all APEC economies in the APEC skills mapping database in order to build a more accurate picture of labor/skills shortages in the region.
2. **Improving business mobility**

Business mobility refers to the flow of business people engage in trade and investment activities across borders. Even with the much greater use of new technology such as video conferencing, majority of business executives believe that face-to-face communication and in-person meetings have a large impact on their businesses. Improving business mobility therefore stimulates trade and economic growth, and the development of the APEC Business Travel Card (ABTC) scheme is regarded as one of the most successful initiatives of APEC in this respect.

While ABAC appreciates efforts by APEC’s Business Mobility Group (BMG) to conduct an End-to-End Review of the ABTC scheme and welcomes recent commencement of the issuance of the ABTC by one transitional economy, ABAC once again calls on APEC to address the priority issues identified relating to the implementation of the scheme.

**Recommendations:**

- Encourage transitional economies to complete domestic processes towards full membership status in the ABTC scheme.
- Urge APEC BMG to extend the validity period of the ABTC from three (3) to five (5) years.
- Simplify renewal/re-application process for current ABTC holders as well as consider linking passport information with the ABTC to avoid expiration of the card when the holder’s passport expires. Consider issuing a temporary card to cover the period between passport expiration and the issuance of the new card.
- Consider additional benefits for ABTC holders, such as expanding the area of usage of ABTC beyond APEC economies.

**D. Enhancing supply chain connectivity**

Supply chains are the backbones of the global economy. A 2013 report by the World Economic Forum estimates that raising all economies’ supply chain performance halfway to global best practices on border administration as well as transport and communications infrastructure would increase global gross domestic product (GDP) by approximately US $2.6 trillion and exports by US $1.6 trillion.

APEC has a very good track record in the area of trade facilitation. Two successive APEC Trade Facilitation Action Plans (TFAPs) implemented from 2002-2010 succeeded in reducing trade transaction costs by 10%. 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. Specifically, ABAC commends the endorsement by APEC Ministers Responsible for Trade of the APEC Alliance for Supply Chain Connectivity (A2C2), a public-private forum that will work with economies to develop and implement the recommendations related to APEC supply chain connectivity comprehensive capacity building plan.

ABAC continues to support APEC’s systematic approach to improving supply chain performance, including the development of a comprehensive capacity building plan on supply chain connectivity and the establishment of a dedicated APEC Trade and Investment Liberalization and Facilitation (TILF) Sub-Fund for Supply Chain Connectivity.

**Recommendations:**

- Utilize A2C2 as a tool to expedite commitment to the WTO Trade Facilitation Agreement. Companies and associations trading in the Asia-Pacific have valuable experience in moving goods and services seamlessly, quickly, and inexpensively throughout the region.
- Continue contributing funding to the APEC TILF Sub-Fund for Supply Chain Connectivity.

1. **Promoting greater use of global data standards**

ABAC believes that greater regional take up of global data standards (GDS) will materially strengthen the functioning and connectivity of regional supply chains, thereby supporting the enhancement of value chains. APEC’s 2013 Joint Ministerial Statement recognized the contribution that global data standards can make to improved regional connectivity.
and enhanced supply chain performance. ABAC welcomes the decision by Ministers to encourage officials to explore how to facilitate mutual compatibility amongst data standards frameworks, and the compatibility of economies’ frameworks with the use of GDS. ABAC was pleased to note the progress made towards greater mutual compatibility of GDS among APEC economies through capacity building workshops and policy dialogue in 2014. For its part, ABAC has been working with local global data standards providers with a view to identifying existing or new pilot projects or “living labs” that can be shared with other APEC economies and possibly rolled out more widely around the region.

Recommendations:

- Continue to identify GDS pilot projects or “living labs” to build capacity and overcome supply chain chokepoints, as identified in APEC’s Supply Chain Connectivity Framework”.

- Continue to work towards a region-wide framework to facilitate a coherent deployment of global product data standards.

2. Achieving a balanced approach to trade security and facilitation

ABAC continues to advocate for a coordinated and holistic approach to enhance and facilitate the development of a mutual recognition scheme for Authorized Economic Operator (AEO) programs in APEC economies alongside the APEC-wide AEO Program. ABAC agrees with the view of APEC Ministers Responsible for Trade that Single Window systems and AEO Programs are one of the means to improve the efficiency of customs clearance and further lower trade transactions costs, and welcomes their instruction to advance work in these areas. However, the challenge for the business is how to balance stronger procedures to facilitate the movement of goods across borders and compliance with various supply chain security measures. Compliance with various additional security programs in some economies adds an extra burden and can undermine business competitiveness. ABAC believes that specific consideration, such as waivers, should be granted to AEOs to meet extra security requirements in order to further promote trade in the region, and such balanced measures would respond to the Ministers’ instruction to improve the efficiency of customs clearance and lower trade transaction costs.

Recommendations:

- Encourage APEC to develop an AEO certification system for AEO-qualified corporations in economies where AEO programs do not exist and promote mutual recognition of AEOs and the APEC-wide AEO program’s mutual recognition scheme.

- Avoid redundancy with other supply chain security programs and explore ways to include benefits or waive extra data requirements by other programs such as “24-hour rule” and “10+2 rule” to existing AEO-certified operators.

