



APEC Business Advisory Council

CREATING NEW DYNAMISM, FOSTERING A SHARED FUTURE

Report to APEC Economic Leaders
Viet Nam 2017

APEC Member Economies

Australia
Brunei Darussalam
Canada
Chile
China
Hong Kong, China
Indonesia
Japan
Korea
Malaysia
Mexico
New Zealand
Papua New Guinea
Peru
Philippines
Russian Federation
Singapore
Chinese Taipei
Thailand
United States
Viet Nam

Report to APEC Economic Leaders



APEC Business Advisory Council





His Excellency Tran Dai Quang

Chair, Asia-Pacific Economic Cooperation
President of Viet Nam

Your Excellency:

We are honored to present to you our recommendations on how best to sustain the momentum for inclusive growth and prosperity in the Asia-Pacific region. Our accompanying ABAC Report to Leaders for 2017 contains greater detail on these points.

The global economy remains fragile, despite some signs of regeneration in trade flows. We call on your collective leadership to inject new impetus to bring the Asia-Pacific region back to the dynamic trajectory that will be needed to achieve innovative, sustainable and inclusive growth.

Key to this will be both effective structural reform and the elimination of barriers to free and open trade and investment, including non-tariff barriers. In the face of domestic discontent and economic challenges, the temptation to resort to short-term protectionist policies can be strong. But we urge you to show determination in pressing ahead towards our shared vision for APEC.

While it is often argued that trade liberalization is to blame for economic turbulence and income inequality, it is clear that many factors are at play. Technology infrastructure, skills retraining and education, job creation and worker mobility are all issues that our governments, working in concert with the business community, must address to facilitate adjustment to a changing environment and to prepare for future opportunities; we know that inclusiveness is a shared commitment for APEC. This year, ABAC has commissioned research that will inform the business perspective on these challenges within APEC economies.

Beyond policy initiatives, there is a need to reaffirm our support for multilateral rules-based trade and the progressive market-opening that have underpinned the prosperity of the modern era. We emphasize the centrality of the World Trade Organization. As we look ahead to its 11th Ministerial Conference in December, we support, in the strongest terms, the need for robust and meaningful outcomes.

Further, it is clear that greater economic integration of the Asia-Pacific region will enhance the prosperity of our communities. As we develop our vision for the post-2020 period for our region, we remain committed to the Bogor Goals and to the realization of a Free Trade Area of the Asia-Pacific (FTAAP). We urge you to take tangible steps to make those goals a reality. Regional trade agreements such as the Trans-Pacific Partnership (TPP), the Regional Comprehensive Economic Partnership (RCEP) and the Pacific Alliance serve as important pathways towards FTAAP. We hope to see the TPP parties implement the ambitious and high-quality outcomes of the agreement at the earliest possible opportunity. We likewise urge members of RCEP to accelerate progress towards a comprehensive, high-quality and mutually beneficial agreement.

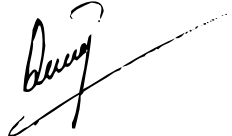
Empowering micro, small and medium-sized enterprises to participate in trade, increasing economic opportunities for women, and enhancing food security in the region by removing barriers to food trade and reducing food loss will require addressing a multiplicity of challenges in each economy.

As part of APEC's critically important connectivity agenda, we urge Leaders to recognize the transformative potential of effective access to the internet and digital economy for all communities at all stages of development. We must remain vigilant to ensure that a "digital divide" does not disadvantage our emerging economies. We call on Leaders to prioritize and facilitate development and investment in core digital infrastructure. We also encourage consistent regulatory approaches, including the movement of data and information across borders and throughout the region. In addition, we recognize that the jobs of the future will increasingly demand different, technology-reliant skills and digital literacy. Economies that invest in promoting these skills will be best placed to take advantage of economic and job growth opportunities.

Finally, the services sector, including trade in services, is a key engine for sustained growth in our region. The APEC Services Competitiveness Roadmap has significant potential to advance the sector's development, but business input into the implementation process will be essential. Developing effective mechanisms to capture regional services data, in order to assist in identifying those sectors in greatest need of strengthening, should be a priority.

We look forward to discussing the above recommendations with you in greater detail during our dialogue in Da Nang in November.

Yours sincerely,



Mr. Hoang Van Dung
ABAC Chair 2017
Former First Vice Chairman
& Executive Vice President
Viet Nam Chamber of
Commerce and Industry

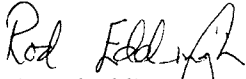


Mr. Juan Francisco Raffo
ABAC Co-Chair
Honorary Chairman
Raffo Group



Mr. David Toua
ABAC Co-Chair
Co-Chair, Regional Economic
Integration Working Group
President, Business Council of
Papua New Guinea

AUSTRALIA



Sir Rod Eddington AO

Chair, Regional Economic Integration Working Group
Chairman Australia and New Zealand J.P. Morgan



Ms. Tracey Fellows

Co-Chair, Connectivity Working Group
Chief Executive Officer
REA Group Limited



Mr. Robert Milliner

Co-Chair, Finance and Economics Working Group
Senior Advisor for International Affairs
Wesfarmers Limited

BRUNEI DARUSSALAM



Ms. Hafimi bte Abdul Haadri

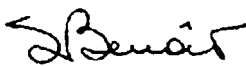
Co-Chair, Micro, Small and Medium Enterprises Working Group
Director/Shareholder
LVK Group of Companies



Mr. Soon Loo

CEO
Brunei Economic Development Board

CANADA



Mme. Suzanne M. Benoît

Co-Chair, Connectivity Working Group
President
Aéro Montréal

CHILE



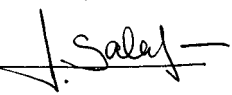
Mr. Richard von Appen

Chairman
Inversiones Ultramar Ltda.



Mr. Bernardo Larraín

Chairman
Federation of Chilean Industry (SOFOFA)



Mr. Alberto Salas

Co-Chair, Finance and Economics Working Group
Chairman
Technological University of Chile (INACAP)

CHINA



Mr. Ning Gaoning

Chair, Sustainable Development Working Group
Chairman of the Board
Sinochem Group



Ms. Diane Wang


Co-Chair, Micro, Small and Medium Enterprises Working Group
Founder and CEO
DHgate.com



Mr. Wang Hongzhang

Co-Chair, Finance and Economics Working Group
Chairman and Executive Director
China Construction Bank

HONG KONG, CHINA



Dr. Jonathan K.S. Choi

Co-Chair, Regional Economic Integration Working Group
Chairman
Sunwah Group



Mr. Anthony John Liddell Nightingale

Chair, Connectivity Working Group
Director
Jardine Matheson Holdings Limited



Dr. Allan Zeman

Chairman
Lan Kwai Fong Group

INDONESIA



Mr. Anindya Bakrie

CEO
PT. Bakrie Global Ventura



Ms. Shinta W. Kamdani

CEO
Sintesa Group



Mr. Kartika Wirjoatmodjo

President Director
Bank Mandiri Persero Tbk PT

JAPAN



Mr. Hideaki Omiya
Co-Chair, Sustainable
Development Working Group
Chairman of the Board
Mitsubishi Heavy Industries, Ltd.



Mr. Hiroyuki Suzuki
Co-Chair, Finance and Economics
Working Group
Vice Chairman & Member of the
Board
Nomura Research Institute, Ltd.



Mr. Motomu Takahashi
Co-Chair, Regional Economic
Integration Working Group
Counselor
Mitsui & Co., Ltd.

KOREA



Mr. Seung Jun Oh
Chief Executive Officer
SELab, Inc.

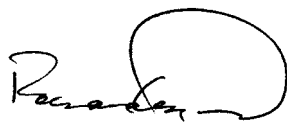


Mr. Keun Tae Park
President & CEO
CJ Logistics & CJ China HQ

MALAYSIA



Tan Sri Azman Hashim
Chairman
AmBank Group



Dato Rohana Tan Sri Mahmood
Chair, Micro, Small and Medium
Enterprises Working Group
Chairman
RM Capital Partners

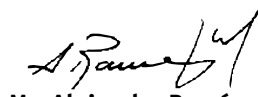


Tan Sri Rastam Mohd Isa
Chairman & Chief Executive
Institute of Strategic and
International Studies (ISIS)
Malaysia

MEXICO



Mr. Moisés R. Kalach
Vice President
Manufacturas Kaltex, S.A. de C.V.



Mr. Alejandro Ramírez Magaña
Chief Executive Officer
Cinépolis

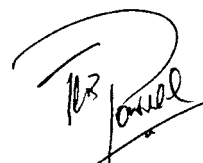


Mr. John Anthony Santa Maria
Co-Chair, Micro, Small and
Medium Enterprises Working
Group
Chief Executive Officer
Coca-Cola FEMSA

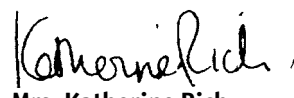
NEW ZEALAND



Mr. Phil O'Reilly
Managing Director
Iron Duke Partners



Mr. Tenby Powell
Director
Hunter Powell Investments
Limited



Mrs. Katherine Rich
Co-Chair, Regional Economic
Integration Working Group
Chief Executive Officer
New Zealand Food and Grocery
Council

PAPUA NEW GUINEA



Mr. Wayne Kenneth Golding
Executive Co-Chairman
2G Development Co. Limited



Mr. Isikeli Taureka
Co-Chair, Sustainable
Development Working Group
Executive Vice President – PNG
InterOil Corporation

PERU

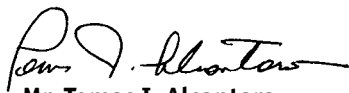


Mr. Alfonso Bustamante
Co-Chair, Sustainable
Development Working Group
CEO
Corporación Financiera de
Inversiones S.A.



Mrs. Julia Torreblanca
VP of Corporate Affairs
Cerro Verde Mining Company

PHILIPPINES



Mr. Tomas I. Alcantara
Co-Chair, Sustainable
Development Working Group
President and Chairman
Alsons Power Group



Ms. Joanne de Asis
President
Globe Capital Partners, LLC



Mr. Lance Gokongwei
President and Chief Operating
Officer
JG Summit Holdings, Inc.

RUSSIAN FEDERATION



Mr. Oleg V. Deripaska
Chairman of the Supervisory
Board
Basic Element



Mr. Kirill A. Dmitriev
Chief Executive Officer
Russian Direct Investment Fund



Mr. Andrey L. Kostin
President and Chairman
VTB Bank

SINGAPORE



Mr. Ho Meng Kit
Co-Chair, Regional Economic
Integration Working Group
Chief Executive Officer
Singapore Business
Federation



Mr. Teo Siong Seng
Chairman
Singapore Business Federation

CHINESE TAIPEI



Mr. Hung-Tze Jan
Chairman
PChome Online Inc.



Mr. Henry C. S. Kao
Co-Chair, Connectivity Working
Group
Chairman
I-Mei Foods Co., Ltd.



Ms. Tina Yi-Chun Lo
Co-Chair, Micro, Small and
Medium Enterprises Working
Group
Vice Chairman
O-Bank

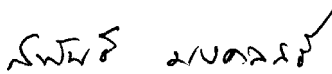
THAILAND



Dr. Poj Aramwattananont
Vice Chairman
Board of Trade of Thailand



Mr. Kobsak Duangdee
Secretary-General
Thai Bankers Association



Mr. Supant Mongkolsuthree
Honorary Chairman
The Federation of Thai Industries

USA



Mr. Richard Cantor
Chair, Finance and Economics
Working Group
Chief Risk Officer
Moody's Corporation



Mr. Scott Price
Executive Vice President &
Chief Administrative Officer
Walmart International



Ms. Marija Zivanovic-Smith
Vice President, Corporate
Marketing
NCR Corporation

VIET NAM



Mr. Dang Thanh Tam
Co-Chair, Connectivity
Working Group
Chairman
Saigon Invest Group



Dr. Nguyen Thanh Hung
Co-Chair, Finance and
Economics Working Group
Chairman
SOVICO Holdings



EXECUTIVE SUMMARY

Executive Summary

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

1. Support the multilateral trading system.

ABAC reaffirms its commitment to the World Trade Organization (WTO). We recognize that the rules-based and non-discriminatory multilateral trading system remains the strongest bulwark against protectionism and the best avenue for sustained and inclusive economic growth. ABAC welcomes the reaffirmation in the Chair's Statement from the Meeting of APEC Ministers Responsible for Trade of their commitment to the WTO and to keeping markets open. We commend the extension until 2020 of the pledge against protectionism through a standstill commitment and the rolling back of protectionist and trade-distorting measures. Looking ahead to the 11th WTO Ministerial Conference in Buenos Aires in December, ABAC urges all WTO Members to work constructively, creatively and with determination towards securing robust and meaningful outcomes. ABAC further urges action to implement the Trade Facilitation Agreement (TFA) by those WTO Members which have not yet done so, as well as encourage more APEC economies to join the expansion of the Information Technology Agreement (ITA) and for those APEC economies participating in the plurilateral Trade in Services Agreement (TiSA) and Environmental Goods Agreement (EGA) negotiations, to press ahead with renewed vigor towards successful outcomes in these negotiations, as an affirmation of APEC economies' continuing support for the WTO system.

2. Enable a Free Trade Area of the Asia-Pacific (FTAAP).

ABAC remains committed to achieving economic integration of the Asia-Pacific region, as the best way to deliver prosperity to all our communities, despite current global uncertainty in relation to free and open trade. ABAC recognizes that regional trade agreements (RTAs)/free trade agreements (FTAs) can contribute to the achievement of FTAAP, and is encouraged by the progress that has been made on the pathways, namely the Trans Pacific Partnership (TPP), Regional Comprehensive Economic Partnership (RCEP), and Pacific Alliance. We hope to see the TPP parties implement the ambitious and high-

quality outcomes of the TPP at the earliest possible opportunity. To that end, we commend the parties on efforts to examine options for a way forward. We urge the RCEP parties to complete the negotiations by the end of the year, ensuring the agreement is comprehensive, high quality and mutually beneficial. ABAC also considers it important to adopt a flexible and inclusive approach that enables access for other economies, which may wish to participate in these agreements in the future. We likewise appreciate the work undertaken to implement the Lima Declaration on the FTAAP and urge APEC economies to deliver concrete work programs in the agreed areas of tariffs, non-tariff measures (NTMs), services, investment and rules of origin by the APEC Economic Leaders' Meeting in 2017.

3. Pursue the new services agenda.

ABAC firmly believes in the growing importance of services to the growth and development of all APEC economies. We regard the APEC Services Competitiveness Roadmap (ASCR) as a key means for APEC to advance the services agenda. ABAC stands ready to work with APEC on the detailed implementation plans of the ASCR to ensure that they are ambitious, practical and relevant. This includes working with APEC to organize relevant Public-Private Dialogues (PPDs) to support the continued development and implementation of the ASCR. ABAC also calls on APEC to prioritize and expedite the development of services data and statistics, including the early completion of an APEC index on the services regulatory environment which has been proposed to serve as an indicator for other action areas in the ASCR Implementation Plan. ABAC also calls on APEC to adopt relevant and ambitious indicators for all the 14 action areas identified in the ASCR.

4. Address non-tariff barriers (NTBs).

ABAC highlights the importance of identifying and addressing the growing challenge of non-tariff barriers to trade. While some measures may be put in place for legitimate reasons, they can sometimes be more trade-restrictive than necessary to meet a legitimate objective, or they can be discriminatory, or can be designed to limit access to markets. This works against stable and inclusive growth

in our region. Business representatives from a range of sectors, including food, wood and forest products, and manufacturing industries, indicate that they must increasingly contend with standards or regulations that create unreasonable barriers such as inconsistent or unjustified sanitary and phytosanitary requirements for both food and wood/forest products; onerous technical requirements relating to labelling, standards and certification; and excessively bureaucratic, unpredictable and slow customs processing and other administrative measures that act as procedural obstacles to trade. ABAC urges APEC economies to lead the way globally in developing approaches for addressing NTBs more effectively, including by finding practical ways to engage and empower business to play an active role in these efforts, and by adopting ABAC's recommended set of WTO-consistent cross-cutting principles as the basis for the review, development and application of regulatory measures and procedures around trade. These principles would enable a best practice approach.

5. Facilitate trade and investment flows. Given the fundamental links between investment and economic growth, APEC economies should take urgent action to reduce the barriers and risks that impede much needed investment flows. ABAC recommends actions aimed at improving the attractiveness of investment policies to both domestic and foreign investors. ABAC notes in particular the relationship between investment and the digital economy, the impact of digital technologies on international production trends and the need for policy responses to that impact in this region. ABAC also calls on APEC economies to intensify work to enhance trade connectivity in the region, including through actions identified in the Suggested Framework for Phase Two of the Supply Chain Connectivity Framework Action Plan (SCFAP) 2017-2020 and useful pathfinders. ABAC recommends that APEC economies continue to improve the APEC Business Travel Card (ABTC) scheme by exploring the harmonization, simplification and digitalization of procedures to increase and facilitate the use of this tool by business travelers.

