



*Mark Johnson
ABAC Chair 2007*

13 June 2007

The Hon. Warren Truss, MP
Minister for Trade
Parliament House
Canberra ACT 2600

Dear Minister,

In our report to this forum last year, the APEC Business Advisory Council (ABAC) highlighted to the Ministers Responsible for Trade (MRT) the importance of concluding the world trade negotiations successfully.

Since then, ABAC has sent a high-level delegation to Geneva and the World Trade Organisation's (WTO) failure to date to secure a suitable outcome from the Doha Development Agenda (DDA) negotiations is especially disappointing. ABAC therefore repeats its earlier calls for APEC economies to continue to work vigorously towards a satisfactory outcome of the DDA negotiations.

In the meantime, APEC economies are continuing to negotiate new bilateral and regional trade arrangements in the region. While these agreements provide commercial and economic benefits, their proliferation exposes business in the region to greater transaction costs through numerous and complex provisions.

ABAC members reiterate their belief that options for the future, such as a Free Trade Area of the Asia Pacific (FTAAP), would offer opportunities to advance the trade and investment liberalisation and facilitation agenda envisaged in the Bogor Goals. An FTAAP could serve both the objectives of addressing the proliferation of free trade agreements (FTAs) in the Asia Pacific region and promoting a higher level of convergence and consolidation of FTAs in a comprehensive and WTO-plus manner, despite practical challenges. In particular, the FTAAP initiative would reinforce the trans-Pacific nature of APEC and within this context, ABAC looks forward to the Report of APEC Senior Officials to Leaders on a range of ways and means to promote regional economic integration.

More attention has to be paid by APEC to the development of business-oriented model measures for FTA chapters for any new regional trade agreements. As a first step, ABAC is reviewing the six model chapters APEC Ministers approved in Hanoi in November 2006. This will enable ABAC to assess the effectiveness of these chapters in meeting the needs of business – clarity, coverage, predictability and dispute resolution. In September 2007, ABAC will produce a comparative evaluation of Rules of Origin in trade agreements.

ABAC's work on the model measures will assist in addressing 'convergence' between APEC economies while cooperation with the APEC Investment Experts Group (IEG) including investment workshops and a recent symposium in Tokyo will contribute to a broadening and widening of investment facilitation and liberalisation in the region. The development of a template in services trade to identify possible steps in the Asia Pacific region is being explored to stimulate growth in services trade across the region.

Addressing 'behind the border' measures is another important step in achieving genuine regional market integration and in maximising the benefits of reduced tariffs and improved market access. ABAC is examining further work in this area and will look at the results of the study by the APEC Committee on Trade and Investment on 'behind the border' measures due later in 2007.

In addition, ABAC is working with the APEC Economic Committee in developing the policy framework for cross-cutting sectoral initiatives that economies may consider in their structural reform programs.

ABAC is engaged in APEC's *Trade Facilitation Action Plan 2* and is concerned by the lack of effective tools to benchmark and measure progress on delivery of transaction savings. ABAC is developing business tools such as key performance indicators (KPIs) to more effectively assess and measure improvements in the delivery of the Action Plan to meet business needs.

Securing and facilitating the movement of goods between economies is vital to business in the APEC region. ABAC supports the acceleration of work on an interoperable region-wide APEC 'Single Window' to simplify clearance procedures by 2012, instead of the proposed completion date of 2015. Additionally, ABAC urges APEC economies to actively engage with the private sector in the development of trade security initiatives to avoid the establishment of security regimes that hinder the movement of goods in the region.

ABAC continues to push for measures to secure harmonisation of standards in the region – crucial in ensuring regional trade agreements do deliver important business opportunities. ABAC has initiated a pathfinder project to develop an APEC wide standard on security and emergency management arrangements and is encouraging improved capacity building measures for national standards setting bodies in the region.

Protection of Intellectual Property Rights (IPR) remains a priority for ABAC in 2007. Strong IPR is needed to foster innovation and attracting investment in our economies. ABAC has identified public awareness as a major focus and is sponsoring a publication and workshop to highlight best practices in educating the public on the benefits of robust IPR protection to economies. In order to realise efficient protection of IPRs, ABAC recommends work be undertaken by APEC to standardise the patent application formats.

Today, ABAC is engaged in disciplines beyond our traditional trade and investment agenda. ABAC has agreed upon a multi-year strategic framework aimed at wealth creation and financial stability in the region. ABAC has also established a productive dialogue with the APEC Finance Ministers. Within the framework, ABAC has identified two priorities of deepening and strengthening capital markets and enhancing social security and retirement income safety.

SMEs are an important part of the ABAC agenda. Through our participation in the SME Ministerial process, as well as our own ABAC SME Summit in Melbourne in August 2007, we seek to promote SMEs 'buy-in' and enhance their competitiveness throughout the region. ABAC is working on best practice exchanges between APEC economies to support SME participation in global value chains as such efforts will promote SME growth and the creation of employment, serving as an important stepping stone towards the building of an integrated APEC business community.

A pressing issue for APEC is climate change. ABAC shares the global concern over the effects of climate change on our communities and businesses and therefore welcomes the initiative of the 2007 APEC Chair to identify clean development and climate change as a priority for the APEC Leaders Meeting. In its deliberations on climate change and energy security, APEC must set transparent and consistent policy frameworks, particularly those involving government incentives, in order to give business certainty for investment decisions in low emissions and energy efficient technology. ABAC also recognises that energy security for business requires a diversified energy portfolio, including access to a reliable supply of conventional energy resources, the deployment of existing alternative energy technology, and new, renewable energy resources.

Finally, enhanced interaction between APEC and ABAC continues to deliver important outcomes for businesses in the region through for example, lowering of transaction costs and enhanced trade facilitation. Further, ABAC has participated in several APEC Ministerial Meetings, including SME, Transport, Energy and Health Ministers, with a meeting with Finance Ministers in the near future. This underscores the view of ABAC that the APEC business agenda needs to be broadened beyond a primary focus on trade access matters to that of issues relating to market integration. This is a particular matter I would like to discuss with Ministers at your July meeting.

Yours sincerely,


Mark Johnson
Chair