III. Infrastructure and Connectivity

In 2014, ABAC’s work on infrastructure and connectivity focused on the following key themes: accelerating infrastructure development; facilitating infrastructure financing; enabling capacity building for regional connectivity; and building effective global value chains.

A. Accelerating infrastructure development and facilitating infrastructure investment

Billions of dollars of infrastructure projects will be required in the APEC region over the next two decades in order to underpin sustainable growth and deeper regional economic integration. Funding the emerging infrastructure gap is beyond the scope of governments and increasingly large amounts of private sector financing will therefore be needed. Over the medium and longer term, a wide range of regional and economy-wide initiatives will be required to tap private sector financing and many of these issues are being addressed within the Asia-Pacific Financial Forum (APFF).

However, in the immediate term, ABAC believes that there is adequate private sector financing available to increase public-private partnership
(PPP) infrastructure programs. ABAC is concerned that, despite the demand, the current constraint to infrastructure development is the lack of ready projects, especially in economies where new infrastructure projects would have a significant positive impact on growth and development and greater connectivity. This results in a drag on private investor confidence in the infrastructure sector and among potential business users who require higher quality infrastructure for their business activities.

ABAC welcomes APEC’s efforts this year to advance the Multi-Year Plan on Infrastructure Development and Investment (MYPIDI). ABAC supports Finance Ministers’ efforts to develop an implementation roadmap in 2014 to guide future work on PPP, including strengthening the capacity of existing and new PPP Centers through a regional network supported by the APEC PPP Experts’ Advisory Panel. We believe that these efforts can help provide viable ways of mobilizing additional resources and reduce the risk and the time taken from project approval to project operation. ABAC urges early and decisive action in the work streams supporting the Multi-Year Plan to improve project preparation and markedly increase the pipeline of ready projects. In particular, ABAC highlights the importance of a comprehensive and holistic approach to planning high-quality infrastructure projects that takes into account long-lasting asset value, stability of long-term cash flow and lifecycle cost in drawing private investments.

ABAC believes that PPP Centers provide the best means to mobilize these actions, especially in reducing the risk and the time and costs of project preparation. While PPPs require careful risk allocation and contract structuring, international experience suggests that good PPPs are more likely to: deliver assets and service on time and within budget; help increase transparency; and result in lower costs of service delivery than public provision with savings that can be passed on to consumers.

Recommendations:

- Encourage PPP centers to cooperate in a working regional network to foster the exchange of expertise and experiences, to develop a stronger regional perspective on infrastructure demands and to facilitate financing.

- In developing PPP Centers:
  - Provide effective finance for the Centers in order to establish the high level of expertise required for PPP project development and risk assessment.
  - Enact a PPP policy and legal framework, signaling the government’s willingness to engage with the private sector for the delivery of public services and creating a transparent and competitive process for preparing, tendering, and implementing PPP contracts.
  - Develop the institutional framework for PPPs, which includes guidelines for the transparent tendering, evaluation, and award of PPP contracts, and establish statutory bodies. Many OECD economies have PPP centers which are shown to streamline domestic PPP frameworks and allow a whole-of-government “one-stop shop” for infrastructure projects.
  - Develop the government’s risk management and contract monitoring and evaluation capabilities.
  - Ensure that all PPPs are tendered on a transparent and equitable basis through competitive processes to ensure government is not overpaying for the services it is procuring.

- Through PPP Centers, aim to reduce the time taken from project approval to project operation to a maximum of three years and, in so doing, reduce the cost of project preparation for investors and governments. To facilitate these initiatives, ABAC encourages all APEC economies to begin utilizing the ABAC Enablers of Infrastructure Investment Checklist for:
  - Self-assessment and benchmarking, especially for PPP Centers.
• Promoting more effective coordination among different agencies.

• Developing credible public promotion on progress and plans, and new investment opportunities for investors and financiers in cooperation with ABAC.

• Sharing expertise and experiences across APEC economies, especially in a PPP Center network.

B. Underpinning the connectivity agenda and value chains

ABAC strongly supports the initiative to adopt an APEC Blueprint on Connectivity. ABAC sees the Blueprint as a complement to the Bogor Goals and believes that it should sit alongside the Bogor Goals as part of the APEC strategic vision for the future. This is because the Blueprint addresses many critical issues in today’s business and consumer operating environment and therefore builds on the Bogor Goals experiences. Many of ABAC’s ongoing areas of engagement will support the achievement of the Blueprint including work on infrastructure investment, labor and business mobility and regulatory cooperation. The Blueprint should serve to increase APEC’s focus on these areas.

Recommendations:

• Ensure that the Blueprint on Connectivity encompasses the following principles:

  • The Blueprint should be supported by an overall strategic vision to add weight and value to the individual components and continuity over the longer term.

  • The Blueprint should have a timeline beyond 2020 to provide certainty and continuity to the economic integration process.

  • In addition to the overall strategic vision and timeline, the individual components of the Blueprint should have targets and timelines.

  • Where at all possible, the progress toward timelines and targets should be reported at the level of each economy so that business and consumer can make more informed assessments.

• The Blueprint should be forward-looking and account for the rapid development of information and communication technologies that will be vital in connecting the region. For example, the rapid increase in the use of mobile devices and the development of the Internet of Things will require the efficient use of radio frequency spectrum.

• Capacity building and training should be vital components for successful and seamless implementation of connectivity systems.