6. Develop the APEC post-2020 vision. While acknowledging the need to accelerate efforts to achieve the Bogor Goals of free and open trade and investment in the region, ABAC believes it is timely and pertinent for APEC to develop a post-2020 vision. We welcome the outcomes and recommendations of the Multi-Stakeholder Dialogue on APEC towards 2020 and Beyond held in Ha Noi, Viet Nam in May. ABAC will continue to actively contribute to this process.

7. Support APEC's Connectivity Agenda. ABAC continues to call on Leaders to build upon the valuable template created by the APEC Connectivity Blueprint as a primary means of strengthening region-wide economic integration and inclusion, both within and between APEC economies. This Blueprint contains a wide range of initiatives grouped broadly around the three pillars of Institutional, People-to-People, and Physical connectivity, the ingredients of which are being pursued by ABAC and its working groups in many areas. These range from integration of financial systems to helping micro, small and medium enterprises (MSMEs) to enter and compete in international markets, from reducing behind-the-border barriers to trade and investment to cooperation on developing Global Data Standards, from building robust and interconnected digital infrastructures to facilitating development of quality infrastructure such as water, energy, road, rail, aviation, port and urban transport systems. ABAC keenly supports APEC efforts to facilitate institutional and physical connectivity through structural reform measures that reduce behind-the-border barriers to trade and investment flows.

8. Improve internet and digital connectivity. As a pivotal part of APEC's connectivity agenda and efforts to strengthen the region's physical infrastructure, it is clear that access to the internet for all is critical to sustainable, inclusive growth in the digital economy. Prioritizing development and investment in digital infrastructure has been a key tool for those economies with frontrunner advantage, and must be facilitated for emerging economies in the region. Core infrastructure for the digital economy is a key enabler to innovation,

developing entrepreneurs and enabling access to global markets. Preparing for growth also requires acquisition of skills and training for future jobs. International cooperation and consistent regulatory policies that support digital trade, including movement of data and information across borders and throughout the region, are critical to maximize this growth potential. They would bring benefits to our communities at all stages of development, but with particularly transformative impact for emerging markets, women and MSMEs.

9. Facilitate the mobility of skilled workers and promote quality workforces. ABAC is increasingly concerned about labor shortages and mismatches arising across the region, which if unaddressed will powerfully impede economic progress in many of our economies. Demographic changes lend urgency to the need to improve cooperation in reducing shortages and mismatches. So too is rapid technology change linked with development of the digital economy raising concerns that the region's education systems are failing to equip future workers to fill future jobs. ABAC applauds work being done by APEC to address these challenges, in part by development of the successful ABTC, but calls for a number of urgent additional concrete steps. Most important, ABAC calls on APEC economies to improve information sharing on the emergence of acute skills shortages, and to build upon ABAC's "Earn, Learn, Return" initiative as a means of improving management of the movement of an estimated 30 million international workers across the region. ABAC calls on APEC Leaders to consider the creation of a region-wide collaboration initiative comprising educators, government officials and business leaders to drive education reforms within and between our economies that will equip graduates with the skills they will need to contribute to and benefit from our fast-evolving and digitally-empowered working world.

10. Enhance MSME global presence through digital economy and e-commerce platforms. E-commerce and information communication technology (ICT)-enabled services offer MSMEs opportunities to enhance their competitiveness and innovation to further access international markets and overcome

obstacles to trade. Barriers continue to hinder MSMEs from seizing these opportunities. ABAC urges the formulation of an APEC-wide forward-looking e-commerce policy framework to improve world-wide access, adoption and effective use of digital technologies for MSMEs. ABAC also urges the adoption of both online and offline capacity building programs on e-commerce for MSMEs and to facilitate their access to information to enable their participation in global markets.

11. Foster innovative business models. As grassroots innovations are community-led solutions for sustainability, they can offer promising new ideas and practices for small businesses to prosper. ABAC supports fostering more innovative business models by building on best practice business cases and supporting global grassroots movements that aim to bring about more inclusiveness through entrepreneurial means.

12. Expand MSMEs' access to finance. MSMEs continue to face serious barriers to financing, thus limiting their economic activities, including their ability to participate in international markets. ABAC calls on APEC to encourage relevant authorities from member economies to collaborate with ABAC and key stakeholders in the Asia-Pacific Financial Forum (APFF) and the Asia-Pacific Forum on Financial Inclusion to: create modern credit information, valuation, secured transactions and insolvency systems that can expand MSMEs' access to finance; establish a regional platform for continued dialogue on financial technology (fintech); and promote access to finance for micro-enterprises, particularly through micro and agrifinance, financial education, microinsurance, innovations in digital identity and online supply chain finance and the development of distributed ledger technology.

13. Foster women's economic empowerment. Women throughout the APEC region face challenges relating to obtaining capital, reaching markets, developing skills and capacity, accessing networks, and achieving leadership positions. These obstacles result in untapped productivity and inhibited economic growth in the region. ABAC calls on APEC economies to promote women

entrepreneurship by focusing on skills development including Science, Technology, Engineering and Mathematics (STEM), enhancing competitiveness, innovation and facilitating entrance to global supply chains of women-led MSMEs as well as the ABAC Women Connect Program, to empower women entrepreneurship through digitalization.

14. Accelerate economic, financial and social inclusion. ABAC underscores the need for promoting economic, financial and social inclusion in the APEC region to ensure that the benefits of the development of technology and globalization can be more widely shared. We strongly support APEC's commitment to foster cooperation in human resource development to meet the demands of work in the digital age. Our 2017 Asia-Pacific Forum on Financial Inclusion highlighted the opportunities in harnessing digital technology to expand access to finance. ABAC urges APEC economies to study the report of the Forum and adopt its recommendations, as applicable, to their respective markets.

15. Achieve food security. ABAC has long recognized the critical role that food security plays in achieving sustainable and inclusive economic growth, particularly in the context of climate change. ABAC urges APEC Leaders to address barriers that impede the flow of food and agricultural goods, and in particular to prioritize action on non-tariff barriers that affect food trade, in accordance with our WTO-consistent cross-cutting principles for non-tariff measures/non-tariff barriers. ABAC also urges APEC Leaders to promote investment and infrastructure development in the food and agriculture sector; to minimize food loss and waste; and to promote the participation of MSMEs and smallholders in food production and trade in a non-trade-distorting manner. Food security goals can most effectively be met when governments and the private sector work in partnership; accordingly revisiting the structure and operation of the APEC Policy Partnership on Food Security (PPFS), with a view to enhancing the participation of the private sector, may enable PPFS to deliver more effectively on APEC's food security goals, including the achievement of the APEC Food System by 2020.

16. Improve energy security. Economic growth is based on a stable energy supply but sustainable economic growth cannot be achieved without environmental preservation. Faced with increased uncertainty by current energy price levels, ABAC recommends APEC economies to facilitate free trade of oil and gas in the region and to enhance multilateral energy cooperation which can improve the movement of goods, capital and information and reduce the transaction cost of oil and gas companies. The World Health Organization acknowledged the health damage from air pollution caused by the energy consumption of fossil fuel, including coal, as it still remains to be the immediate main source. ABAC continues to support the APEC Leaders' commitment to double the share of renewables in the APEC energy mix including in power generation, from 2010 levels by 2030. ABAC encourages APEC economies to deepen the level of engagement on facilitating the adoption of renewable energy and shifting from coal to natural gas to reduce carbon dioxide (CO₂) and air pollutants. ABAC recommends that APEC continue to advance the enhancement of quality energy infrastructure and support the development, dissemination and adoption of innovative technologies in the environmental field. ABAC also supports the APEC initiative for enhancing the quality of electric power infrastructure.

17. Accelerate green growth. ABAC applauds APEC's efforts to address barriers to trade in environmental goods and services, including through the APEC Environmental Services Action Plan, and promote green, sustainable and innovative MSMEs. In order to reduce the region's environmental footprint, it will become even more important to continue working on the active adoption of renewable energy, energy conservation and effective use of energy. APEC should enhance cooperation and promote innovation in renewable energy technologies to reduce costs and improve the competitiveness and sustainability of renewable energy in the energy market. ABAC also continues to propose that the concept of renewable energy for CO₂ emission reduction should incorporate all technology innovations. This approach encourages

the creation of new industries and jobs. ABAC continues to support the Paris Climate Agreement and proposes APEC should actively contribute to finding solutions to global warming and climate change and their negative impact.

18. Strengthen the inclusive development of the mining sector. The mining sector plays a vital role in the economic success of all of APEC economies by providing essential resources to businesses and consumers. The mining sector can also create significant benefits for local populations, including the poorest and most marginalized, driven by active community engagement and a focus on sustainability. Within APEC, the Mining Task Force (MTF) has proven to be a valuable platform for private sector representatives to engage with APEC mining officials and consult on top mining-related priorities in the region. To continue this valuable work, ABAC calls on Leaders to extend the MTF's mandate through 2020 and to re-commit to fully implementing the 10 APEC Mining Policy Principles, agreed to in 2007. In addition, ABAC has considered/endorsed a White Paper on 'Creating Inclusive Growth through the Extractive Industry.' This White Paper demonstrates the potential to build non-mine dependent economies that result in economic empowerment across the APEC region. Extractive companies, government agencies, communities, and civil society can work together to foster development in the MSME and agricultural sectors in non-trade distorting ways and drive inclusive growth that reduces poverty, generates income, and creates sustainable development for the region's poor.

19. Promote healthy workforces. The healthcare challenges facing the APEC region threaten economic development. ABAC supports APEC's focus on a healthy workforce as being a critical requirement for inclusive growth. APEC and ABAC studies conducted in 2014 and 2015 showed significant predicted GDP losses through 2030 in APEC economies due to ill-health and early retirement due to disability. In 2015, APEC Leaders acknowledged the inherent linkage between good health and fiscal stability. ABAC continues to support the efforts of the APEC

Life Sciences Innovation Forum (LSIF) and the APEC Health Working Group (HWG) to work to facilitate cross-sectoral coordination in the policy dialogue between health, finance and economic ministers, to achieve the common goal of proactive investment in healthy workforces by improving the use of government financing and expenditure tools that can lead to more equitable financing of and access to healthcare.

20. Strengthen public-private sector collaboration under the Cebu Action Plan to accelerate financial market development. In 2017, ABAC undertook activities in pursuit of various deliverables under the Cebu Action Plan. APEC Finance Ministers have entrusted several of these deliverables to three policy initiatives led by ABAC – the Asia-Pacific Financial Forum, the Asia-Pacific Infrastructure Partnership and the Asia-Pacific Forum on Financial Inclusion. These activities focused on developing deep and liquid capital markets, expanding the private sector's contribution to financial resilience, accelerating the development of a regional pipeline of bankable public-private partnership projects, expanding long-term investors' role in financing infrastructure, expanding MSMEs' access to finance, and promoting financial innovation. Details of these activities, their outcomes and recommended next steps are contained in the *2017 APFF Progress Report to the APEC Finance Ministers*, the *2017 Report on Capacity Building Measures to Strengthen and Develop Financial Systems* and the *Report of the 2017 Asia-Pacific Forum on Financial Inclusion*. ABAC calls on relevant officials and regulators in APEC economies to closely collaborate with the private sector and international organizations to advance these initiatives.



MAIN REPORT

Outline of Recommendations

I. Introduction

II. Regional Economic Integration

- A. Supporting the multilateral trading system
- B. Enabling a Free Trade Area of the Asia-Pacific
- C. Pursuing the new services agenda
- D. Accelerating trade and investment liberalization and facilitation to achieve the Bogor Goals
 - 1. Addressing non-tariff barriers
 - 2. Facilitating trade and investment flows
- E. Developing the APEC post-2020 vision

III. Connectivity

- A. Improving internet and digital connectivity
- B. Facilitating people-to-people connectivity
- C. Enhancing physical connectivity
- D. Increasing institutional connectivity

IV. MSME and Entrepreneurship

- A. Expanding MSME global presence through digital economy and e-commerce platforms
- B. Fostering innovative business models
- C. Fortifying linkages between MSMEs and large enterprises
- D. Expanding MSMEs' access to finance
- E. Enhancing women's economic empowerment
- F. Accelerating economic, financial and social inclusion

V. Sustainable Development

- A. Achieving food security and sustainable agriculture
- B. Improving energy security
- C. Accelerating green growth
- D. Strengthening the inclusive development of the mining sector
- E. Promoting healthy workforces

VI. Finance and Economics

- A. Promoting capital market development
- B. Expanding MSMEs' access to finance
- C. Encouraging infrastructure financing
- D. Enhancing the role of finance through innovation
- E. Strengthening public-private sector collaboration under the Cebu Action Plan to accelerate financial market development

VII. Industry Dialogues

- A. Chemical Dialogue
- B. APEC Life Sciences Innovation Forum

VIII. Conclusion

Annexes

- A ABAC Letter to APEC Ministers Responsible for Trade
 - B ABAC Letter to APEC Health Ministers
 - C ABAC Letter to APEC SME Ministers
 - D ABAC Letter to APEC Finance Ministers
 - E The APEC Business Advisory Council
- List of Acronyms

I. Introduction

The International Monetary Fund (IMF) notes that while the economic upswing that was expected for some time appears to be materializing and the world economy is looking at a brightening global outlook, longer-term potential growth rates remain subdued compared with past decades. Binding structural impediments such as low productivity growth and high income inequality continue to hold back a stronger recovery and have increased pressures for inward-looking policies. These threaten global economic integration and the cooperative global economic order that has served the world economy well. It was suggested that economic policies have to play an important role in staving off downside risks and securing the recovery, and that a renewed multilateral effort is needed to tackle common challenges in an integrated global economy.

Against this backdrop and recognizing the need to inject new dynamism in order to bring the APEC region back to the high-growth trajectory, this year ABAC adopted the theme “Creating New Dynamism, Fostering a Shared Future”. The 2017 work program is focused on the following priorities:

- Deepening regional economic integration;
- Achieving sustainable, innovative and inclusive growth;
- Enhancing micro, small and medium enterprises’ (MSMEs’) competitiveness and encouraging innovation in the digital era;
- Ensuring food security and promoting sustainable and climate smart agriculture.

This report outlines practical steps which APEC economies should take to address the challenges noted above and help achieve sustainable, innovative and inclusive growth. The recommendations are organized according to ABAC’s five working groups.

II. Regional Economic Integration

Regional economic integration continues to underpin the growth and prosperity of the Asia-Pacific region. This year, ABAC has therefore sought to further deepen regional economic

integration by focusing on the following priorities: support for the World Trade Organization (WTO) and preventing protectionism; accelerating trade and investment liberalization and facilitation to achieve the Bogor Goals; enabling a Free Trade Area of the Asia-Pacific (FTAAP); and pursuing the new services agenda.

A. Supporting the multilateral trading system

ABAC reaffirms its commitment to the WTO as the foundation of global trade and prosperity. We recognize that a rules-based and non-discriminatory multilateral trading system remains the strongest bulwark against protectionism and the best avenue for sustained and inclusive economic growth, job creation and sustainable development. ABAC welcomes the reaffirmation in the Chair’s Statement at the meeting of APEC Ministers Responsible for Trade of their commitment to the WTO and to keeping markets open. We commend the extension until 2020 of the pledge against protectionism through a standstill commitment and the rolling back of protectionist and trade-distorting measures.

The 11th WTO Ministerial Conference in Buenos Aires, Argentina, offers an important opportunity to show leadership in resisting protectionism and demonstrating our commitment to more open and less distorted global markets. We urge APEC economies to work constructively, creatively and with determination towards robust and meaningful outcomes in Buenos Aires, including on trade-distorting agriculture subsidies, on subsidies that encourage over-fishing, on e-commerce and other topics. An outcome on e-commerce, including rule making on digital trade with key elements such as movement of data and information, would recognize the significance of the digital economy and the importance of strong and deep connectivity for regional economic integration.

We encourage more economies to join the negotiations on the Trade in Services Agreement (TiSA) and the Environmental Goods Agreement (EGA), and for all participants to redouble their efforts towards an ambitious and early conclusion of these agreements. ABAC urges APEC economies which are members of the WTO to complete ratification and to take early action to implement the Trade Facilitation Agreement (TFA), to help

reduce costs and increase efficiency in the movement of goods and provision of services, and to benefit developing economies in particular. We call for more APEC economies to participate in the expansion of the Information Technology Agreement (ITA).

Finally, ABAC emphasizes that care must be taken to ensure that any new plurilateral, regional and bilateral trade agreements genuinely complement and support efforts towards eventual global liberalization under the WTO.

Recommendations:

- Work constructively, creatively and with determination towards securing robust and meaningful outcomes at the 11th WTO Ministerial Meeting.
- Support plurilateral efforts to liberalize trade in a way that complements and supports efforts towards global liberalization under the WTO.

B. Enabling an FTAAP

Attitudes towards trade agreements are more polarized at present than at any time in recent decades. ABAC believes that the case for free and open trade has been established by the indisputable rise in economic wellbeing for the Asia-Pacific region that has resulted from the liberalization of markets to date. We remain committed to the realization of FTAAP as the ultimate goal for economic integration of the region. Last year in Lima, APEC Leaders agreed to examine, by no later than 2020, the contribution of current pathways to the realization of the FTAAP. ABAC urges all APEC economies to consider their own readiness for a future FTAAP, to work towards free trade in the region, and to resist the urge to turn towards protectionism.

