

Deb Henretta
ABAC Chair 2011

5 September 2011

The Honorable
Timothy Geithner
Chair, APEC Finance Ministers' Meeting
Secretary of the Treasury
United States

Dear Secretary Geithner:

On behalf of the APEC Business Advisory Council (ABAC), we are honored to share with you and fellow APEC Finance Ministers the current business priorities we see as integral to enhancing greater economic integration across the APEC economies.

In supporting the outcomes set by APEC this year, our recommendations aim to achieve two long term objectives:

1. Building on our goal of realizing economic growth that is balanced, inclusive, sustainable, innovative and secure.
2. Strengthening APEC's economic and financial frameworks to enable the APEC region to mitigate the impact of unforeseen shocks, including financial, economic and natural disasters.

Recent strains on financial markets brought about by the tensions from the current challenges of fiscal deficits, high debt and low growth have created an environment of volatility and uncertainty. It is imperative that strong and coordinated leadership prevails and economies resist protectionism, which would undermine trade and investment.

Accordingly, our report requests that you and your fellow Finance Ministers individually and collaboratively focus on long term structural reforms and policies that not only strengthen the fundamentals of your respective economies but also facilitate the efficient allocation of economic resources through effective financial systems and markets. We therefore call on you to address the following issues:

1. A regional regulatory forum is needed to improve collaboration among financial market regulators and to achieve much needed redesign of the oversight of financial markets in view of increasing regional financial integration and the huge potential of rapidly growing Asian economies.
2. Develop policies and initiatives that support the capacity building of SMEs (including micro-enterprises) in terms of their ability to access finance. This would include development of SME management capabilities, accessibility and consistency of credit information for lenders, innovative risk sharing frameworks for lending and practices

that enhance a more transparent market for information. Such initiatives will support both lenders and investors in being less risk adverse, reduce the costs of capital and finance, encourage a more inclusive lending and investment environment and thereby enhance a more efficient allocation of economic resources.

3. In the context of the region's growing needs for infrastructure and the limited resources available in the public sector and multinational institutions, an enabling environment to channel more private capital into infrastructure is becoming ever more important. ABAC has formed a private sector panel and held initial Asia-Pacific Dialogues in 2011 with several APEC member economies in Asia and Latin America. ABAC calls on APEC to support the Asia-Pacific Infrastructure Partnership Dialogues and encourages member economies and the private sector to continue and further expand these dialogues in 2012.
4. Develop policies and initiatives that support capacity building in enhancing the efficiency of capital markets. This would include evaluating strategies that look to improve accessibility and consistency of credit information for lenders and innovative risk sharing frameworks and practices that enhance a more transparent market for information. In support of this, all member economies need to expedite the uptake of universally accepted accounting and auditing standards such as the International Financial Reporting Standards and the Institute of Internal Auditors standards.

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

Finally, we remain concerned about the capitalization requirements of the financial institutions not only within the APEC region but also globally. We affirm that these requirements should be maintained and closely monitored in order to reinforce the confidence of business and industry.

In conclusion, we are cognizant that these issues are not a quick fix and will require sustained long term policy initiatives and structural reform. We therefore urge that you and your fellow Finance Ministers commence dialogue and action on these issues both between yourselves and individually with the ABAC members in your respective economies in an effort to create an environment conducive to renewed private sector investment and inclusive growth.

Sincerely,



Deb Henretta
ABAC Chair 2011



John W. H. Denton
Chair, ABAC Finance & Economics Working Group