ABAC has contributed a great deal on the specific elements of connectivity over many years. In line with the overarching principles outlined above, three key issues proposed this year that are critical as drivers for growth and for more secure value chains are disaster resilient ICT infrastructure frameworks, developing a connectivity map to realize quality transport and facilitating investment in and connectivity between international airports.

1. Promoting disaster resilient ICT frameworks

The members of the APEC region face more than 70% of the world’s natural disasters. As evidence of recent natural disasters has shown, this poses a grave risk to connectivity for both humanitarian and economic purposes and it is therefore crucial to have an ICT infrastructure framework that is resilient to natural disasters.

Although ICT infrastructure and disaster resiliency have been important issues of APEC, the main discussion has been on addressing the recognition of the vital role played by ICT infrastructure in emergency preparedness, and not so much on developing collective plans/actions for disaster-resilient ICT infrastructure throughout the Asia-Pacific region.

Through lessons of how ICT infrastructure contributed to saving lives and how it could have contributed more in disaster relief and recovery in the recent major natural disasters
in the APEC region, ABAC strongly believes that the vulnerability of ICT infrastructure needs to be resolved and a strong framework is needed for APEC to develop an ICT infrastructure that actually operates in times of natural disasters.

Recommendation:

- Develop collective plans/actions for disaster-resilient ICT infrastructure throughout the Asia-Pacific region drawing on the wide experiences and lessons learnt in several APEC economies.

2. Developing a connectivity map to realize quality transport

With recent growth in the Asia-Pacific region causing a southeastern shift in the economic center of gravity, freight transport and logistics are growing in importance. An economy’s trade and freight are strongly indicative of its economic competitiveness and are linked to a number of other factors, including legislation, international agreements, hauler and shipper performance and technology.

Higher quality logistics have a significant influence on trade. A 10% improvement in transport and trade-related infrastructure quality can increase developing economies’ agricultural exports by 30%, according to an OECD study.

In this regard, ABAC welcomes APEC’s commitment to continue exploring opportunities to diversify and optimize transportation and supply chain routes. APEC is doing this across all modes by developing a “Connectivity Map” and “Quality Transport” vision, and by sharing experiences and best practices to enhance investments in transportation infrastructure.

However, we do understand the difficulties involved in drawing up transport policies and planning logistics networks. Good coordination is often a big challenge, as numerous parties need to be involved in the process, including neighboring jurisdictions and legislative bodies, as well as the domestic, regional and local authorities. It is sometimes unclear which authorities have which responsibilities, and there can be overlaps or gaps. These can hinder investment and prevent seamless business operations. Fragmentation can result in high commuting costs when crossing borders or transferring between modes. The negotiation of revenue-sharing agreements is often the key to good coordination, and investment financing can be better facilitated by policy frameworks that link local decision-making to domestic sustainability goals.

Recommendations:

- Expedite development of the “Connectivity Map” which identifies fragmented areas in logistics, i.e. poorly connected areas of the region from both physical and institutional perspectives.

- Develop and implement regionally-coordinated transportation policies that will result in “Quality Transport”.

3. Facilitating investment in and connectivity between international airports

An example of the important nexus between hard and soft infrastructure, people-to-people and institutional connectivity is international airports. International airports in APEC economies are important drivers of economic growth and regional connectivity. Ongoing investment in airport infrastructure is required to support travel, trade and tourism.

Recommendations:

- Encourage APEC to address issues that prevent further investment and connectivity in airport infrastructure, such as by liberalizing visas, significantly improving passenger processing, and simplifying security rules and information sharing processes.

- Encourage APEC to review the concepts underpinning international air services agreements with a view to promoting liberalization.
C. Engaging the private sector in infrastructure financing

The impact of infrastructure development in facilitating economic growth, increasing productivity and promoting trade connectivity has been extensively studied, with most studies concluding that improvements in a broad range of infrastructure categories are a pre-requisite to ensuring faster growth.

Yet various research findings suggest that with growing demand in infrastructure investments, traditional sources of public finance alone are not sufficient. One common theme across both mature and emerging economies in the APEC region is budgetary constraint – very few economies can rely solely on the government to fund necessary infrastructure projects. The global financial crisis further restrained banks’ commitments of long-term credit as a result of new regulations.

The result has been a widespread recognition of a significant “infrastructure gap”. To bridge this widening gap, there is a great need to mobilize private sector capital in participating infrastructure project finance, in particular non-bank finance.

Recommendations:

Engaging the private sector through public-private partnerships

- Enact a PPP policy and legal framework, signaling the government’s willingness to engage with the private sector for the delivery of public services and creating a transparent and competitive process for preparing, tendering, and implementing PPP contracts.
- Develop the institutional framework for PPPs, which includes guidelines for the transparent tendering, evaluation, and award of PPP contracts, and establish statutory bodies.
- Develop the government’s risk management and contract monitoring and evaluation capabilities.
- Ensure that all PPPs are tendered on a transparent and equitable basis.

Bringing in alternative financing sources outside the banking system

- Design policy measures that are supportive of long-term investing.
- Reform the regulatory and procurement framework for long-term investment.
- Ensure equitable risk transfer to the parties best able to manage and mitigate specific risks.
- Build adequate capacity for both public and private sector.