ABAC noted the progress that has been made on the Trans Pacific Partnership (TPP), Regional Comprehensive Economic Partnership (RCEP) and Pacific Alliance pathways to an FTAAP. We hope to see the TPP parties implement the ambitious and high-quality outcomes of the TPP at the earliest possible opportunity. To that end, we commend the parties on efforts to examine options for a way

forward. We urge the RCEP parties to complete the negotiations by the end of the year, ensuring the agreement is comprehensive, high quality and mutually beneficial. ABAC also considers it important to adopt an approach that would enable access for other economies which may wish to participate in these agreements in the future. The stakes for these agreements are high. Successful completion and implementation of outcomes of the pathways to the FTAAP would provide direct economic, trade and investment benefits to the region, and demonstrate a regional commitment to economic growth and integration at a time when the global economy needs leadership by this region to achieve a sustained boost to a higher global growth path. ABAC also acknowledges the contribution that other regional initiatives and arrangements have made towards freeing up trade and investment and creating a trade liberalization-supportive environment, including the ASEAN Economic Community and the Eurasian Economic Union, among others.

As mandated by APEC Leaders in the Lima Declaration on the FTAAP, officials are to develop work programs to build consensus and capacity for economies on a number of issues affecting trade and investment, including tariffs, non-tariff measures (NTMs), services, investment and rules of origin. We urge APEC economies to deliver concrete work programs in the said areas by the APEC Economic Leaders' Meeting (AELM) in 2017 in order to maintain the momentum of the FTAAP process.

Recommendations:

- Work with determination towards the realization of FTAAP, including by taking action on concrete work programs in the areas of tariffs, non-tariff measures, services, investment and rules of origin by AELM 2017.
- Continue to pursue the pathways to an FTAAP, including by encouraging TPP parties to implement the commitments of the agreement and preserve its high-quality outcomes, and urging RCEP parties to conclude negotiations by the end of the year, while ensuring that the agreement is comprehensive, high quality, and mutually beneficial.

C. Pursuing the new services agenda

ABAC firmly believes in the growing importance of services to the growth and development of all APEC economies and regards the APEC Services Competitiveness Roadmap (ASCR) as a key means for APEC to advance the services agenda.

ASCR is a significant initiative that reflects the determination of APEC economies to collectively and comprehensively address short, medium and longer-term issues to strengthen the competitiveness of all APEC economies' services sectors.

ABAC notes the progress made in the implementation of 14 APEC-wide action areas highlighted in the ASCR Implementation Plan (2016-2025). ABAC stands ready to work with APEC on the detailed implementation plans of the ASCR to ensure that they are ambitious, practical and relevant. In this regard, ABAC would welcome the development of a structured engagement process with the relevant lead APEC fora in order to facilitate the communication and exchange of regular updates with regard to the rolling out and implementation of the ASCR.

ABAC welcomes the ASCR Implementation Plan, structured as a "living document," that will encourage ongoing dialogue and inclusion of new issues, to ensure that the roadmap is responsive to changes and the needs of the business community. ABAC values the process of Public-Private Dialogues (PPDs) to promote proactive regulatory and policy approaches to enhance cross-border investment in services and competition in regional markets. ABAC will continue to support and organize relevant PPDs to support the continued development and implementation of the ASCR.

APEC must have concrete and tangible outcomes for businesses and communities if it is to sustain regional business interest and support for APEC's vision and actions. We applaud the ambitious targets established in the ASCR to increase competitiveness in the services sector by 2025. We commend officials for making the bold commitment to develop the necessary services-related statistics, including the establishment of an APEC index on the services regulatory environment, to measure progress and achievement of actions

included in the roadmap. ABAC also calls on APEC to prioritize and expedite the development of services data and statistics, including the early completion of an APEC index on the services regulatory environment. This index would serve as an important indicator for other action areas included in the ASCR Implementation Plan. ABAC also calls on APEC to adopt relevant and ambitious indicators for all the 14 action areas identified in the ASCR.

Recommendations:

- Develop a structured process to facilitate the communication and exchange of regular updates and adoption of business inputs into the ASCR.
- Prioritize and expedite the development of services data and statistics, including the early completion of an APEC index on the services regulatory environment.
- Adopt relevant and ambitious indicators for all the 14 action areas identified in the ASCR.

D. Accelerating trade and investment liberalization and facilitation to achieve the Bogor Goals

1. Addressing non-tariff barriers (NTBs)

Non-tariff barriers are increasingly prevalent and have negative impacts for trade, economic growth and living standards. APEC economies should seek to foster the most open, predictable and transparent conditions possible for trade, including in the development and application of non-tariff measures, while still meeting any legitimate domestic policy objectives. Many non-tariff measures are intended to deliver legitimate policy goals, but some may be more trade-restrictive than necessary to meet a legitimate objective, may be discriminatory, or in fact be designed to limit access to markets. Even where such measures may not target cross-border activity per se, NTBs can distort trade flows, including the smooth functioning of global value chains; can add costs for business, particularly MSMEs and for consumers; can inhibit investment and economic growth; and can jeopardize food security. ABAC has looked in detail at NTBs that affect trade in food, forest and wood products and

manufactured goods. Specific examples include burdensome, unjustified or inconsistent sanitary and phytosanitary (SPS) requirements for both food and wood/forest products; onerous technical requirements for all products relating to standards, certification and labelling requirements; and excessively bureaucratic, unpredictable and slow customs processing and other administrative measures that act as procedural obstacles to trade.

ABAC has developed a set of WTO-consistent, cross-cutting principles for the design and application of non-tariff measures which minimizes the creation or maintenance of barriers to trade. APEC Leaders have a significant opportunity to set new global benchmarks for addressing NTBs more effectively and identifying best practice towards this end, by adopting ABAC's principles as the basis for the review, development and application of regulatory measures and procedures around trade. Such principles would seek to ensure the smooth and efficient flows of goods and services across and behind borders, as follows:

ABAC Cross-Cutting Principles

Information

- Business needs information about import and other regulations that is clear and readily available, preferably through an online portal;

Processes

- Business needs processes for the development of non-tariff measures that are transparent and timely;
- Affected business (including small producers and MSMEs), both domestic and foreign, should be consulted in the development of standards;
- The application of non-tariff measures should be timely, predictable and coherent;

Measures

- Measures should be transparent, coherent and non-discriminatory;
- Measures should be based on sound science (in the case of sanitary and phytosanitary measures), or closely aligned with international norms (for technical measures) such as Codex, International Standards Organization (ISO) and APEC;

- Measures must not discriminate against imported goods or services;

Underpinning philosophy

- Measures must be developed consistent with the principle of "least-trade restrictive";
- The emphasis should be on desired or equivalent outcomes rather than prescriptive process or production methods.

In accordance with ABAC's WTO-consistent cross-cutting principles, APEC economies should also seek to address NTBs where possible in negotiating trade agreements and arrangements, including in an eventual FTAAP and in considering approaches to the vision for APEC Beyond 2020.

Recommendations:

- Engage with the private sector, to discuss ways in which the impact of NTBs can be mitigated as far as possible, while still allowing economies to achieve legitimate domestic objectives.
- Adopt ABAC's recommended set of WTO-consistent cross-cutting principles as the basis for the review, development and application of regulatory measures and procedures around trade, including in new trade agreements.

2. Facilitating trade and investment flows

APEC's vision of an economically integrated region is strongly reliant on open trade and investment throughout the region. However, the recent rise in anti-globalization and trade sentiments, both regionally and globally, is a cause of serious concern that threatens open markets and liberalization. This year, ABAC is undertaking a joint project with the University of Southern California (USC) which will look at the factors underpinning anti-trade sentiments and examine the business perspective on these challenges within APEC economies. Preliminary findings suggest that APEC economies, working in concert with the business community, will need to give further thought to how investment in technology infrastructure, skills training and education, job creation and worker mobility can help to facilitate adjustment to a changing economic environment and to prepare most effectively for future opportunities.

Investment flow trends and prospects, globally and regionally, are showing only modest growth. The United Nations Conference on Trade and Development (UNCTAD) notes that corporate profits should support investment flows in 2017 and 2018 (\$1.85 trillion), but still below the peak reached before the Global Financial Crisis. UNCTAD also notes that policy uncertainty and geopolitical risks could deter this recovery.

Given the fundamental links between investment and economic growth, APEC economies should take urgent action to reduce risks to inward (and outward) investment flows. Business recommends actions aimed at improving the attractiveness of investment policies to both domestic and foreign investors. These include deepening understanding of decision-making processes by relevant agencies in regard to applications to invest by foreign investors, utilizing the recommended procedures in the investment principles and frameworks proposed by the Organization for Economic Cooperation and Development (OECD) and the World Bank.

In its 2017 World Investment Report, UNCTAD draws special attention to the relationship between investment and the digital economy and the impact of digital technologies on international production trends. The numbers of high-tech companies in the top 100 Global Multinational Enterprises (MNEs) has more than doubled and they increased revenue and the numbers employed over others in the MNE index. However, UNCTAD has highlighted its concerns related to these trends: *“analogue-era investment rules and regulations, and policies and institutions for the promotion and facilitation of investment, may need to be reviewed to avoid that they become obsolete or an unintended drag on digital adoption.”* As such, ABAC proposes that the APEC Investment Experts’ Group review and recommend policy responses to the impact digital advancement will have on regional investment policies and procedures.

Recommendations:

- Take action to reduce risks to inward (and outward) investment flows. Business recommends actions aimed at improving the attractiveness of investment policies to both domestic and foreign investors. These include deepening understanding of decision-making

processes by relevant agencies in regard to investment applications by foreign investors, utilizing the recommended procedures in the investment principles and frameworks proposed by the G20, OECD and the World Bank.

- Urge the APEC Investment Experts’ Group to review and recommend policy responses to the impact digital advancement will have on investment policies and procedures.
- Intensify work to enhance trade connectivity in the region, including those identified by the Suggested Framework for Phase Two of the Supply Chain Connectivity Framework Action Plan (SCFAP) 2017-2020 and meaningful pathfinders.

E. Developing the APEC post-2020 vision

While acknowledging the need to accelerate efforts to achieve the Bogor Goals of free and open trade and investment in the region, ABAC believes it is timely and pertinent for APEC to develop a post-2020 vision. We welcome the outcomes and recommendations of the Multi-Stakeholder Dialogue on APEC towards 2020 and Beyond held in Ha Noi, Viet Nam in May. ABAC will continue to actively contribute to this process.

III. Connectivity

ABAC continues to call on Leaders to build around the valuable template created by the APEC Connectivity Blueprint as a primary means of strengthening region-wide economic integration. Of particular urgency is the facilitation and financing of quality physical infrastructure across the region. As the digital revolution engulfs all of our economies, so it is imperative to address the challenges arising, which include building appropriately robust digital infrastructure, closing the digital divide, building digital trade and encouraging the movement of data and information across borders and throughout the region. ABAC is also concerned at the acute emerging shortages of working people with the skills needed to take advantage of the radically innovative digital technologies that have the potential to boost productivity and raise living standards across the region.

Since some of the most acute shortages are due to powerful demographic shifts, ABAC calls on Leaders to improve the way in which we manage the region-wide movement of international labor, taking account of the Earn, Learn, Return (ELR) initiative first proposed to Leaders three years ago.

The benefits of improved physical connectivity, the digital revolution, and better management of the movement of people are unlikely to be captured without significant behind-the-border adjustments, including regulatory reforms that improve interconnectivity, improve international regulatory coherence and facilitate regional integration.

A. Improving internet and digital connectivity

Enhancing internet connectivity for underserved areas of the APEC region and promoting the free movement of data will ensure that the benefits of the digital economy will be extended to all sectors throughout our economies. We call on economies to promote and incentivize investment in information and communication technology (ICT) infrastructure. We recommend that economies work together to ensure the movement of data and information across borders and throughout the region. Continuing to make progress in these areas will promote regional economic integration, expand regional trade and foster stronger economic growth at all levels of the economy.

Developing each economy's physical digital infrastructure must be a particular priority. Without this many of the most empowering and exciting digital economy developments are unlikely to be realized. Research driven by ABAC members over the past four years, embodied in the Global Connectivity Index for 2017, which compares the progress of fifty economies in ICT investment and future potential, reveals a growing divide and deepening inequality between frontrunners, and those following. This has significant and continuing consequences for those economies lagging behind, in terms of their ability to compete and participate in world trade and prosperity. Provision of infrastructure and core technologies, identifying the needs of entrepreneurship and innovation, and adopting policies that support and encourage participation in the digital economy are critical to closing this

growing gap. ABAC also notes that strong progress in developing our digital infrastructure is bringing particular benefit to small companies, and women in the economy, contributing strongly to our aim to reduce inequalities and build more inclusive economies. The imperative of inclusive growth and improved regional integration means that digital divergence must be minimized. ABAC calls on Leaders to collaborate regionally to ensure that the benefits of the digital revolution are shared as widely and evenly as possible.

It also calls for urgent collaboration between business, educators and governments to develop education systems better tailored to equip people to fill our future jobs, including stronger emphasis on Science, Technology, Engineering and Mathematics (STEM) education.

Effective access to the digital and internet economy, transforming the way that business and trade are conducted, APEC economies are connected, and prosperity is realized, requires supportive government policymaking, both at a domestic level in our economies and in international cooperation. Creation of an enabling digital environment and culture across borders, including assessing market readiness factors, government policies, existence of adequate infrastructure and availability of a skilled labor force are key to the ability to seize the great opportunities that technology delivers.

Recommendations:

- Prioritize development of digital infrastructure, particularly in those APEC economies identified as starter or adopting phases of digital technology. APEC should support capacity building initiatives to assist in this process.
- Encourage APEC economies to create regulatory environments that will remove unnecessary barriers and enable digital trade, including cooperation in international efforts to enable the secure and efficient transmission of data throughout the region, and reform of domestic regulatory regimes.
- Call for region-wide collaboration between business, educators and governments to develop education systems that are more

effectively tailored to equip people to fill our future jobs, including stronger emphasis on STEM education, women and MSMEs.

B. Facilitating people-to-people connectivity

ABAC strongly commends the work led by the APEC Human Resources Development Working Group (HRDWG) on improving region-wide labor mobility, and by the Business Mobility Group (BMG) on strengthening the successful APEC Business Travel Card (ABTC) scheme. Our members commit to continue intensive engagement with both groups to structure further improvement, including the potential development of new travel card arrangements, for example for Emergency Response Workers. ABAC also calls upon BMG to review ABTC issuance practices to promote greater consistency across economies. Following a mapping exercise undertaken by ABAC across APEC economies on current ABTC procedures, ABAC found that the scheme will benefit from the simplification of processes by leveraging on digital tools and further capacity building for officials in charge of implementing the scheme.

APEC businesses are increasingly concerned about deepening skills shortages and mismatches across the region, which are being aggravated by powerful demographic shifts, with only four of our economies likely to see any increase in their working populations in the medium term future, and several economies already facing sharp declines in their working populations. ABAC calls on APEC economies to participate in the region-wide Skills Mapping exercise to ensure that emerging shortages can be more clearly anticipated and accurately tracked. ABAC also calls on Leaders to improve the way in which we manage the region-wide movement of international labor, taking account of the Earn, Learn Return initiative first proposed to leaders three years ago.

Recommendations:

- Continue to enhance the APEC Business Travel Card, ensuring that procedures are streamlined and reviewing the current requirements to make them consistent across the region.
- Explore best practices in the administration of the scheme in the region, e.g., following

Singapore's e-ABTC. Promoting further coordination and digitalization of the scheme will allow APEC to tackle current problems such as differences in the validity periods of visas and lower the costs of administration.

- Secure commitment from all APEC economies to contribute to the region-wide Skills Mapping Initiative.
- Commit to improving the region-wide management of the movement of international workers, building on the framework provided by ABAC's Earn, Learn, Return initiative.

C. Enhancing physical connectivity

Trillions of dollars of investment are needed in building the region's quality infrastructure, ranging from roads and ports and railways to mass transit systems, electricity grids, clean water management, and the establishment of robust digital infrastructures. The scale of need calls from our region's economies to encourage intensive engagement by private sector operators and investors, often in Public-Private Partnerships (PPPs). ABAC is committed to working closely with APEC economies, building on the already strong work being done by vehicles like the Asia-Pacific Financial Forum (APFF) and the Asia-Pacific Infrastructure Partnership (APIP). It commends the program of activity being developed in collaboration with other well-established regional and international financial institutions as helpful complements to existing infrastructure building initiatives, and commits to encouraging such activity, where appropriate.