Removing the barriers by setting the basics right

- Focus on developing legal and regulatory frameworks.
- Focus on equitable risk allocation and fair return in project structuring.
- Build a transparent environment that allows suitable project information to flow to investors, and for investors to make decisions in a timely manner.

IV. SMME and Entrepreneurship

SMMEs are the backbone of APEC economies, representing a substantial source of employment, productivity and innovation in the Asia-Pacific region. ABAC recognizes the need to develop policies that foster the growth and development of SMMEs and promote entrepreneurship in the APEC region. To this end, ABAC has prioritized the following four areas in 2014 as crucial pillars: enhancing SMMEs’ access to finance; promoting innovative growth; assisting the internationalization of SMMEs and their integration into the global value chains; and sustaining the momentum of women’s economic empowerment.

A. Enhancing SMMEs’ access to finance

In 2014, ABAC has developed an APEC Framework for Innovative SMME Financing Mechanisms in collaboration with the G20 economies’ SME Finance Forum which is managed by the International Finance Corporation (IFC). The Framework provides an overarching picture of the broad range of SMME financing options that exist in the Asia-Pacific region highlighting alternative and
innovative financing mechanisms that broaden options for SMMEs. Recognizing that not all options will be available in each economy and that traditional bank financing plays a primary role in financing SMMEs, it encourages governments to examine the broad range of SMME financing options that exist in the Asia-Pacific region; to adopt a comprehensive suite of SMME financing mechanisms in their economies; and to review policy and regulatory reforms needed to support the growth of innovative financing mechanisms such as micro-finance, angel and seed investments, internet trade financing, venture capital, crowd funding and the junior/venture exchange.

Whereas APFF is focused on the broader development of financial markets and services to increase the availability of funds, this report focuses on financial products that broaden the range of financing mechanisms for SMMEs and highlight some emerging, alternative, and innovative mechanisms. Non-bank financial institutions and larger real sector companies play a critical role in the development and sophistication of these innovative financing mechanisms and policymakers should encourage these institutional players to participate more broadly in the SMME financing ecosystem.

ABAC welcomes the establishment of the Co-Fund between Chinese Taipei and New Zealand for cross-border cooperation in venture capital development for assisting SMMEs’ access to international markets and funding and recommends that governments work to encourage broader establishment of such venture capital development funds throughout the APEC region to spur innovative development.

Recommendations:

- Review SMME financing alternatives available in each economy.
- Support the development of a comprehensive suite of policy options that support innovative and diversified financial institutions and products.
- Review the regulatory framework and environment required to enable these new innovative models to be introduced successfully in each economy.
- Strengthen support with respect to innovative financing mechanisms for SMMEs such as support for targeted startups/accelerators, angel and seed investments, internet supply/value chain financing, venture capital, crowd funding and alternative/small capital exchanges.
- Identify and remove barriers to women entrepreneurs’ participation in high growth potential sectors, greatly increasing the human capital resources for dynamic SMME growth.
- Review the tax and fiscal environments for major financial participants so that they are not discouraged from participating in investment vehicles that help support a robust financial ecosystem for SMMEs.
- Support the establishment of cross-border SMME funds.

B. Promoting innovative growth

ABAC believes that innovative growth can be effectively promoted by simplifying legal and regulatory barriers and providing SMMEs easier access to cross-border collaboration and commercialization opportunities of new innovations and cutting-edge technologies. A number of APEC economies have been exploring the concept of a platform that promotes best practices, expertise, and collaboration in open innovation throughout the APEC region.

Recommendation:

- Explore the concept of a platform for cross-border collaboration and market-driven technology dissemination in each economy. The Asia-Pacific Open Innovation Platform, a voluntary undertaking open to all APEC economies, may serve as a possible model for future platforms.

ABAC continues to support accelerator programs in the region to enhance the entrepreneurship environment. Most notably, the ABAC-APEC partnership has advanced the APEC Accelerator Network and the associated APEC Challenge. The network has been officially launched in 2014 to provide networking, funding, and mentorship opportunities for innovative startups across the APEC region.
Recommendations:

- Support the APEC Accelerator Network and promote the participation of public sector representatives and high-level experts in future start-up accelerator programs.

- Create an enabling environment for SMMEs by establishing and supporting start-up programs.

C. Enhancing the integration of SMMEs into the global value chains

In 2014, ABAC launched the Cross-Border E-commerce Training (CBET) Program to offer training courses to APEC SMMEs on cross-border business opportunities in the new global value chains, with the objective of bringing the program online in 2015 and localizing the program in other APEC economies for broader impact. ABAC continues to organize SME Summits in the region to provide outreach opportunities and looks forward to working with APEC governments on broadening the presence and reach of these initiatives.

Recommendations:

- Support capacity building programs such as the CBET program to enable SMMEs to access international networking, learning and collaboration opportunities.

- Support the organization of more SME Summits and initiate these in the economies where such initiatives are absent.

D. Sustaining the momentum of women’s economic empowerment

Women’s economic empowerment is a critical imperative for the success of businesses and economies. In addition to contributing to stronger and more inclusive societies, there is a compelling economic case for engaging women in the workforce: enhancing growth in economies throughout the region and ensuring that existing talent can realize its full potential.

Empowering women to more fully participate in the economy can occur at a number of different levels, ranging from addressing barriers for women-owned businesses to policies designed to increase opportunities for women in education and leadership roles. Attracting and retaining a talented workforce is critical for every business and the prosperity of every economy. However, the disproportionately small representation of female talent in leadership positions, known as the “Leaking Pipeline”, remains a pressing economic issue to be addressed by business and government together.

In 2013, ABAC published a report entitled “Driving Economic Growth and Business Performance through Economic Empowerment and Inclusion of Women in APEC Economies” to examine the issue in-depth and present policy recommendations from the private sector perspective. ABAC looks forward to initiating conversations with APEC Leaders, Ministers, and policymakers on advancing this agenda through close public-private collaboration.

Recommendations:

- Review and adopt the recommendations from the ABAC report entitled “Driving Economic Growth and Business Performance through Economic Empowerment and Inclusion of Women in APEC Economies”, namely: implement the San Francisco Declaration; continue to mainstream the issues; engage industry through multi-year initiatives; and use a data-driven approach to policy development; and engage local business communities.

- Lead by example by committing to appoint at least one female member per economy to ABAC.

V. Sustainable Development

Achieving sustainable development remains a core APEC objective. Accordingly, in 2014, ABAC addressed the following key themes: accelerating green growth; addressing energy security; achieving food security; and promoting healthy workforces.

A. Accelerating green growth

ABAC commends APEC for its concrete commitments to green growth. APEC’s agreement to tariff reductions on 54 items of Environmental Goods (EGs) provided an incentive for 14 WTO members to start a similar agreement in January this year, breaking the stalemate in international negotiations. APEC has also committed to reduce energy intensity in the region by 45% by 2035.
Energy conservation is the least expensive and most accessible source of energy, and it will be a key element to achieving the 45% target. These are tangible commitments with benchmarks that can be easily measured.

**Recommendations:**

- Enforce tariff reductions for the 54 EG items by the end of 2015 and expand discussions on environmental services.
- Identify and eliminate non-tariff barriers for environmental goods and services.
- Introduce policies that stimulate energy conservation, encourage wider use of energy-saving equipment, and facilitate free trade of such goods and services.
- Support efficient regional trade of energy through transmission infrastructure and domestic and regional power grids.

**B. Addressing energy security**

Sustainable growth is based on a stable and economically viable supply of energy. To boost renewable energy-based power generation (excluding hydro power) in the APEC region from the 3% in 2010, it is important for APEC to further contribute to policies and technologies that promote the development of cleaner energy, thereby enabling economies to meet the increasing energy needs with a lower environmental impact.

For the immediate future, in order to meet growing demands, power generation in many APEC economies will continue to depend on fossil fuel, especially coal. In light of coal’s impact on the environment, it is crucial that measures to mitigate its impact are taken, including wider use and further innovation of advanced clean coal technology (CCT). A balance between economic growth and environmental protection is essential.

**Recommendations:**

- Assist in technical innovation to advance wider use of renewable energy.
- Provide legal structures and regulations that are transparent and predictable for business to invest in energy production and that establish, strengthen and fully enforce environmental regulations to mitigate the environmental impact of power generation.
- Promote wider use of natural gas.
- Expand use of CCT.
- Where infrastructure utilizing the latest CCT is planned, provide the necessary assistance including capacity building and financing in association with international bodies.
- Speed up technical development and facilitate empirical research for carbon capture and storage to make it commercially viable.

**C. Achieving food security**

ABAC welcomes APEC’s focus on food security as critical to achieving sustainable and inclusive growth. We believe that APEC can strengthen food security by promoting open and transparent markets. ABAC has a long history of championing the importance of engaging the private sector to help find solutions to achieving food security in the region. We continue to support the APEC Policy Partnership on Food Security (PPFS), and believe that the progress made to date provides a good foundation on which to engage the private sector in an even deeper strategic dialogue.

ABAC welcomes the continuing development of the Roadmap to Food Security prepared by the PPFS as a high-level expression of what needs to be done by governments, the private sector and other stakeholders working together to make progress towards specific PPFS goals.

**Recommendations:**

- Adopt mechanisms for knowledge sharing and technical cooperation, and identify and eliminate barriers that limit public-private cooperation.
- Focus on establishing policies and regulatory regimes that liberalize and encourage investment flows, promote public-private ownership structures, and improve private sector input into government decision-making to maximize productivity and improve regional supply chain connectivity.
Continue to resist protectionism in all its forms, eliminate trade-distorting policies, remove non-tariff barriers, and establish internationally recognized, science-based standards across the region.

D. Promoting healthy workforces

APEC member economies face three common challenges in the form of rapid population aging, a high prevalence of non-communicable diseases (NCDs) such as heart and respiratory disease, cancer and mental illness and an increase in risk factors for NCDs such as lifestyle. Taken together, these factors threaten to create substantial costs for business, governments and individuals in the form of lost productivity and increased care costs. To promote a better understanding of the potential impact this trend will have on productivity, this year, ABAC has commissioned a study to investigate data in a representative group of six APEC economies. The resulting data clearly indicates that the economic costs created by NCDs are substantial and notes that when available funding is applied to treating preventable NCDs, the result is a diversion of resources from savings and investment, creating an opportunity cost. ABAC welcomes further actions to raise awareness of the economic impact that NCDs can have on developed and developing economies and calls on governments to seek solutions in partnership with the business community.