Obstacles remain to effective private sector participation in regional infrastructure building, including on risk-apportionment and on ensuring a stable stream of "investment-ready" projects. ABAC commits to working intensively with APEC officials to overcome these obstacles, recognizing the urgent priority of effective infrastructure building. ABAC believes this means building in conformity with the best international standards covering effective governance, reliable operation, economic life cycle cost, safety, and resilience against natural and human calamities. It means consulting closely through APIP and other public-private dialogues on best-practice rules

and standards that are needed to ensure quality infrastructure investment and transparent and evidence-based policymaking.

Recommendations:

- Further develop activity of the APFF and APIP to strengthen public-private partnerships to expedite quality infrastructure building that improves economic efficiency within each of our economies, and enhances regional integration.
- Intensify efforts to eliminate unnecessary barriers to foreign investment.

D. Increasing institutional connectivity

The benefits of improved physical connectivity, the digital revolution, and better management of the movement of people are unlikely to be captured without significant behind-the-border adjustments, including regulatory reforms that improve interconnectivity, improve international regulatory coherence and facilitate regional integration.

ABAC commends the intensive program of work being led by the APEC Economic Committee to facilitate structural reforms within and between our economies, and commits to work closely, wherever possible, to support such efforts. In particular, ABAC strongly supports APEC efforts to pursue structural reform in services sectors, and to reduce customs and behind-the-border barriers to improved connectivity, including close scrutiny of non-tariff measures to ensure these do not create barriers to closer integration. It also notes the potentially transformative power of new digital technologies to improve the efficiency and effectiveness of regulation.

Recommendations:

- Continue to drive behind-the-border liberalization, including structural reform in the services sector, that can facilitate cross-border trade and investment, improving business efficiency and productivity within and between our economies.
- Improve legal and regulatory frameworks, giving priority to regulatory reforms that

facilitate the development of a level playing field for our digital economies.

IV. MSME and Entrepreneurship

MSMEs remain the lifeblood of virtually every economy in the region as they make up more than 90 percent of businesses and employ over 60 percent of this region's workforce. Yet they only account for 35 percent of region's exports. ABAC calls on APEC to adopt a more innovative approach by focusing its efforts towards developing MSMEs as direct participants of cross-border trade, accompanied by a strong set of measures to improve MSMEs' competitiveness.

This year, ABAC has prioritized the following areas as concrete measures to facilitate the development of dynamic and global MSMEs in the region: expanding MSME global presence through digital economy and e-commerce platforms; fostering innovative business models; fortifying linkages between MSMEs and large enterprises; expanding MSMEs' access to finance; and enhancing women's economic empowerment.

A. Expanding MSME global presence through digital economy and e-commerce platforms

E-commerce and, more generally, ICT-enabled services offer new opportunities for MSMEs to enhance their competitiveness and innovation to further access international markets and help them overcome obstacles to trade. E-commerce allows MSMEs to cross borders and reach customers at much lower costs. Yet MSMEs face specific obstacles in seizing these opportunities. According to an APEC-wide study conducted by ABAC with the USC Marshall School of Business in 2015, the main issues MSMEs face with web sales include: identifying reliable and secure e-commerce marketplaces; logistics of shipping a good or delivering a service; security and data protection; and payments.

The digital economy remains a central priority of APEC Leaders with greater emphasis being given this year to strengthen MSMEs' competitiveness and innovation in the digital age. ABAC commends the efforts by the various economies in collectively carrying out concrete and practical programs and

activities to advance the Digital Economy Action Plan and Work Agenda (DEAP) developed by the APEC SME Working Group in 2015.

Recognizing that the promotion of digital literacy and acquisition of digital skills will help diminish digital divides between and within our economies and increase MSME prospects in cross-border e-commerce, ABAC launched the Cross-Border E-Commerce Training (CBET) workshops across APEC economies - i.e. in China (2014), Brunei (2015), Papua New Guinea (2016) and Malaysia (2017). ABAC has expanded the CBET program beyond local borders by launching the CBET online e-Learning program.

Recommendations:

- Utilize fully the outcomes from these projects and programs to formulate an APEC-wide forward-looking e-commerce policy framework; share policies, experiences and best practices of IT adoption; and provide advice on IT solutions, adoption and effective use of digital technologies for MSMEs.
- Promote both online and offline capacity building efforts to make MSME firms e-commerce ready by encouraging programs such as ABAC's CBET online and offline training programs.
- Facilitate MSME access to information needed to operate internationally by accelerating the establishment of the APEC MSME Marketplace which is an ideal platform to disseminate particularly important information relating to regulatory frameworks and trade requirements, advisory and support services for MSMEs, capacity building activities for MSMEs and provide listings of accredited online marketplaces, innovation centers, incubators and accelerators to encourage business networking and matching among these enterprises.

B. Fostering innovative business models

As grassroots innovations are community-led solutions for sustainability, they can offer promising new ideas and practices for small businesses to prosper. An ecosystem that supports such enterprise creation and increases innovation

capabilities of MSMEs is needed to allow MSMEs to penetrate global markets and global value chains.

Progressive grassroots innovations and movements from around the world have aimed to bring about more inclusiveness and generate solutions to social and environmental issues through entrepreneurship. ABAC considers this work relevant to its mission and supports fostering businesses to create more innovative business models, built on best practice business cases that maintain a balance among profit, environmental protection, community and employee welfare, and corporate governance.

Concrete standards for impact business model innovation and governance have been established and have taken root, providing clear direction to MSMEs around the world. More and more, rapidly growing MSMEs are expanding their businesses by creating value for society and the environment. ABAC is confident that, by supporting these movements and activities, more innovative and sustainable solutions will emerge, allowing Asia-Pacific MSMEs access to new opportunities and enhancing competitiveness on the world stage.

Recommendations:

- Create more favorable regulation and environment for MSMEs to innovate more impactful business models.
- Support global grassroots movements that aim to bring about more inclusiveness or solutions to social and environmental issues through entrepreneurial means.

C. Fortifying linkages between MSMEs and large enterprises

Accessing foreign distribution networks and facing the necessary costs for marketing their products abroad can be too costly for MSMEs. It is therefore important for MSMEs to enter into linkages with large enterprises which would significantly reduce MSMEs' distribution costs, thus making exporting profitable for MSMEs. For this linkage to prosper, APEC needs to create a conducive business environment by developing policies that would create and deepen these types of partnerships and incentivize inclusive business

models that promote supplier diversity which can lead to greater MSME participation in global value chains.

ABAC's continuing study with the Asian Institute of Management (AIM) documents successful cases and best practices of big businesses that enable MSMEs to access the global value chain and policy recommendations that strengthen trade and investment linkages between MSMEs and large corporations.

Recommendations:

- Develop internal and external policies and initiatives that support the verification and certification of diverse vendors.
- Develop internal and external procedures that encourage governments and the private sector to set baseline goals, track and measure spend with diverse suppliers.
- Develop incentives that encourage Tier 2 and Tier 3 suppliers to also source from diverse businesses which enable smaller businesses to benefit.
- Enhance talent and innovation capacity by developing capacity building programs, tools and packages on financing, ICT and supply chain integration to support MSMEs to strengthen linkages with large firms.

D. Expanding MSMEs' access to finance

In most developing economies, MSMEs face serious barriers to financing. In developed economies, lenders typically rely on sufficiently robust legal systems governing collateral, as well as the availability of information on borrowers to provide loans to MSMEs. However, the lack or inadequacy of such systems in most developing economies severely limits traditional lenders' ability to meet MSMEs' financing needs. Legal and regulatory barriers to cross-border portability of business owners' credit information also constrain MSMEs' ability to seek financing when operating outside their home markets.

MSMEs face additional challenges when selling goods and services across borders. Higher transactional and informational costs of dealing with MSMEs compared to large firms already put them at a disadvantage when seeking trade financing. Heightened compliance and regulatory burdens, particularly with respect to Know-Your-Customer (KYC) rules, have made lenders even more reticent to serve MSMEs. In addition, many MSMEs lack familiarity with innovative alternatives in the market such as supply chain financing, bank payment obligations, forfaiting, warehouse receipt financing and factoring.

ABAC is collaborating with other stakeholders in APFF to address these issues through initiatives under the Finance Ministers' Cebu Action Plan. Since 2015, capacity building activities were undertaken by ABAC and the World Bank Group under the APFF's Financial Infrastructure Development Network (FIDN) with several economies, including Brunei Darussalam, China, the Philippines, Thailand and Viet Nam to help modernize their credit information, valuation, insolvency and secured transaction systems.

Under the FIDN, ABAC and the World Bank Group are jointly progressing a pilot cross-border credit information sharing initiative across Mekong Region economies to enable MSMEs to use their credit information in their home markets to access finance in host markets. We have also convened discussions in Singapore on evolving cross-border market practices and clients' needs, with the aim of developing pilot programs for cross-border supply chain financing.

Financial technology (fintech) has significant potential to help create more inclusive financial systems. Key to achieving this goal is helping regulators respond to its emergence with sound approaches. Such approaches must balance the continued fulfillment of regulatory objectives such as consumer protection, privacy and financial stability with the promotion of innovation and financial inclusion. Toward this end, ABAC collaborates with multilateral bodies and industry through the APFF and the Asia-Pacific Forum on Financial Inclusion to establish platforms for continued dialogues among regulators, industry professionals, innovators and experts.

Recommendations:

- Encourage relevant authorities from member economies to collaborate with ABAC and key stakeholders in APFF and the Asia-Pacific Forum on Financial Inclusion to:
 - create modern credit information, valuation, secured transactions and insolvency systems that can expand MSMEs' access to finance;
 - develop pilot programs for cross-border supply chain financing to increase their contributions to regional integration;
 - advance the pilot cross-border credit information sharing initiative in the Mekong Region to facilitate MSMEs' access to finance in host economies;
 - establish a regional platform for continued dialogue on fintech, particularly the development of fintech credit, e-payments, regulatory technology (regtech), cybersecurity and KYC; and
 - promote access to finance for micro-enterprises particularly through micro and agrifinance, financial education, microinsurance, innovations in digital identity and online supply chain finance and the development of distributed ledger technology.

E. Enhancing women's economic empowerment

Women throughout the APEC region face challenges related to obtaining capital, reaching markets, developing skills and capacity, accessing networks, and achieving leadership positions. These obstacles result in untapped productivity and inhibited economic growth in the region.

Recommendations:

- ABAC welcomes the second APEC Business Efficiency and Success Target (BEST) Award in September 2017 in Hue, Viet Nam, and encourages APEC economies to hold this contest as part of the APEC Women and the Economy fora in the future.

- Promote women entrepreneurship by focusing on skills development including STEM, enhancing the competitiveness and innovation of women-led MSMEs as well as the ABAC Women Connect Program, to empower women entrepreneurship through digitalization.

F. Accelerating economic, financial and social inclusion

Globalization, regional integration and the rapid development of technology have led to dramatic economic growth and a rise in living standards across the Asia-Pacific region. However, the gains have been spread unevenly; a large segment of the population in the region has yet to reap the full benefits of trade liberalization. In addition, economic changes due to shifts within industries and the reallocation of resources brought about by the Fourth Industrial Revolution have also adversely affected many. To help address these, we encourage APEC economies to accelerate economic, financial and social inclusion.

Recommendations:

- Adopt the Action Agenda on Promoting Economic, Financial and Social Inclusion to effectively assist those adversely affected by the development of technology and globalization.
- Implement structural reform, ease of doing business, promote start-up, enhance market access and facilitate the internationalization of MSMEs.
- Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.
- Strongly support APEC's commitment to foster cooperation in human resource development to meet the demands of work in the digital age.
- Study the report of the 2017 Asia-Pacific Forum on Financial Inclusion and adopt its recommendations as applicable to their respective markets.

V. Sustainable Development

Achieving sustainable development remains a key APEC objective. ABAC has sought to advance work in this area by putting emphasis on: promoting APEC partnership in climate smart food security; encouraging the sustainable management of natural resources; building an inclusive, sustainable community; achieving energy security and sustainability; and promoting a healthy and productive workforce.

A. Achieving food security and sustainable agriculture

Food security is a key component of an inclusive, healthy and integrated regional economy. ABAC has long championed the role played by open trade and investment in linking food supply with growing food demand in the region. ABAC has also highlighted the important role that the private sector plays, in partnership with governments, in finding practical, market-based solutions to the challenges of feeding growing populations with adequate supplies of safe, nutritious and sustainably-produced food. ABAC urges APEC Leaders to take action to reduce barriers that impede the efficient flow of food and agricultural goods; to promote investment and infrastructure development in the food and agriculture sector; to minimize food loss and waste; and to promote the participation of MSMEs and smallholders in food production and trade in a non-trade-distorting manner.

In 2016, ABAC commissioned a report from the USC Marshall School of Business which found, inter alia, that the most burdensome NTBs affecting food trade relate to technical measures (especially labelling) and procedural obstacles including excessively bureaucratic, unpredictable and slow customs processing and other administrative measures, for example relating to import licensing. The Marshall School also found that sanitary and phytosanitary measures without sound scientific justification can be significant and can serve to restrict trade unnecessarily. The Marshall School recommended a range of actions aimed at enhancing transparency, consistency and timeliness for trade. In order to target the most burdensome NTBs affecting food trade, ABAC urges APEC Leaders

to give serious consideration to implementing the Marshall School recommendations, which include:

- designation by economies of a single point of contact for agri-food trade negotiations;
- the creation of a centralized online repository of agri-food regulations and certification procedures by economy;
- the further pursuit of regulatory coherence through exploration of pros and cons around harmonization, mutual recognition, and national treatment;
- the exploration of accreditation of third-party testing facilities;
- support for consensus-building initiatives that specifically include MSMEs;
- a commitment to covering NTBs in FTAAP and other trade agreements; and
- continued support for efforts seeking to automate cross-border trading requirements.

ABAC has been concerned that the APEC Policy Partnership on Food Security (PPFS) is failing to make sufficient progress towards achieving APEC's food security goals, including the realization of the APEC Food System by 2020. A greater level of engagement by all, including the private sector, is needed to achieve durable food security in our region, especially in the context of climate change. ABAC urges a careful re-examination of the current structure and operation of PPFS in order to encourage and enable more effective participation from the private sector.

Recommendations:

- Continue to prioritize inclusive and equitable access to safe, nutritious and sustainably-produced food, inter alia, by reducing and eliminating barriers to food trade, including non-tariff barriers as outlined in the report ABAC commissioned from the USC Marshall School of Business in accordance with our WTO-consistent cross-cutting principles for NTMs/NTBs.

- Deepen the level of strategic engagement and dialogue with the private sector, to improve the understanding of the economic and commercial context for food, including through a careful re-examination of PPFS to make it more accessible to the private sector.

B. Improving energy security

It is essential to achieve a balance between stable energy supply associated with sustainable economic growth and environmental preservation. Current shifts in the energy market, including falling prices and volatility, will have serious repercussions for both the public and private sectors. It is important that APEC continues to accelerate efforts to remove barriers and promote energy trade and investment. Policies that are open and create fair competition on a level playing field with market-based pricing undistorted by subsidies, are all required to facilitate the development and adoption of renewable energy and free trade of oil and gas and to enhance multilateral energy cooperation.

In addition, APEC economies account for over half of global energy production and consumption, and its share can be expected to grow. ABAC supports APEC's pledge to double the share of renewables in the APEC energy mix by 2030, but current projections, according to the Asia-Pacific Energy Research Center (APERC), show fossil fuel, including coal, will continue to be the main power source for energy supplies in the APEC region until 2040 unless significant policy changes are pursued.

The production and use of fossil fuel releases not only carbon dioxide (CO₂) but also air pollutants. The World Health Organization (WHO) announced last year that the number of deaths due to air pollution reaches 6.5 million each year. Therefore, when planning and adopting energy policies, APEC economies need to direct their attention to the issue of air pollution in tandem with efforts to reduce CO₂ emissions. APEC economies should deepen the level of engagement on expanding renewables in the APEC energy mix and shifting from coal to natural gas and renewables, as these initiatives also contribute to reducing air pollution. Policies that support investment and technological innovation development and adoption are essential.

ABAC recommends APEC economies promote the introduction of quality energy infrastructure to reduce environmental impacts, improve the quality of existing energy infrastructure, support the development and dissemination of innovative technologies in the environmental field, and extend support for the adoption of these technologies.

Recommendations:

- Create policy certainty ensuring sanctity of contracts.
- Establish open and fair competition on a level playing field devoid of local content rules, quotas, tariffs, restrictions on foreign ownership and investment.
- Improve the infrastructure related to oil and gas trade and promote experience sharing and best practice exchanges among various economies in the field of customs clearance standardization, integration and automation of custom procedures.
- Deepen the level of engagement on expanding renewables in the APEC energy mix, including shifting from coal to natural gas.
- Establish and strengthen emission regulations, support development and dissemination of innovative technologies in the environmental field, subject to appropriate assessment and consultation, including the development of reasonable transitional arrangements.
- Promote quality energy power infrastructure such as environmental equipment and highly efficient coal-fired power plants.

C. Accelerating green growth

ABAC commends APEC for its concrete commitments to green growth. APEC's commitment to reducing applied tariffs on 54 environmental goods has enabled improved access to environmental technologies, including through the APEC Environmental Services Action Plan. The capacity building that accompanied this commitment should now be leveraged so that the Environmental Goods list can be further developed. This will expand market opportunities for environmental technology firms and contribute to APEC's goals of

increasing the share of renewables in the energy mix and reducing APEC's energy intensity.