Recommendations:

- Work in partnership with the business community to raise awareness of the impact of NCDs and develop innovative solutions.
- Create a policy environment conducive to alleviating the burden of NCDs.

E. Encouraging expanded partnerships and responsible mining investment

As substantial producers and consumers of minerals and metals, it will be important for APEC economies to collaboratively promote effective regulatory environments that can encourage positive outcomes for local stakeholders, investors and economies. The mining sector plays a critical role in the region’s future prospects for sustainable economic growth by providing substantial investment in resource rich economies, driving regional trade and providing the materials needed for a variety of products that are essential to everyday life. To create a framework for further discussion, this year, ABAC has commissioned a study dedicated to measuring the impact of the mining sector on APEC economies. The study indicates that the APEC region has substantial mining potential, but additional work is needed to put the right policies in place and ensure that this potential contributes to the region’s prospects for sustainable economic growth.

We encourage APEC to expand its focus on this economically vital sector and build on its well established history of facilitating public-private collaboration by taking additional steps to engage the business community in partnerships with stakeholders such as the APEC Mining Task Force (MTF). ABAC welcomed its first public-private dialogue with the MTF this year and its participation at the APEC Ministers Responsible for Mining Meeting. ABAC and the business community look forward to building on our success this year to contribute to an ambitious agenda within APEC’s mining policy discussion.

Recommendations:

- Work closely with the business community to organize formal dialogues with mining authorities such as the APEC Mining Task Force.
- Identify and promote best practices in responsible mining.
- Create predictable, business-friendly policy environments that are supportive of long-term investment lifecycles required for mining projects.
- Promote the transfer of knowledge and skills sharing by members of industry associations through training, sharing of best practices, technologies, community engagement and communication skills.

F. Expanding APEC’s engagement on remanufacturing

Remanufacturing provides a sustainable means to produce “good as new products” in a number of sectors for a fraction of the energy and resources
required to manufacture newly created products. The resulting goods are indistinguishable from their newly manufactured counterparts in terms of appearance and quality. Addressing barriers to trade in remanufactured goods will result in tangible benefits for the environment and the regional economy through cost savings and job creation. ABAC strongly supports APEC’s continued work to advance its Pathfinder on Facilitating Trade in Remanufactured Goods through workshops and capacity building events. We call on APEC to continue this important work and strongly encourage all APEC economies to formally join the Pathfinder.

Recommendations:

- Continue to organize workshops and capacity building activities focused on remanufacturing.

- Call on all APEC economies to formally join the APEC Pathfinder on Facilitating Trade in Remanufactured Goods.

G. Promoting the rule of law

Over the years, APEC economies have successfully improved the flow of goods, capital and people by reducing “at-the-border” barriers to trade and investment. For example, since 1989, the average tariff level in APEC region has fallen from 16.9% to less than 6%. This year, ABAC has addressed “behind-the-border” barriers that are affecting entrepreneurship, business and investment and impacting economic activities in the region.

In this respect, ABAC is seeking to create the appropriate business environment that will become the bedrock for attracting investments, creating jobs, and bringing development to the people. One of the basic building blocks for this sound business environment is the rule of law and its many features, including: constraints on government powers; absence of corruption; open government; fundamental rights; order and security; and regulatory enforcement, among others.

Recognizing the diverse circumstances of APEC economies in promoting competitiveness and the rule of law, ABAC urges Leaders to support a capacity building program that will facilitate best practice sharing in the rule of law and in enabling sound business environments. Lifting all of the APEC members’ capacity in this area will help reduce investment risks and pave the way for increased investments, business creation and inclusive growth in the region.

Recommendations:

- Support the establishment of a regional capacity building program for sharing best practices that will be a key tool in developing stronger and predictable rule of law.

- Identify the main barriers and issues affecting the rule of law and its features mentioned above in each of the APEC economies.

VI. Finance and Economics

This year, ABAC addressed the following priorities in the area of finance: monitoring of macroeconomic and G20 developments; developing a framework for the challenges of urbanization and promoting investment in infrastructure; measures to promote investment in infrastructure in the region, including investment by sovereign wealth funds (SWFs), state-owned enterprises (SOEs) and pension funds; internationalization of emerging markets’ currencies; and measures to accelerate financial market development and to promote financial inclusion.

A. Accelerating financial market development to promote growth

The Asia-Pacific region today faces the challenge of transforming its economic growth model from one that still remains considerably dependent on consumer demand in Europe and North America to one that is increasingly driven by domestic and regional demand. This transformation will require significant increases in domestic consumption supported by strong investment growth. It will require efforts to address poverty, environmental issues and the economic impact of aging, expanding infrastructure and facilitating competitiveness, innovation and growth of SMMEs. The APFF has identified a number of action plans that can enable financial markets and services to support this process.
Recommendations:

- Encourage public-private collaboration through the APFF to:
  
  - Expand access of SMMEs to financing through improved legal and institutional frameworks for credit information and the use of factoring, movable assets and accounts receivables as collateral in secured transaction systems and factoring, as well as trade and supply chain finance.
  
  - Develop deep, liquid and integrated financial markets through better financial market infrastructure and cross-border capital market practices, increased ability of insurers and pension funds to invest in long-term assets and provide longevity solutions, effectively meeting capital market participants’ needs for hedging instruments and information, and successfully launching the Asia Region Funds Passport.