ABAC proposes that support for renewable energy for reducing CO₂ emissions should incorporate all technological innovations. This work can also help foster new industries that create new jobs. As APEC expands its use of renewable energy such as solar power and wind power, the use of heat pump technology should be considered as a viable source of renewable energy technology.

Furthermore, given the heavy reliance on oil in the transportation sector, the development of a wide range of new energy vehicles should be encouraged and supported continuously to reduce CO₂ emission in the sector.

Addressing climate change is one of the main priorities in the world. ABAC continues to strongly support global efforts to reduce greenhouse gas emissions (GHG), such as the Paris Climate Agreement. ABAC admits that climate change, air pollution and sustainable development remain areas for further cooperation and knowledge sharing in the region, responsible for around 60 percent of global GHG emissions. Domestic and corporate approaches on low-carbon development based on market and non-market mechanisms, including carbon pricing, also correlate with sustainable consumption and production process that reduce the environmental and social costs of production and strengthen economic competitiveness. These measures incentivize the changes needed in investment, production, and consumption patterns, and induce the kind of technological progress that can bring down future abatement costs and may be further induced with additional measures such as introducing or raising efficiency standards, investing in relevant R&D initiatives, etc.

Recommendations:

- Fulfill the commitment to reduce applied tariff rates for the 54 environmental goods to 5 percent.
- Take decisive actions to reduce barriers on environmental services.
- Identify and eliminate non-tariff barriers to environmental goods and services.

- Promote greater use of renewables and support technical innovation.
- Consider use of heat pump technology as a source of renewable energy.
- Implement policies to encourage the purchase and usage of new energy vehicles and encourage the use of new energy technologies and accelerate their commercialization process.
- Collaborate in technology research and enhance mutual exchange of latest technologies and products.
- Explore every opportunity provided by the Paris Agreement to address climate change, including further cooperation and knowledge sharing amongst APEC economies in the field, i.e. carbon pricing, explicit and implicit.

D. Strengthening the inclusive development of the mining sector

APEC's mining industry is a vital contributor of essential resources used worldwide. Given its significant role, strong cooperation between governments and the private sector is critical to promoting a sustainable, innovative, and productive mining industry.

ABAC applauds APEC's ongoing work in the Mining Task Force (MTF), including this year's fourth consecutive annual Public-Private Dialogue on Mining, and calls upon Leaders to extend the MTF mandate through 2020. The MTF has proven to be an effective venue for public and private sector collaboration, and the MTF's work should continue in order to deepen this engagement. Building on the success of the 2017 PPD, ABAC looks forward to continuing its engagement with the MTF on a host of mining issues, including community engagement, innovation, application of market-based principles, and sustainability, among others. Toward that end, ABAC calls upon economies to re-commit to the 10 APEC Mining Policy Principles, agreed to in 2007. Application of these principles is fundamental to supporting strong growth in the mining sector in the region, and ABAC encourages all economies to support and re-commit to implementing these principles fully in the coming year.

Drawing on the experiences of Papua New Guinea and other APEC economies with significant extractive industries (mining, oil, and gas), ABAC has considered the theme 'Creating Inclusive Growth through the Extractive Industry.' This activity has culminated in the endorsement of a White Paper on this subject matter that demonstrates how the extractive sector can create inclusive growth that benefits some of the poorest and most marginalized communities in the region.

Recommendations:

- Extend the MTF's mandate through 2020 in order to continue valuable work being done in this forum.
- Continue the MTF's strong engagement with private sector stakeholders through public-private dialogues and collaboration in capacity building projects in 2018-2020.
- Re-commit to the 10 APEC Mining Policy Principles and promote full adherence to these principles in order to ensure strong development of the mining sector.
- Engage closely with the private sector on a potential Mining Ministerial in 2018. Hold an Inclusive Business Public-Private Dialogue in 2018. The dialogue will focus on the extractive sector and aim to facilitate discussion that promotes opportunities for collaboration that can benefit low income communities.
- Align stakeholders to explore the creation of an APEC Inclusive Business Center of Excellence for the Extractive Sector that shares best practice, builds capacity, and creates alignment between extractive companies and APEC economies in order to support inclusive growth for all.
- Encourage extractive companies to develop and implement economic empowerment plans that center on building inclusive businesses for host communities at the project development phase, as part of their voluntary commitments.
- Support and incentivize the development and implementation of economic empowerment plans by extractive companies that center on building inclusive businesses.

- Adopt, voluntarily and in principle, the G20 Framework on Inclusive Businesses as a way to support and encourage inclusive business activity in the region.

E. Promoting healthy workforces

Healthy workforces are a critical requirement for inclusive growth. Increasing access to and investments in healthcare will have measurable impact on improving the quality of life for the citizens of the Asia-Pacific. Without additional investments, a business as usual model predicts a loss of GDP in the region of up to 8.5 percent due to ill-health and early retirement due to disability. Developing a clear understanding of the direct and substantial impact health has on every economy's bottom line in human and economic terms can drive the creation of innovative health solutions and outcomes that provide shared benefits.

ABAC welcomes the Leaders' recommendation to examine the fiscal impacts of ill-health and applauds the efforts of the APEC Life Sciences and Innovation Forum (LSIF) and the Health Working Group (HWG) to forge dialogues and exchanges with the private sector, finance, and health ministries to achieve the common goal of proactive investment in healthy workforces by improving the use of government financing and expenditure tools that can lead to more efficient financing of and access to healthcare.

ABAC supports the continued development and utilization of the Healthy Women, Healthy Economies (HWHE) toolkit which showcases government policies and business practices that address health-related barriers to women's effective participation in the workforce.

Recommendations:

- Encourage coordination in the policy dialogue between health, finance and economic ministers to achieve proactive investment in healthy workforces and collaboration with the private sector to develop innovative solutions.
- Continue efforts to implement the Healthy Asia-Pacific Roadmap by strengthening health systems, improving emergency preparedness, and improving the prevention and management of non-communicable diseases.

VI. Finance and Economics

ABAC has been focused this year on encouraging innovation and legal and regulatory reforms to ensure sustained, balanced and inclusive growth across the Asia-Pacific. Finance plays a key role in this effort, and we believe the greatest progress toward addressing these broader issues can be achieved in the areas of capital market development, MSME access to finance, infrastructure, and innovation. We also note that risk-taking is necessary for growth, especially in these areas, and should be enabled by policies that strike a healthy balance between growth and protecting financial stability, while also providing appropriate levels of transparency as to the risks involved.

A. Promoting capital market development

Development of capital markets is indispensable for achieving the Cebu Action Plan (CAP)'s goals of promoting financial integration, resilience and infrastructure. However, many economies face complex challenges, including the lack of liquidity and depth, lack of market players' access to hedging instruments, lack of high-quality and timely information and underdeveloped custody, clearing, settlement and payment systems that keep transaction costs and risks at elevated levels and hinder cross-border portfolio capital flows.

Recommendations:

- Focus efforts on promoting capital market development, including policy and regulatory reforms and capacity building measures.
- Create deep and liquid markets, supported by a stable macroeconomic environment.
- Make appropriate economic reforms; create sound legal frameworks; and draft policy measures that ensure the broad availability of information.

B. Expanding MSMEs' access to finance

ABAC is also undertaking work on MSMEs' access to finance which is discussed in the MSME and Entrepreneurship section of this report.

C. Encouraging infrastructure financing

The infrastructure needs in APEC economies are as vast as they are critical to advancing economic growth. Substantial private funding is available to complement State and Multilateral Development Bank (MDB) source funding. Yet a lack of bankable infrastructure projects persists. Significant gains in planning and implementation would follow from improved coordination among agencies responsible for PPP projects and enhanced governance arrangements aimed at building trust between governments and private sector investors. Creating the regulatory certainty through the policies would, in itself, also aid development.

Recommendations:

- Boost quality infrastructure development and delivery in the APEC region by developing and promoting bankable and investment-ready infrastructure project pipelines.
- Enhance the role of Multilateral Development Banks as catalysts for private sector investment.
- Foster green finance markets.
- Establish diversified, market-based infrastructure financing models.

D. Enhancing the role of finance through innovation

The development of innovative new technologies in the financial arena (fintech) has already demonstrated tremendous potential to help create more inclusive, stable and efficient financial systems. New fintech solutions are enabling micro-businesses to take advantage of growing export opportunities and creating alternatives for underserved communities to gain access to banking services. Policymakers across the region are currently working to evolve their regulatory structures to promote innovation and continued expansion of the fintech sector while at the same time ensuring that basic consumer protections are still assured.

Recommendations:

- Adopt technology-neutral regulatory frameworks that encourage continued investment and innovation and do not discourage the adoption of new technologies.
- Engage with industry leaders to determine how existing regulatory policies that protect consumers and promote financial stability can be extended to new technologies in ways that will promote consumer confidence and economic growth.
- Support regular regional dialogues between public and private sectors. These dialogues should focus on key issues such as ensuring a level playing field for financial technology, modernizing legal and regulatory frameworks related to privacy and data protection, removing barriers to cross-border business activities and movement of data, and the potential for using data to promote greater financial inclusion and cybersecurity.

E. Strengthening public-private sector collaboration under the Cebu Action Plan to accelerate financial market development

In 2017, ABAC undertook activities in pursuit of various deliverables under the Cebu Action Plan. APEC Finance Ministers have entrusted several of these deliverables to three policy initiatives led by ABAC – the Asia-Pacific Financial Forum, the Asia-Pacific Infrastructure Partnership and the Asia-Pacific Forum on Financial Inclusion. Details of these activities, their outcomes and recommended next steps are contained in the *2017 APFF Progress Report to the APEC Finance Ministers*, the *2017 Report on Capacity Building Measures to Strengthen and Develop Financial Systems* and the *Report of the 2017 Asia-Pacific Forum on Financial Inclusion*.

Following are highlights of our initiatives' contributions to the implementation of the Cebu Action Plan:

Developing Deep and Liquid Capital Markets.

This year, activities included capacity building sessions in Thailand and China to promote sound and liquid repo and derivatives markets and continued dialogues with regulators to support

progress and expansion of the Asia Region Funds Passport (ARFP). In collaboration with a broad range of stakeholders from industry, multilateral organizations, regulatory authorities and government agencies across the region, APFF developed a roadmap envisaged in the CAP to enhance the region's financial market infrastructure.

Expanding the Private Sector's Contribution to Financial Resilience.

A key element of the strategy to help financial markets better absorb shocks from natural disasters is getting the private sector to play a larger role in developing innovative disaster risk financing and insurance mechanisms, including microinsurance. APFF brought together stakeholders from the insurance, microinsurance and regulatory community to commence work on the roadmap envisaged by the CAP for expanding the coverage of microinsurance in the region. A similar effort to create the roadmap for expanding the private sector's role in disaster risk financing and insurance is under way.

Accelerating the Development of a Regional Pipeline of Bankable PPP Projects.

To help economies develop more bankable infrastructure projects, APFF and APFF this year commenced work to promote best practice guidelines and capacity building in specific sectors where projects are currently being developed as a matter of urgency. In collaboration with multiple stakeholders, APFF and APFF are convening dialogues to support the development of technical guidelines for waste-to-energy projects in Indonesia, the Philippines and Viet Nam.

Expanding Long-Term Investors' Roles in Financing the Region's Infrastructure.

In line with the objectives of the CAP, APFF is convening discussions among industry and regulators to help expand investment by pension funds and insurers in infrastructure. To facilitate the participation of Islamic financial institutions in infrastructure, APFF is developing a work program to address these issues through an Islamic Infrastructure Investment Platform (I3P).

Expanding MSMEs' Access to Finance.

To facilitate MSME access to finance, ABAC and the World Bank Group led capacity building activities under the APFF's Financial Infrastructure Development

Network (FIDN) to help Brunei Darussalam, China, the Philippines, Thailand and Viet Nam modernize their credit information, valuation, insolvency and secured transaction systems. A pilot cross-border credit information sharing initiative in the Mekong Region is being progressed to enable MSMEs to use their credit information in their home economies to access finance in host economies. APFF workshops are also being held to help develop pilot programs for cross-border supply chain financing.

Promoting Financial Innovation. APFF began convening dialogues among regulators, industry practitioners and experts on fintech, which this year particularly focused on the critical areas of fintech credit, payments, regulatory technology (regtech), cybersecurity and customer due diligence.

Recommendations:

- Encourage relevant officials and regulators to collaborate with APFF's capacity building activities in promoting deep and liquid bond, repo and derivatives markets; modernizing credit information, valuation, secured transactions and insolvency systems; developing pilot programs for cross-border supply chain financing; and expanding long-term investors' roles in infrastructure development.
- Support APFF's efforts to develop a regional platform for public-private dialogue on harnessing fintech to create inclusive, sound and efficient financial systems.
- Host discussions on the ARFP where APFF can convene experts from regulatory, industry, multilateral and academic institutions.
- Encourage relevant authorities to work with APFF in 2018 to finalize the roadmaps envisioned in the CAP for developing the region's financial market infrastructure, expanding the coverage of microinsurance, and promoting greater private sector participation in disaster risk financing and insurance.

- Encourage relevant authorities to collaborate with APIP and APFF in finalizing in 2018 a work program for the I3P to help expand cross-border investment by Islamic financial institutions in infrastructure, and developing technical guidelines and undertaking seminars for public sector officials to build a pipeline of bankable waste-to-energy projects.

VII. Industry Dialogues

A. Chemical Dialogue

ABAC underscores the significant contribution of the chemical industry to trade and economic growth as well as the pivotal role of chemistry in achieving the Sustainable Development Goals. ABAC welcomes the continuing efforts of the Chemical Dialogue to encourage the use of good regulatory practices, including the adoption of risk-based approaches to chemical regulation, which facilitates regulatory cooperation and trade. ABAC urges economies to align their approaches and address divergences in implementation of the Globally Harmonized System of Classification and Labeling of Chemicals (GHS) so that the economic, health, and environmental benefits of a harmonized system can be realized. ABAC supports the Dialogue's contributions to APEC's trade facilitation objectives through efforts to address divergent customs practices for industrial chemicals in order to facilitate trade. ABAC continues to support collaboration between the Chemical Dialogue and the Oceans and Fisheries Working Group on innovative solutions to mitigate marine debris. In particular, ABAC welcomes efforts to establish the political, economic, and legal/regulatory conditions to incentivize investment in waste management solutions, including through APIP and APFF and encourages economies to prioritize investment in waste management systems.

B. APEC Life Sciences Innovation Forum

ABAC welcomes the 7th High-Level Meeting on Health and the Economy hosted by the Minister of Health of Viet Nam and its focus on healthcare financing and public-private partnerships. ABAC strongly supports the LSIF's collaboration with health and finance officials to address the fiscal and economic impacts of ill-health, including through the identification of alternative financing mechanisms and their enablers as well as tools to help economies better measure the return on public investment in health to ensure that our workforce remains healthy and competitive. ABAC encourages economies to participate in the ABAC-LSIF projects on serialization and verification as part of APEC's broader efforts to promote the use of interoperable global data standards. ABAC supports the continued development and utilization of the HWHE toolkit to address health-related barriers to women's effective participation in the workforce. In addition, ABAC welcomes initiatives to facilitate the use of big data analytics in bio-medical research and decision making. ABAC urges economies to continue working towards regional convergence on regulatory approval procedures for medical products by 2020 and welcomes the establishment of a network of centers of excellence for regulatory sciences. ABAC also welcomes continued work to address antimicrobial resistance, blood safety, rare diseases, and health aging.

VIII. Conclusion

Given the economic upswing, APEC economies should implement the appropriate economic policies to sustain the recovery, particularly by addressing the downside risks and seizing the opportunities offered by the digital economy. At the same time, efforts should be made to address rising inequality and the turn towards protectionism. In this report, ABAC has sought to outline concrete steps which APEC economies could take to inject new dynamism in the region and help achieve sustainable, innovative and inclusive growth. Key APEC action areas include advancing work on regional economic integration, deepening regional connectivity, enhancing MSME competitiveness, achieving sustainable and inclusive development, and developing robust and inclusive financial markets. ABAC believes that focusing on such efforts would eventually lead to a prosperous Asia-Pacific community and foster a shared future for all.



ANNEXES



29 April 2017

H. E. Tran Tuan Anh

Chair, Meeting of APEC Ministers Responsible for Trade
Minister of Industry and Trade
Viet Nam

Dear Minister Tran:

On behalf of the APEC Business Advisory Council (ABAC), I am pleased to submit to APEC Ministers Responsible for Trade our recommendations on key issues which we believe will help inject new dynamism in the region and achieve our common objective of achieving sustainable, innovative and inclusive growth.

Notwithstanding the significant challenges to free and open trade, we vigorously reaffirm our belief in its profound benefits for growth and employment, as well as the harm that protectionist measures can do. We call on APEC to stay the course to achieving greater economic integration. ABAC remains committed to the achievement of the Bogor Goals, and to a Free Trade Area of the Asia-Pacific (FTAAP) as the embodiment of that vision.

We acknowledge that governments and business, each with their unique and complementary roles, must do better in articulating the benefits of trade and cross-border investment and their role in lifting many populations out of poverty and into prosperity. At the same time, economies must also implement structural reform and adjustment policies to ensure that the benefits of globalization and more open markets can be better shared by all. To that end, we support the APEC Leaders' call last year for effective economic, financial and social inclusion of women, elderly, youth and rural communities as well as disadvantaged or vulnerable groups.

We recognize that relevant RTAs/FTAs such as the Trans Pacific Partnership (TPP), Regional Comprehensive Economic Partnership (RCEP) and the Pacific Alliance, among others, can help us achieve FTAAP. We encourage TPP parties to implement the commitments of the TPP and preserve its high-quality outcomes. We urge the RCEP parties to complete the negotiations by the end of the year, ensuring that the agreement is comprehensive, high quality and mutually beneficial. APEC economies must resist the urge to turn to protectionism, notwithstanding the current challenges facing TPP and other trade agreements.

We welcome the APEC Leaders' instructions in Lima last year to start a process of reflection on an APEC post-2020 vision. ABAC is prepared to make a contribution in this regard, including through participation in a series of high-level dialogues on APEC toward 2020 and beyond.

We applaud APEC on the ambitious targets laid out in the APEC Services Competitiveness Roadmap's (ASCR) Implementation Plan, and highlight the need to see this plan to fruition. ABAC is ready to assist with identifying the priority areas for implementation to ensure that the policies and programs developed are ambitious, practical and relevant. We are committed to working closely with APEC to monitor the progress of the Implementation Plan.

Advancing trade and investment liberalization and facilitation in the region remains of key importance to the business community. Concrete action to remove the grit from the machinery of trade by reducing and eliminating non-tariff barriers both at- and behind-the-border, in accordance with ABAC's WTO-consistent cross-cutting principles on non-tariff barriers and with close input from business, will be an essential component in improving the flow of trade of goods and services across borders, in food security, and ultimately in the living standards of our communities.

We continue to recognize the World Trade Organization (WTO) as the foundation for the global trading system, as a vital bulwark against protectionism and as an indispensable forum for resolution of international trade disputes. As we look ahead to the 11th Ministerial Conference in Buenos Aires, we urge all APEC WTO Members to affirm the value of more open markets and the benefits that these deliver for our communities, for development and for the environment, recognizing that now more than ever we need to demonstrate our commitment to these fundamental principles. We call on APEC economies to work constructively and expeditiously towards robust and meaningful outcomes in Buenos Aires on trade-distorting agriculture subsidies and on subsidies that contribute to overfishing, along with progress on e-commerce and services. We welcome the entry into force of the WTO Trade Facilitation Agreement (TFA) and urge its full ratification and early implementation by all APEC economies, recognizing the essential contribution that more freely-flowing trade will make to development. ABAC will bring new focus to the trade and development agendas of the WTO and APEC, noting the impact of technology and connectivity and their ability to transform the social and economic status of our communities. We encourage Ministers to take note of, and build upon, developments in the important Trade in Services negotiations currently being undertaken in Geneva.

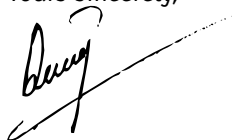
We underscore the importance of strong and deep connectivity for regional economic integration. A key component of effective integration is the efficient movement of goods, services, and data delivered through measures supportive of global value chains, infrastructure investments, global data standards and digital trade channels. We therefore welcome the start of the implementation of the Suggested Framework for Phase Two of the Supply Chain Framework Action Plan (SCFAP) 2017-2020 to further enhance supply chain connectivity and efficiency in the APEC region. To fully realize the enormous benefits offered by the digital economy, we urge continued investment in the development of digital infrastructure and encourage innovation in the digital economy through the use of cross-border data flows which benefit consumers. We encourage flexible and consistent digital policy frameworks that promote innovation through the movement of data, while providing appropriate protections for consumers. ABAC looks forward to the fruitful outcomes of the APEC Symposium on Trade and Innovation in Ha Noi in May. We also call for investment in human resource development, digital literacy, technology and skills training, and collaboration between governments and business to ensure that training is relevant to future needs.

Finally, ABAC has many micro, small and medium enterprise (MSME)-related initiatives including the online and offline Cross-Border E-Commerce Training (CBET), the Asia-Pacific Financial Forum (APFF)-related initiatives to expand MSME access to finance, publication of successful cases and emerging inclusive business models, ABAC Digital Economy Work Plan and efforts in strengthening women's economic empowerment which we believe can help complement APEC's work in building dynamic MSMEs and furthering their access to global markets.

A more detailed report on initiatives being developed by ABAC this year is provided in the attachment.

I look forward to discussing these recommendations with you in greater detail at your meeting in Ha Noi next month.

Yours sincerely,



Hoang Van Dung
ABAC Chair 2017

Progress Report to APEC Ministers Responsible for Trade on Relevant ABAC Initiatives

- 1. Addressing anti-globalization sentiments.** Globalization, more open trade, and technological innovation have delivered tremendous benefits to our region and our communities, lifting millions from poverty, enhancing productivity and competition and raising living standards. At the same time, ABAC recognizes the challenges that these processes can throw up for policymakers, business and communities in adjusting to the evolving environment. Greater efforts are needed to meet these challenges if we are to deliver on our vision of inclusive and sustainable growth and prosperity for the Asia-Pacific region. Governments and business – each with their unique and complementary roles – can and must do better at explaining the enormous benefits of more open trade and its important role in lifting our people out of poverty and into prosperity. We must also make clear that the economic dislocation that some groups of workers in some communities have faced in recent decades has resulted in large part from technological changes and other factors rather than from trade. However, we must go beyond simply improving the narrative: ABAC recognizes that the process of trade liberalization can have negative impacts on some groups of workers and in some locations, and that better domestic policies to address trade-related adjustment – for example, relating to structural reform, education and social safety nets – are essential to ensuring that the benefits of greater trade openness can be more widely shared. ABAC has commissioned the University of Southern California’s Marshall School of Business to examine the impacts of globalization, trade and technological innovation, and how the benefits of these processes can be more broadly shared, through a business lens. We believe that this study will make an important contribution to this most critical of current policy debates.
- 2. Developing pathways to enable an FTAAP.** ABAC has been a strong supporter of regional trade agreements and the role of the RTAs/FTAs including the TPP, RCEP and the Pacific Alliance together leading us to achieve FTAAP. ABAC notes that at their recent meeting, G20 Finance Ministers failed to agree to a joint communique pledging to resist all forms of protectionism, and is concerned that protectionist measures not be allowed to spread throughout APEC. We emphasize the importance of implementing the commitments of the TPP and preserving its high-quality outcomes. We urge the RCEP parties to complete the negotiations by the end of the year, ensuring that the agreement is comprehensive, high-quality and mutually beneficial. We believe that FTAAP is an achievable goal and that continued pursuit of this vision will help deliver sustainable and inclusive growth for the region.

ABAC welcomes the Leaders’ Declaration in November in Lima, providing instructions on FTAAP, and articulating a clear timetable for progress. We understand that this is not a simple or short-term task, particularly given the high level of public distrust of government and business. ABAC urges APEC to actively implement the steps set out in the Lima Declaration and remain confident that continuous incremental progress can serve as the driving force for FTAAP and realization of the Bogor Goals.

ABAC supports the principle that FTAAP will be realized outside of APEC and that it should remain open and inclusive for new members. ABAC agrees that the basis of FTAAP will come by building on pathways already in place or underway, and most particularly that it should be high quality and comprehensive, and incorporate next generation trade and investment issues. ABAC welcomes the direction from Leaders that there be an examination by 2020 of the contribution of current pathways to the realization of FTAAP, that specific areas of work be identified and discussions be had on addressing challenges in meeting regional economic integration goals and the eventual FTAAP. ABAC supports the continued role of APEC as an incubator of issues related to FTAAP and the Leaders’ direction to identify and address next generation trade and investment issues and advance new initiatives critical to achieving FTAAP. ABAC will actively contribute to these tasks as they progress.

After more than a decade of talking about FTAAP, ABAC would like steps to be taken to articulate what FTAAP might actually look like, what it could cover, how it might be structured, what its goals might be. Annex A to the Lima Declaration sets a timetable to do the preparatory work, to outline what we mean when we talk about FTAAP. This represents significant progress. The vision of regional business

is that FTAAP will enable trade in goods and service industries, facilitate investment, aid value chain development, address intellectual property issues and enable temporary labor mobility. ABAC would like FTAAP to be accessible to business, and to be a living agreement, allowing for future needs, in an ever-changing business environment. Digital economy issues allowing for an innovation-friendly technological environment must be covered. Issues of inclusiveness and good regulatory practice must also be addressed. ABAC believes that it is important that although the pathways offer different models, that they are compatible, so that they do not compete with one another, but ultimately allow convergence. ABAC looks forward to the work that will be undertaken in the next few years that will lead to clearer views on preferable structures for FTAAP.

ABAC acknowledges the contribution that other regional initiatives and arrangements have made towards freeing up trade and investment and creating a trade liberalization-supportive environment, including the ASEAN Economic Community and the Eurasian Economic Union, among others.

- 3. Accelerating trade and investment liberalization and facilitation.** Now more than ever it is critical for the economic wellbeing and prosperity of our communities that we take action to keep markets open and competitive, to deepen connections and to resist the rise of protectionism. The more efficient flow of goods and services across borders is central to this. Reducing and eliminating existing non-tariff barriers (NTBs) to goods and services trade and preventing the development of new non-tariff barriers, both at- and behind-the-border, is a core component of more open markets, delivering benefits to business, consumers, communities and economies, and enhancing food security. ABAC has developed a set of WTO-consistent cross-cutting principles for non-tariff measures (NTMs)/NTBs. According to the principles, in order to avoid non-tariff measures becoming non-tariff barriers, such measures should be developed in a transparent and consultative way; should be transparent, timely, coherent and non-discriminatory; should be based, as appropriate, on sound science or closely aligned with international norms; and should be the least-trade restrictive measures necessary to meet a legitimate objective. This principled approach should be used to assess the consistency of existing measures with a 'least-trade-restrictive' approach, and as a basis for future trade agreements and arrangements, including in the proposed FTAAP. Business has an important ongoing role to play in identifying problems and helping to develop solutions.

ABAC encourages further efforts to strengthen work in trade facilitation by building on existing workstreams, including on the start of implementation of the Suggested Framework for Phase Two of the Supply Chain Connectivity Framework Action Plan (SCFAP) 2017-2020.

- 4. Advancing the implementation of the APEC services agenda.** ABAC applauds APEC on the ambitious targets laid out in the APEC Services Competitiveness Roadmap's (ASCR) Implementation Plan, and highlights the need to see this plan to fruition. ABAC is ready to assist with identifying the priority areas for implementation to ensure that the policies and programs developed are ambitious, practical and relevant. ABAC is committed to working closely with APEC to monitor the progress of the Implementation Plan.

In addition, ABAC supports the conduct of services public-private dialogues, particularly on key enabling services which can bring about the greatest multiplier effects to local economies and MSMEs. Exchange of insights between the government and the private sector would be useful in identifying barriers that could enable structural reforms for a more coherent, transparent and efficient regulatory environment for services in the region.

- 5. Developing the APEC post-2020 vision.** With only three years till the Bogor deadline, ABAC urges APEC to accelerate the efforts to achieve free and open trade and investment in the region and to initiate a process to develop the post-2020 vision. ABAC commits to actively contribute to this process, including by participating at the Multi-Stakeholder Dialogue on APEC toward 2020 and beyond in Ha Noi in May.

- 6. Supporting the WTO.** ABAC recognizes the importance of the WTO as the foundation for the global rules-based trading system. The 11th Ministerial Conference in Buenos Aires, Argentina offers an important opportunity to demonstrate our commitment to more open and less distorted markets, recognizing the benefits that these deliver for our communities, for the economic development of developing economies and for the environment. In particular, we urge APEC economies to work diligently towards robust and meaningful outcomes in Buenos Aires on reducing and eventually eliminating trade-distorting subsidies for agriculture, and for subsidies that contribute to illegal, unregulated and unreported fishing. An outcome on e-commerce would similarly recognize the significance of the digital economy and the importance of strong and deep connectivity for regional economic integration. We encourage more economies to join the negotiations on the Trade in Services Agreement (TiSA) and Environmental Goods Agreement (EGA), and for all participants to redouble their efforts towards an ambitious and early conclusion of these agreements. ABAC urges APEC economies which are members of the WTO to complete ratification and to take early action to implement the Trade Facilitation Agreement (TFA), to help reduce costs and increase efficiency in the movement of goods and provision of services, and to benefit developing economies and MSMEs in particular.

ABAC will bring new focus to the trade and development agendas of the WTO and APEC, noting the impact of technology and connectivity and their ability to transform the social and economic status of our communities. In 2017, Papua New Guinea will host a Trade and Development Roundtable in Port Moresby to consider frameworks such as the United Nations Sustainable Development Goals and how they inform trade policy and post Bogor Goal priorities, and their consideration in the development of FTAAP. The business community looks forward to collaborating with APEC governments on this important work.

Finally, ABAC emphasizes that care must be taken to ensure that any new plurilateral, regional and bilateral agreements genuinely complement and support efforts towards eventual global liberalization under the WTO.

- 7. Accelerating economic, financial and social inclusion.** ABAC underscores the need for promoting initiatives to enhance economic, financial and social inclusion in the APEC region. To that end, ABAC applauds APEC's efforts to enhance "effective economic, financial and social inclusion of women, elderly, youth and rural communities as well as disadvantaged or vulnerable groups" as mandated by APEC Leaders in Lima last year.
- 8. Facilitating development of dynamic and global MSMEs.** Micro, small and medium enterprises (MSMEs) remain the lifeblood of virtually every economy in the region as they make up more than 90 percent of businesses and employ over 60 percent of this region's workforce. MSMEs have a key role to play in the development and sustainability of the region provided they are properly tooled to enable them to grow into regional and global players.

ABAC calls on APEC to adopt a more innovative approach by focusing its efforts towards developing MSMEs as direct participants of cross-border trade, accompanied by a strong set of measures to improve MSMEs' competitiveness. Efforts to increase MSME capacity to expand markets beyond their borders should include: (i) exploring innovative financing options; (ii) facilitating initiatives that will allow MSMEs to take advantage of e-commerce platforms; (iii) institutionalizing and incentivizing inclusive business models that promote MSME participation in global value chains; and (iv) intensifying capacity building and hands-on training to strengthen human capital to embrace the digital era; and (v) developing sustainable and friendly ecosystems for start-ups and innovative MSMEs.

Financing is a major challenge that must be addressed to allow MSMEs to innovate, grow and create jobs. Efforts need to focus on the legal and institutional ecosystem for secured transactions, credit information, insolvency and valuation practices that underpin bank lending to MSMEs. Through public-private collaboration under the Financial Infrastructure Development Network (FIDN), APEC has helped

a number of economies make progress in these efforts, with the help of the Asia-Pacific Financial Forum (APFF). We call on Ministers to encourage relevant authorities to collaborate with APFF in this work, and to support the ongoing cross-border credit information sharing pilot project in the Mekong Region that can enable MSMEs to access finance in host economies using their transaction data in their home economies.

Participation in global value chains has now become critical for MSMEs in light of political headwinds facing trade liberalization. To support this, efforts to expand their access to trade and supply chain finance must be intensified. These include regional discussions to develop pilot programs for cross-border supply chain finance that APFF is convening. MSMEs' access to credit can be enhanced with better access to insurance. To this end, APFF is drafting the APEC roadmap for expanding microinsurance coverage as mandated by the Cebu Action Plan. Financial technology (fintech), particularly in marketplace lending and electronic payments, is creating new ways for MSMEs to access finance. APFF is providing a platform for dialogue among regulators and industry experts to help create an enabling fintech ecosystem. We urge Ministers to encourage relevant officials to collaborate in these undertakings and to participate in this year's Asia-Pacific Forum on Financial Inclusion, which will discuss financial inclusion strategies relating to agrifinance, consumer protection, financial education, digital finance, microinsurance and digital identity. ABAC can work with governments to address a key regulatory challenge of how economies can more effectively channel funding to MSMEs without exposing themselves to systemic risks.

- 9. Enhancing women's economic empowerment.** Women throughout the APEC region face challenges related to obtaining capital, reaching markets, developing skills and capacity, accessing networks, and achieving leadership positions. These obstacles result in untapped productivity and inhibited economic growth in the region. ABAC welcomes the second APEC Business Efficiency and Success Target (BEST) Award in September 2017 in Hue, Viet Nam, and encourages APEC economies to hold this contest as part of the APEC Women and the Economy fora in the future. ABAC calls on all APEC economies to promote women entrepreneurship by focusing on skills development including Science, Technology, Engineering and Mathematics (STEM), and fully leveraging the opportunities that digitalization presents. ABAC looks forward to the adoption and implementation of the Guide on Mainstreaming Gender Equality and Empowerment of Women and Girls in APEC.