B. Facilitating the internationalization of the renminbi

Ongoing policy reforms to the Chinese financial system and reforms to the capital account are facilitating the internationalization of the renminbi. ABAC notes that a number of economies have entered into bilateral currency swap agreements in 2013 and earlier agreements have been renewed. Benefits arise from these arrangements including growing acceptance of the renminbi as a settlement currency and stability in the renminbi exchange rate. A report by the Center for International Finance and Regulation in Australia notes the desirability of China pursuing a gradual pathway to renminbi internationalization, as relevant economic and financial system reforms are successively implemented in China. The report notes that if the renminbi becomes a second reserve currency, it is likely to have a stabilizing impact on the international monetary system.

Recommendation:

- Endorse the gradual implementation of policies by China to internationalize the renminbi as a significant contribution to financial system stability in the region and globally.

C. Promoting financial inclusion

The 2014 Asia-Pacific Forum on Financial Inclusion provided an opportunity to review current trends, recent achievements, ongoing challenges and opportunities in financial inclusion in six economies in the region. The Forum identified a number of key priorities for future initiatives to promote greater access to finance to households and SMMEs in the region. Policymakers and regulators have a responsibility to address these issues. In most developing economies, there is a huge need to build capacity to design effective laws and implement rules and policies, build political support for reforms, establish institutional architectures, and to develop skills and capacity to continuously adjust rules and regulations to a continuously evolving market. Providing opportunities to build this capacity remains a serious challenge for the region.

Recommendations:

- Encourage greater public-private collaboration and capacity building initiatives to help member economies:
  
  - Develop financial regulatory frameworks that are proportionate to risks and balance the objectives of safety, soundness, integrity and consumer protection with market innovation and accelerating financial inclusion.
  
  - Design financial inclusion strategies that promote a broad range of financial services and prudential systems that retain incentives to innovate.
  
  - Promote coordination among relevant ministries and stakeholders and private sector inputs in policy formulation.
  
  - Accelerate the development of market infrastructure, particularly those related to financial identity, credit information, collateral management and payments.

D. Mobilizing regional savings for long-term investments

Last year, Ministers endorsed an ABAC-supported and Australian/Asian Development Bank
Institute (ADBI)-sponsored three-year program to enhance transparency and predictability in investment decision-making in the region. The first phase of the program was a public-private dialogue in Beijing in September 2013 on ways to encourage better understanding by stakeholders in investments by SOEs, SWFs, pension, insurance and managed funds in the mobilization of long-term finance for infrastructure. SOEs and SWFs are increasingly commercializing their offshore investment activities, managing risks and are concerned about the rule of law and governance in the economies in which they invest. Any modifications to the APEC Investment Facilitation Action Plan should focus on ways to encourage investments by SWFs and SOEs. Capital importing economies should treat their investments in a non-discriminatory way, refrain from applying any unnecessary regulatory barriers and rules should be transparent and predictable. APEC should consider a compliance requirement with the Santiago Declaration in members’ responses to Individual Action Plans. There would be value in developing partnerships between governments, business and academia to promote good investment principles.

The dialogue also led to consideration of a proposal to establish a Regional Investment Analytical Group (RIAG) to encourage the use of quantitative indicators and methodology for measuring investment performance and to socialize the use of indicators in the region’s economies. RIAG would involve representatives of major regional and international agencies such as the World Bank, the OECD, the ADBI, the APEC Policy Support Unit and the ASEAN Secretariat as well as experts from regional think tanks and officials. The Australian government has sought the agreement of the APEC Investment Experts’ Group (IEG) and the APEC Committee on Trade and Investment (CTI) to receive reports from RIAG, noting that reports could identify ways in which investment policy frameworks could be improved, bolster the IEG agenda and expand the range of tools and technical information on regional investment trends. ABAC’s views on RIAG reports would be provided direct to Ministers and senior officials. The Secretariat function would be managed by the Australian APEC Study Center at RMIT University and participation would be on a self-funded basis, similar to the arrangements relating to other ABAC initiatives such as the APFF and APIP.

The work of the APFF has also underscored the important role that insurers and pension funds can play in channeling long-term savings to long-term investments. Enabling these institutions to more effectively assume this role requires addressing regulatory and accounting issues that have an impact on incentives for engaging in long-term business, as well as market and operational issues that constrain the flow of investment to long-term assets and longevity solutions for efficient management of retirement savings.

**Recommendations:**

- Review APEC’s Investment Facilitation Action Plan approaches with a view to encouraging investment flows from SWFs, SOEs, insurance, pension and wealth funds and ensuring transparency, predictability and non-discriminatory treatment.
- Encourage economies in responding to Individual Action Plan to show their compliance or otherwise with the Santiago Declaration.
- Support the establishment of a RIAG in APEC to promote and socialize the use of quantitative and qualitative indicators to enhance investment performance in regional economies.
- Engage insurers and pension funds through the APFF in the work of the APEC Finance Ministers’ Process on infrastructure to promote deeper understanding of obstacles to expansion of their investment in infrastructure and other long-term assets and discuss approaches to address these issues.