The ABAC Women's Forum initiative "ABAC Women Connect" will focus on accelerating entrepreneurship through digitalization, effective knowledge sharing, learning and recognition.

- 10. Facilitating institutional connectivity.** ABAC continues to give high priority to the initiatives being pursued by APEC Leaders to enhance structural reform, since behind-the-border structural barriers to trade and investment today constitute the biggest barriers to improved regional integration, and enhanced trade and investment around the APEC region. ABAC calls on APEC economies to focus on and prioritize structural reforms that improve regulatory efficiency, competition, consistency, transparency and simplicity, as set out in the Renewed APEC Agenda for Structural Reform (RAASR), in particular in the services sector (including in the APEC Services Cooperation Framework), and in support of MSME access to international market opportunities.

ABAC is encouraged by the positive outcomes of pilot projects on global data standards (GDS), recognizing the contribution that this work can make to the more efficient, timely and secure functioning of global supply chains. It is clear that the right GDS system can contribute significantly to greater business certainty, supply chain functioning, and border processes, but equally that there are challenges around infrastructure and engagement. ABAC urges APEC economies to press ahead with policy development on GDS towards the ultimate goal of improved regulatory and operational coherence for the benefit of all.

As technology has enabled substantial connectivity, and commerce has become truly global, the rate and pace of change is accelerating growth opportunities for all APEC economies. Trade and economic prosperity in the region are now integrally connected with the fast and efficient operation of digital technology, linking and enabling business and government operations at every level.

The power of technology to deliver jobs and inclusive growth in the region provides far reaching opportunities. To take full advantage of these opportunities, ABAC encourages regional policymakers to design international regulatory frameworks that are flexible enough to permit access to the innovation that can accelerate and distribute growth and prosperity in new and transformative ways. We also encourage governments to promote policies that allow for the regional movement of cross-border data flows, which facilitates the spread of innovation and increases opportunities to generate economic growth. At the same time, we recognize the importance of establishing appropriate privacy and cybersecurity protections.

Finally, ABAC supports APEC's commitment to foster cooperation in human resource development to respond to demands of work in the digital age. ABAC encourages all regional economies to invest in skills training to help promote inclusive growth and prepare their workers to succeed in the digital economy. If APEC is to realize the enormous benefits of fully engaging in the digital economy, there must be investment in digital literacy, technology and skills training, that prepares our populations for the high demand jobs of the future. Fostering public-private collaborations, to ensure that training remains relevant to industry needs, and supporting mutual recognition of qualifications are effective mechanisms to achieve these goals. ABAC is undertaking work to assess the needs of entrepreneurs in our region, including next generation training and skills requirements, and to assess readiness of our economies to effectively engage in trade, leveraging the opportunities afforded by digital technology.

- 11. Enhancing people-to-people connectivity.** ABAC appreciates the support being given to its proposed Earn, Learn, Return initiative as part of broader APEC efforts to improve the management of internationally mobile labor around the APEC region. ABAC also continues to encourage member economies to contribute data to the APEC Skills Mapping initiative which currently has input from just six members, since this initiative is essential to building a clearer empirical understanding of key skills shortages in the region, and to developing optimally-focused vocational training programs across the region. This work is of particular importance given rising awareness of how accelerating technological change is reshaping the skills our workforces will require to participate successfully in our regional economy in the decades ahead.

ABAC has given strong endorsement to the APEC Education Network (EDNET) initiative to improve the region-wide recognition of qualifications. Given the immense technical complexity of this task, ABAC is working with officials to identify "pilot" sectors in which to prioritize activity. At present, priority is being given to "allied health workers" and the tourism sector, in collaboration with the Tourism Working Group. ABAC is proposing strong support for work inside APEC's Human Resources Development Working Group on these interconnected challenges, and looks forward to participating strongly in discussions and workshops focused on preparation of an APEC recommendation to leaders in November 2017.

ABAC welcomes APEC support for the extension of the validity of the APEC Business Travel Card (ABTC) from three to five years, and its highest priority is now to secure APEC support for APEC-wide online lodgment for ABTC applications. The APEC Business Mobility Group has given in-principle support for E-Lodgment, with further detailed progress hoped for over the course of 2017.

- 12. Improving physical connectivity.** ABAC seeks to work closely with APEC economies to further build capacity in public-private partnerships (PPPs) focused on developing physical infrastructure. To this end, it seeks to work with APEC to leverage dialogues that include the private sector such as the

Asia-Pacific Infrastructure Partnership (APIP) that facilitate additional capacity building. ABAC seeks Ministers' support for ongoing efforts to promote long-term investment in infrastructure including by pension funds, insurance companies and Islamic financial institutions in the region. In addition, ABAC encourages governments to better understand the private sector's needs by reviewing and completing frameworks such as ABAC's Infrastructure Investment Checklist and engaging in partnerships with ABAC.

ABAC remains committed to working with APEC to improve maritime connectivity across the region, to facilitate the flow of goods, trade and investment. At the same time, counsel is being sought from expert aviation bodies like the International Civil Aviation Organization (ICAO) and the International Air Transport Association (IATA) on where business input would most be valued in development of the region's aviation services.

Not least, ABAC strongly encourages APEC economies to encourage and incentivize investment in strong digital infrastructures, in order to enhance broad-based productivity and efficiency, and to make possible (in particular to MSMEs previously blocked from competing for international business) the use and development of many new services being delivered by the digital revolution.

- 13. Promoting food security and reducing non-tariff barriers.** The role of open trade and investment in linking food supply with growing food demand in the region, and the need to develop greater partnership with the private sector, are important elements for achieving food security, but are frequently overlooked or undervalued. ABAC remains committed to seeking the most open, predictable and transparent conditions possible for trade.

In this regard, ABAC continues to encourage APEC economies to work to reduce and eliminate NTBs affecting food trade, in accordance with our WTO-consistent cross-cutting principles for NTMs/NTBs. ABAC also urges APEC economies to actively involve the business sector in the priority-setting process on NTBs. This is important because the business perspective is informed by direct, real-world experience of the additional costs, burdens and challenges of NTBs. In that regard, ABAC encourages APEC economies to consider how to give effect to the recommendations in the report on NTBs affecting food trade commissioned by ABAC last year from the University of Southern California's Marshall School of Business.

In addition, ABAC underscores the important role of the private sector and encourages APEC Leaders and Ministers to deepen the level of strategic engagement and dialogue with the private sector, including by giving serious consideration to how to ensure more effective structure and functioning of the APEC Policy Partnership on Food Security (PPFS). This will be essential to advancing the priorities set out in the APEC Food Security Roadmap Towards 2020.

Moreover, ABAC stresses that smallholder farmers face crucial challenges in addressing globalization, increasingly complex food supply and value chains, pressures on natural resources and the adverse effect of climate change. ABAC applauds APEC's efforts to enable small stakeholders to make substantial contributions to ensuring food security, poverty alleviation and the fulfillment of the 2030 Sustainable Development Goals, while not distorting production or trade.

- 14. Improving energy security.** As demand for energy continues to grow in proportion to the APEC region's economic development, efforts to mitigate impacts on the environment have grown in importance. A 2016 Special Report by the International Energy Agency (IEA) affirms that unless efforts are made to expand the use of renewable energy, control the emission of air pollutants, and improve energy efficiency, further increases in air pollution will occur in the next few decades. Even though ABAC strongly supports APEC's pledge to double the share of renewables in the APEC energy mix by 2030, according to the Asia Pacific Energy Research Center (APERC), fossil fuel, including coal, will continue to be the main power source for energy supplies in the APEC region until 2040 unless significant policy changes are pursued.

The shift to renewable energy and natural gas requires policies that support technological innovation, open and fair competition on a level playing field, and market-based pricing undistorted by subsidies. Moreover, continuous efforts to adopt the best possible technologies are essential. ABAC supports the APEC initiative for enhancing quality of electric power infrastructure. ABAC recommends APEC economies promote the introduction of high-quality energy infrastructure to reduce environmental impact, improve the quality of existing energy infrastructure, support the development and dissemination of innovative technologies in the environmental field, and extend support for the adoption of these technologies.

Faced with increased uncertainty by current energy price levels, ABAC recommends APEC economies to facilitate oil & gas free trade and investment in upstream development to secure long-term price and supply stability.

- 15. Promoting green growth.** Promoting green growth is essential for the sustainable development of the APEC region. In order to achieve the worldwide goal to mitigate greenhouse gas emissions as set in the Paris Climate Agreement, it is important to continue working on the active adoption of renewable energy, energy conservation and effective use of energy. This work can also help foster new industries that create new jobs.

For these reasons, ABAC proposes that support for renewable energy for reducing CO₂ emissions should incorporate all technological innovations. Atmospheric heat, geothermal heat and water heat are naturally replenished and can be used permanently. The use of heat pump technology is one option to allow efficient energy conversion (like PV panels for solar energy and windmills for wind power) and should be considered as a viable source of renewable energy technology.

In addition, a wide range of next-generation vehicles, including clean diesel, electric vehicles, hybrid electric vehicles, plug-in hybrid electric vehicles and fuel cell vehicles, are currently being developed around the world. ABAC encourages APEC to support the development of such vehicles to reduce CO₂ emission in the transportation sector.

Moreover, ABAC highly applauds APEC's continuous efforts to identify and eliminate trade barriers for environmental goods and services (EGS), which have produced great results. ABAC urges APEC economies to continue accelerating their efforts to maintain the applied tariff rate on environmental goods to 5 percent or lower as committed by APEC Economic Leaders. ABAC also urges ambitious efforts to reduce barriers in environmental services, based on the APEC Environmental Services Action Plan.

- 16. Fostering inclusive growth through the extractive industry.** With 70 percent of all mining output produced and consumed in the APEC region, it is critical that growth fueled by the mining sector utilizes inclusive business models focusing on MSME and agribusiness development to create benefits for the poor and disadvantaged rural communities where most of the world's leading mining and resource companies operate.

ABAC continues its work in authoring a White Paper to consider 'Creating Inclusive Growth through the Extractive Industry' to demonstrate the potential to build non-mine dependent economies that result in economic empowerment, increased livelihoods and avenues out of poverty across the APEC region and to create pathways for this subject matter to be featured in the lead up to APEC 2018. The White Paper will draw from the APEC-endorsed 10 Mining Policy Principles and reflect the input of participating private sector stakeholders.

ABAC applauds APEC's efforts, including relevant working groups and the Mining Task Force, to provide inputs on how to support and foster the facilitation of inclusive growth opportunities as well as outline some key steps with regard to livelihood improvement interventions. Close cooperation between governments and the private sector is needed to promote regulatory environments and best practices

that create positive outcomes for investors, economies, and communities. As such, it is critical to maintain a strong and active dialogue between the public and private sector and to promote cooperation on shared goals.

- 17. Promoting a healthy and productive workforce.** The healthcare challenges facing the APEC region threaten economic development. ABAC supports APEC's focus on a healthy workforce as being a critical requirement for inclusive growth. APEC and ABAC studies conducted in 2014 and 2015 showed significant predicted GDP losses through 2030 in APEC economies due to ill-health and early retirement due to disability. In 2015, APEC Leaders acknowledged the inherent linkage between good health and fiscal stability. ABAC, the Life Sciences Innovation Forum and the APEC Health Working Group continue to urge cross-sectoral coordination in the policy dialogue between health, finance and economic ministers, to achieve the common goal of proactive investment in healthy workforces by improving the use of government financing and expenditure tools that can lead to more equitable financing of and access to healthcare.



28 July 2017

H.E. Nguyen Thi Kim Tien

Chair, APEC High-Level Meeting on Health and the Economy

Minister of Health

Viet Nam

Dear Minister Nguyen Thi Kim Tien:

The healthcare challenges facing the APEC region threaten the quality of life and economic development. ABAC strongly supports APEC's focus on a healthy workforce as being a critical requirement for inclusive growth and for this year's theme of "Creating New Dynamism, Fostering a Shared Future." We welcome your leadership in hosting the 7th High-Level Meeting on Health and the Economy which provides a unique opportunity for dialogue with healthcare stakeholders seeking innovative health solutions and outcomes that provide shared benefits.

ABAC is encouraged by the progress in the implementation of the APEC Healthy Asia-Pacific Roadmap. We urge Health Ministers to engage with the private sector to achieve the Roadmap's goals of strengthening health systems, and improving the prevention and management of non-communicable diseases.

We welcome the contribution of the APEC Life Sciences Innovation Forum (LSIF) and the Health Working Group (HWG) to the High-Level Meeting. Their respective and shared work programs are unique globally as they address issues that affect the quality of services delivered and the challenges faced increasingly by populations in our region. These range from the safety of the region's blood supply, addressing antimicrobial resistance, including tuberculosis, aging populations, and areas where there are inordinately high incidences of disease in APEC economies such as cervical cancer, diabetes and associated morbidities, renal failure, mental health, and other forms of chronic disease.

At the same time, as health systems are dealing with these challenges, ABAC is working with the HWG and the LSIF to address the fiscal and economic impacts of ill-health, as called for by APEC Finance Ministers and APEC Leaders.

APEC and ABAC studies conducted in 2014 and 2015 showed significant predicted GDP losses (of up to 8.5 percent) through 2030 in APEC economies due to ill-health and early retirement due to disability. In 2015, APEC Leaders acknowledged the linkage between good health and fiscal stability.

ABAC was very encouraged that the APEC Finance Ministers' Meeting (FMM) in October 2016 included a discussion with the LSIF and the HWG on the productivity gains from investing in health and viewing health as an asset class with measurable returns on public and private investment. ABAC, the LSIF and the HWG have long called for cross-sectoral policy coordination between health, finance and economic ministers to achieve the common goal of proactive investment in healthy workforces by improving the use of government financing and expenditure tools that can lead to more efficient financing of and access to healthcare.

As a follow up to the 2016 FMM discussion, at the 18 May 2017 APEC Senior Finance Officials' Meeting (SFOM), experts from the LSIF and the HWG discussed the creation of a virtual task force that would identify and look at ways of addressing the fiscal and economic impacts of ill-health in accordance with the implementation of the Cebu Action Plan. The objective is to identify alternative financing mechanisms and their enablers that would bring efficiencies into the system while increasing access to healthcare so

the challenges outlined above can be addressed effectively. The task force will also assess the feasibility of developing a checklist or toolkit outlining the metrics for measuring the return on investment in health for consideration by FMM in October 2017. ABAC encourages interested Senior Health and SFOM members to join in the task force with the HWG and the LSIF. We also encourage APEC to consider ways in which the burden of ill-health falls disproportionately on small businesses and women, and what measures can be taken to remedy this.

ABAC supports the continued development and utilization of the Healthy Women, Healthy Economies (HWHE) toolkit which showcases government policies and business practices that address health-related barriers to women's effective participation in the workforce.

Despite forecasts for improved economic growth in the region this year, growing healthcare challenges and burgeoning healthcare costs threaten that growth. Now more than ever, high-impact investments by governments and businesses in robust healthcare systems, supported by good economic policies and efficient regulatory systems, are required to ensure that this fragile momentum is not lost.

We encourage Health Ministers to continue to forge dialogues and exchanges with the private sector that provide information about critical health issues, helping finance, commerce, and trade ministries understand the direct and substantial impact health has on every economy's bottom line in human and economic terms.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Dung', with a long horizontal stroke extending to the right.

Hoang Van Dung
ABAC Chair 2017



28 July 2017

H.E. Nguyen Chi Dung

Chair, APEC SME Ministerial Meeting
Minister of Planning and Investment
Viet Nam

Dear Minister Nguyen Chi Dung:

On behalf of the APEC Business Advisory Council (ABAC), I would like to share our key recommendations related to micro, small and medium enterprises (MSMEs). MSMEs comprise over 97 percent of all enterprises in the region and over half of the workforce in APEC economies. Yet they only account for 35 percent of region's exports. ABAC has identified that poor access to information and foreign distribution networks, costly trade requirements, burdensome border regulations and standards, and lack of trade finance as major barriers to international trade for MSMEs.

In this regard, ABAC has prioritized the following recommendations as concrete measures to enhance APEC MSMEs' global presence:

- *Accessing regional and global markets through the digital economy and e-commerce.* E-commerce and more generally information and communication technology (ICT)-enabled services offer MSMEs new opportunities to access international markets and help them overcome obstacles to trade. E-commerce allows MSMEs to cross borders and reach customers at much lower costs. Yet MSMEs face specific obstacles in seizing these opportunities. According to an APEC-wide study conducted by ABAC with the University of Southern California's Marshall School of Business in 2015 and the recent study with RMIT University, the main issues MSMEs face with web sales include identifying reliable and secure e-commerce marketplaces; logistics of shipping a good or delivering a service; security and data protection; and payments.