**E. Promoting public-private partnership and infrastructure finance**

In 2013, APEC launched its Multi-Year Plan on Infrastructure Development and Investment and the APEC Finance Ministers established the APEC PPP Experts Advisory Panel to assist member economies in improving coordination and developing capacity to build bankable project pipelines through PPP Centers. A Pilot PPP Center was set up in Indonesia. The Asia-Pacific Infrastructure Partnership, adopted by Finance Ministers as a policy initiative in 2011, has undertaken several dialogues with governments.
in APEC and participated in various regional discussions. APIP has identified a number of key issues from these dialogues and discussions that can be addressed using APEC as a collaborative platform.

Recommendations:

- Develop an implementation roadmap for promoting infrastructure PPP projects to assist member economies in: effectively allocating risks between public and private sectors; improving institutional capacity to promote PPPs; facilitating infrastructure finance, especially long-term and local currency funding; providing an enabling legal, policy and regulatory environment; and promoting public support for PPPs.

- Continue APIP dialogues with interested economies.

F. Establishing an Asia-Pacific Urban Infrastructure Network

Cities in the region contribute to more than 75% of the region’s GDP but urban growth challenges have become increasingly complex due to inadequate attention to infrastructure and services to meet transportation, communication, education, health needs and environmental risks. These challenges require a holistic policy framework to support economies and their cities in providing for sustainable urban infrastructure and to enhance the institutional capacities of public policy agencies in the region in designing and implementing PPP infrastructure projects. Collaboration will be a vital aspect of this work and it will involve expertise from the region and globally. Australia and China have launched a collaborative initiative through the formation of an Asia-Pacific Urban Infrastructure Network to be held on a biennial basis with the first meeting convened in Melbourne in September.

ABAC endorsed an Australian-funded research and a capacity building initiative to strengthen the capacities of agencies in enhancing transactional skills in PPP agencies in the region and in improving efficiencies in agency operations, particularly in relation to the development of urban infrastructure.

Recommendation:

- Support the establishment of an Asia-Pacific Urban Infrastructure Network that will meet at biennial forums to develop a holistic framework and guidelines to support enhanced urban development in the cities of the region and measures to finance relevant infrastructure and supporting capacity building initiatives.

G. Improving valuation practices in APEC

Valuations are central to decision-making within the global economy, applying both to capital and property market decisions and to decisions and actions in public and private sector organizations, including regulatory organizations. The public interest, economic growth and development of financial systems are impacted in a multitude of ways by decisions and actions that are dependent on valuations. This critical role of valuation underscores the importance for economies in the region to agree on the adoption of high-quality valuation standards across jurisdictions globally and develop a credible valuation profession.

Recommendation:

- Encourage the public sector to collaborate with ABAC, the International Valuation Standards Council, valuation professional organizations (VPOs), experts from industry and other relevant bodies to promote high-quality valuation practices and professionals across member economies through region-wide convergence toward robust global valuation standards and the development of sustainable VPOs as caretakers of professional standards, education and knowledge depositories.

VII. Industry Dialogues

A. APEC Chemical Dialogue

ABAC continues to support the work of the Chemical Dialogue on regulatory cooperation, notably the move to build capacity to implement the Dialogue’s best practice principles for chemicals regulatory management. ABAC strongly supports cross fora collaboration between the Chemical Dialogue and the Ocean and Fisheries Working Group, among others, to begin addressing the important issue of marine debris by promoting innovative solutions.
B. APEC Life Sciences Innovation Forum

ABAC welcomes China’s decision to organize a High-Level Meeting (HLM) on Health and the Economy as a joint initiative of the APEC Life Sciences Innovation Forum (LSIF) and the APEC Health Working Group (HWG). The HLM is a vital part of APEC’s ongoing work to bridge health and the economy and facilitate high-level attention to the critical health challenges facing the region.

ABAC welcomes its expanded partnership with the APEC LSIF and strongly supports its robust focus on the role of health and health innovations in economic development. The business community sees firsthand the impact of health on business competitiveness and the value accrued to the economy through health-related innovations. The anticipated establishment of a Center of Excellence for Regulatory Sciences and a training center for the commercialization of biomedical research in the region are welcome developments that will build capacity to review, approve and develop innovations generated in the region. The LSIF’s ongoing work to assure the safety of the region’s blood supply and reduce the high economic and public costs of healthcare associated infections and anti-microbial resistance is also welcomed by the business community. These issues are of critical importance to pandemic preparedness. We recommend that APEC Leaders strongly support these initiatives.

The business community also strongly supports ongoing work among APEC economies to implement APEC’s Hanoi, Kuala Lumpur and Mexico City principles for codes of business ethics for the construction, medical devices and biopharmaceutical sectors, respectively. ABAC played a strong role in the launch of all three sectoral principles and welcomes the LSIF’s ongoing efforts to encourage business associations from the medical device and biopharmaceutical sectors to adopt codes of business ethics modeled on APEC’s work.

VIII. Conclusion

Building on past success, APEC now needs to accelerate progress towards the achievement of the Bogor Goals and in creating a better environment for business to operate in. However, there is much more to be done. In this report, we have sought to elaborate on concrete actions that we believe APEC should take to advance regional economic integration and promote sustained economic growth and recovery in the region. It is our hope that these recommendations would help APEC move closer to our Leaders’ vision of an Asia-Pacific community as the foundation for long-term prosperity for all peoples in the region.