The digital economy remains a central priority of APEC Leaders with greater emphasis placed this year to strengthen MSMEs' competitiveness and innovation in the digital age. ABAC commends the efforts by the various economies in collectively carrying out concrete and practical programs and activities to advance the Digital Economy Action Plan and Work Agenda (DEAP) developed by the APEC SME Working Group in 2015. We welcome the efforts by the APEC Electronic Commerce Steering Group (ECSG) to develop the APEC Cross-Border Facilitation Framework. We urge economies to utilize the outcomes from these APEC projects and programs as well as recommendations from ABAC's studies to formulate an APEC-wide forward-looking e-commerce policy framework to improve the adoption and effective use of digital technologies along with access to regional and global data for MSMEs.

Recognizing that the promotion of digital literacy and acquisition of digital skills will help diminish the digital divide between and within our economies and increase MSME prospects in cross-border e-commerce, ABAC launched the Cross-Border E-Commerce Training (CBET) workshops across APEC economies, e.g., in China (2014), Brunei (2015), Papua New Guinea (2016) and Malaysia (2017). ABAC has expanded the CBET program beyond local borders by launching the CBET online e-Learning program. We call on economies to promote both online and offline capacity building efforts to make MSME firms e-commerce ready by encouraging such programs.

- *Fostering Innovative Business Models.* As grassroots innovations are community-led solutions for sustainability, they can offer promising new ideas and practices for small businesses to prosper. Global grassroots organizations and movements from around the world have aimed to bring about more inclusiveness and generate solutions to social and environmental issues through entrepreneurship. ABAC considers this work relevant to its mission and supports fostering businesses to create more

innovative business models, built on best practice business cases that maintain a balance among profit, environmental protection, community and employee welfare, and corporate governance.

Concrete standards for impact business model innovation and governance have been established and have taken root, providing clear direction to MSMEs around the world. More and more, rapidly growing MSMEs are expanding their businesses by creating value for society and the environment. ABAC is confident that, by supporting these movements and activities, more innovative and sustainable solutions will emerge, allowing Asia-Pacific MSMEs access to new opportunities and enhancing competitiveness on the world stage.

- *Fortifying linkages between MSMEs and large enterprises.* Accessing foreign distribution networks and facing the necessary costs for marketing their products abroad can be too costly for MSMEs. It is therefore important for MSMEs to enter into linkages with large enterprises which would significantly reduce MSMEs' distribution costs, thus making exporting profitable for MSMEs. For this linkage to prosper, APEC needs to create a conducive business environment by developing policies that would enhance these types of partnerships and incentivize inclusive business models that promote supplier diversity which can lead to greater MSME participation in global value chains.

ABAC is working with the Asian Institute of Management (AIM) and other partners to further promote successful cases and best practices of big businesses that enable MSMEs to access the global value chain and to identify policy recommendations that strengthen trade and investment linkages between MSMEs and large corporations.

- *Addressing non-tariff barriers.* Non-tariff barriers that give rise to fixed costs are particularly burdensome for MSMEs, which commonly have limited financial, human and technological resources. Conformity and pre-shipment requirements in the export market, and weak and costly inspection or certification procedures in the home economy are major hurdles for MSME to cross borders. ABAC has developed a set of WTO-consistent cross-cutting principles for non-tariff measures/non-tariff barriers. According to the principles, in order to avoid non-tariff measures becoming non-tariff barriers, such measures should be developed in a transparent and consultative way; should be transparent, timely, coherent and non-discriminatory; should be based, as appropriate, on sound science or closely aligned with international norms; and should be the least-trade restrictive measures necessary to meet a legitimate objective. This principled approach should be used to help assess the consistency of existing measures with a 'least-trade-restrictive' approach, and as a basis for future trade agreements and arrangements, including in the proposed Free Trade Area of the Asia-Pacific (FTAAP). Business has an important ongoing role to play in identifying problems and helping to develop solutions.
- *Advancing the WTO Trade Facilitation Agreement (TFA).* The implementation of WTO TFA is truly welcome as it will unlock the potential of MSMEs by helping to reduce the range of burdens and costs to access international markets. ABAC urges APEC economies which are members of the WTO to complete ratification and to take early action to implement the TFA, to help reduce costs and increase efficiency in the movement of goods to benefit MSMEs.
- *Expanding MSMEs' access to finance.* Financing is a major challenge that must be addressed to allow MSMEs to innovate, grow and create jobs. Efforts need to focus on the legal and institutional ecosystem for secured transactions, credit information, insolvency and valuation practices that underpin bank lending to MSMEs and on promoting trade and supply chain finance. Through public-private collaboration under the Financial Infrastructure Development Network (FIDN), APEC has helped a number of economies make progress in these efforts, with the help of the Asia-Pacific Financial Forum (APFF). We call on Ministers to encourage relevant authorities to collaborate with APFF in this work, and to support the ongoing cross-border credit information sharing pilot project in the Mekong Region that can enable MSMEs to access finance in host economies using their transaction data in their home economies.

Financial technology (fintech) should also be harnessed to expand MSMEs' access to finance. Key to achieving this is the development of sound regulatory approaches that balance the fulfillment of objectives such as consumer protection and the stability and integrity of financial systems with the promotion of innovation and financial inclusion. We urge Ministers to support the development of a regional platform within the APFF for regular dialogue among regulators, industry practitioners and experts on financial innovation, particularly in the critical areas of fintech credit, payments, regulatory technology (regtech), cybersecurity and customer due diligence.

- *Facilitating MSME access to information needed to operate internationally.* The MSME sectors in the APEC economies are broad and diverse. Accessing practical information to make good decisions and better resources is challenging. Technology applications can offer an inclusive approach to reach the broad spectrum of MSMEs. ABAC therefore welcomes the establishment of the APEC MSME Marketplace as a platform to disseminate particularly important information relating to regulatory frameworks and trade requirements, advisory, support services and capacity building activities for MSMEs, and listings of accredited online marketplaces, innovation centers, incubators and accelerators to encourage business networking and matching among these enterprises.

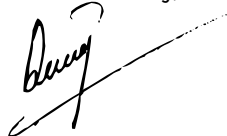
ABAC will continue to assist to populate the marketplace with ABAC-related initiatives – e.g. CBET, studies relevant to MSMEs, sharing of best practices and case studies, providing a list of potential suppliers for MSMEs and hosting a particular feature of the Marketplace like the CBET website.

- *Enhancing women's economic empowerment.* Women throughout the APEC region face challenges related to obtaining capital, reaching markets, developing skills and capacity, accessing networks, and achieving leadership positions. These obstacles result in untapped productivity and inhibited economic growth in the region. ABAC welcomes the second APEC Business Efficiency and Success Target (BEST) Award in September 2017 in Hue, Viet Nam, and encourages APEC economies to hold this contest as part of the APEC Women and the Economy fora in the future. We call on all APEC economies to promote women entrepreneurship by focusing on skills development including Science, Technology Engineering and Mathematics (STEM), as well as the ABAC Women Connect Program, to empower women entrepreneurship through digitalization.

ABAC believes that these recommendations and its many MSME-related initiatives including online and offline CBET, the APFF-related initiatives to expand MSME access to finance, publication of successful cases and emerging inclusive business models, the WTO-consistent cross-cutting principles for non-tariff measures, the ABAC Digital Economy Work Plan and efforts in strengthening women's economic empowerment will complement APEC's work in building dynamic MSMEs and furthering their access to global markets.

We look forward to participating at your Ministerial Meeting in September to further discuss these recommendations.

Yours sincerely,



Hoang Van Dung
ABAC Chair 2017



15 August 2017

H. E. Dinh Tien Dung

Chair, APEC Finance Ministers' Meeting

Minister of Finance

Viet Nam

Dear Minister Dinh Tien Dung:

On behalf of the APEC Business Advisory Council (ABAC), I am pleased to convey to you this year's ABAC Letter to APEC Finance Ministers.

As regional business leaders, we are deeply aware that in this environment of subdued growth, geopolitical uncertainty, changing demographics, and increased inequality, the public and private sectors need to actively work together to encourage innovation and ensure inclusive growth across the Asia-Pacific. Rather than adopting protectionist policies that can hurt growth and opportunity in the longer term, we must clearly communicate the benefits of trade and globalization while making sure to separate the causes and consequences of trade, technological advancement, and other structural economic shifts. Trade imbalances across the region should be addressed at their roots – including barriers to competitiveness and domestic consumption. Various work streams within the APEC and ABAC communities are tackling these tough issues.

Finance plays a key role in this effort, and we believe the greatest progress toward addressing these broader issues can be achieved in the areas of **capital market development, MSME access to finance, infrastructure, and innovation**. We also note that risk-taking is necessary for growth, especially in these areas, and should be enabled by policies that strike a healthy balance between growth and protecting financial stability, while also providing appropriate levels of transparency as to the risks involved.

Capital Market Development

Development of capital markets is indispensable for achieving the Cebu Action Plan's goals of promoting financial integration, resilience and infrastructure. However, many economies face complex challenges, including the lack of liquidity and depth, lack of market players' access to hedging instruments, lack of high-quality and timely information and underdeveloped custody, clearing, settlement and payment systems that keep transaction costs and risks at elevated levels and hinder cross-border portfolio capital flows.

We urge APEC Finance Ministers to focus their efforts on promoting capital market development, including policy and regulatory reforms and capacity building measures that help create deep and liquid markets, supported by a stable macroeconomic environment. This can be fostered by appropriate economic reforms; the creation of sound legal frameworks and efficient financial market infrastructure; and policy measures that ensure the broad availability of information. We also call on more economies to join the Asia Region Funds Passport.

MSME Finance

We appreciate the efforts of APEC Finance Ministers under the Cebu Action Plan to address the financing challenges MSMEs face. Robust credit information, valuation, secured transactions and insolvency systems are critical for promoting their access to finance. We urge APEC Finance Ministers to continue pursuing the development of these systems by promoting the acceleration of the necessary legal and regulatory reforms and capacity building measures.

These efforts need to go hand in hand with undertakings to enable MSMEs to expand their role in regional trade and investment, such as ensuring the regional consistency of legal and regulatory frameworks, facilitating trade and supply chain finance and supporting pilot projects on the cross-border sharing of credit information. We also call on Ministers to continue advancing financial inclusion through the creation of enabling ecosystems for micro and agricultural finance, financial education, microinsurance, innovations in digital identity, online supply chain finance and harnessing distributed ledger technology.

Infrastructure

The infrastructure needs in APEC economies are as vast as they are critical to advancing economic growth. Substantial private funding is available to complement public sector and Multilateral Development Bank (MDB) sources of funding. Yet a lack of bankable infrastructure projects persists.

We urge APEC Finance Ministers to boost infrastructure development and delivery in the APEC region by developing and promoting bankable and investment-ready infrastructure project pipelines, enhancing the role of Multilateral Development Banks as catalysts for private sector investment where projects require support from MDBs, and fostering green finance markets. Specific recommendations on each of these topics are detailed in the report annexed at the end of this letter.

Greater attention also needs to be given to promoting more long-term investment from institutional investors such as insurance firms and pension funds, as well as Islamic financial institutions.

We further encourage innovation in financing mechanisms; and establishing diversified, market-based infrastructure financing models. Significant gains in planning and implementation would follow from improved coordination among agencies responsible for public-private partnership (PPP) projects and enhanced governance arrangements aimed at building trust between governments and private sector investors. Creating the regulatory certainty through the policies above would, in itself, also aid development.

Innovation

The development of innovative new technologies in the financial arena (fintech) has already demonstrated tremendous potential to help create more inclusive, stable and efficient financial systems. New fintech solutions are enabling micro-businesses to take advantage of growing export opportunities and creating alternatives for underserved communities to gain access to banking services. Policymakers across the region are currently working to evolve their regulatory structures to promote innovation and continued expansion of the fintech sector while at the same time ensuring that basic consumer protections are still assured.

We believe it is important for regulators to take a balanced approach to the evolution of the fintech sector. They should adopt technology-neutral regulatory frameworks that encourage continued investment and innovation and do not discourage the adoption of new technologies. They should engage with industry leaders to determine how existing regulatory policies that protect consumers and promote financial stability can be extended to new technologies in ways that will promote consumer confidence and economic growth. To help them achieve this, we ask APEC Finance Ministers to support regular regional dialogues between public and private sectors. These dialogues should focus on key issues such as ensuring a level playing field for financial technology, modernizing legal and regulatory frameworks related to privacy and data protection, removing barriers to cross-border business activities and movement of data, and the potential for using data to promote greater financial inclusion and cybersecurity.

ABAC's Contributions to Implementing the Cebu Action Plan

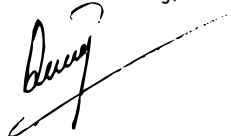
In addition, throughout 2017, ABAC is undertaking activities in pursuit of various deliverables under the Cebu Action Plan. Finance Ministers have entrusted several of these deliverables to three policy initiatives led by ABAC – the Asia-Pacific Financial Forum (APFF), the Asia-Pacific Infrastructure Partnership (APIP) and the Asia-Pacific Forum on Financial Inclusion. Details of these activities, their outcomes and recommended next steps are contained in the 2017 APFF Progress Report and the 2017 Advisory Group Report on APEC Financial System Capacity Building, which are annexed to this letter.

Finally, ABAC welcomes the Finance Ministers' support for continued dialogue with the APEC Life Science and Innovation Forum and the Health Working Group on ways to address the fiscal and economic impacts of ill-health. We continue to support this initiative and welcome the creation of the cross-fora task force.

We appreciate the opportunity to contribute to the work of APEC Finance Ministers, and we look forward to discussing these important matters further at the Finance Ministers' Meeting (FMM) in Quang Nam, Viet Nam in October.

We wish you a successful and productive conclusion to this year's FMM.

Yours sincerely,



Hoang Van Dung
ABAC Chair 2017

Attachments: *Annex A: 2017 ABAC Report to APEC Finance Ministers*
<https://www2.abaconline.org/content/download/22613731>
Annex B: Asia Pacific Financial Forum 2017 Progress Report
<https://www2.abaconline.org/content/download/22613734>
Annex C: Advisory Group Report on APEC Financial System Capacity Building
<https://www2.abaconline.org/content/download/22613735>



Founding and Structure

The APEC Business Advisory Council (ABAC) was created by the APEC Economic Leaders in November 1995 to provide advice on the implementation of the Osaka Action Agenda and on other specific business sector priorities, and to respond when the various APEC fora request information about business-related issues or to provide the business perspective on specific areas of cooperation. It is the sole non-governmental entity that has an official role in the APEC Economic Leaders' Meeting through a formal dialogue.

ABAC comprises up to three members of the private sector from each economy. ABAC members are appointed by their respective Leaders, and represent a range of business sectors, including small and medium enterprises. The economy determines the term of membership of each appointee as well as its own administrative arrangements and staff support.

The ABAC Secretariat based in Manila, the Philippines serves all members and all economies and maintains a website. Funding is provided through a system of annual dues, which are structured to reflect the size of each economy, following the APEC formula.

ABAC in 2017

In 2017, Viet Nam took on the Chair of ABAC, with Peru and Papua New Guinea as co-chairs, following the APEC order. Co-chairs represent immediate past and future chairs.

ABAC adopted the theme "Creating New Dynamism, Fostering a Shared Future". The 2017 work program focuses on the following priorities:

- Deepening regional economic integration
- Achieving sustainable, innovative and inclusive growth
- Enhancing MSMEs' competitiveness and encouraging innovation in the digital era
- Ensuring food security and promoting sustainable and climate smart agriculture

In line with the priorities of the ABAC Chair, ABAC established five working groups to carry forward its work during the year, namely:

- Regional Economic Integration Working Group (REIWG)
- Connectivity Working Group (CWG)
- MSME & Entrepreneurship Working Group (MSMEEWG)
- Sustainable Development Working Group (SDWG)
- Finance & Economics Working Group (FEWG)

In addition, ABAC collaborates with key international public and private sector institutions on financial issues affecting the region through the Advisory Group on APEC Financial System Capacity Building.

ABAC convened four meetings in 2017: Bangkok, Thailand (19-23 February); Seoul, Korea (26-29 April); Toronto, Canada (24-28 July); and Da Nang, Viet Nam (4-6 November). Four meetings of the Advisory Group were also held: Bangkok, Thailand (20 February); Seoul, Korea (26 April); Toronto Canada (25 July); and Da Nang, Viet Nam (4 November).

ABAC actively participated in various APEC meetings and related events, among others: First APEC Senior Officials' Meeting (SOM I) and related meetings (Nha Trang, Viet Nam: 18 February-3 March); APEC Multi-Stakeholder Dialogue on APEC Toward 2020 and Beyond (Ha Noi, Viet Nam: 16 May); Finance and Central Bank Deputies Meeting (Nha Trang, Viet Nam: 23-24 February); SOM II and related meetings (Ha Noi, Viet Nam: 9-18 May); APEC Seminar on Cross-Border Credit Information Exchange (Ninh Binh, Viet Nam: 16 May); APEC Seminar on Long-Term Investment in Infrastructure (Ninh Binh, Viet Nam: 17 May); Senior Finance Officials' Meeting (SFOM) (Ninh Binh, Viet Nam: 18-19 May); APEC Symposium on Trade and Innovation (Ha Noi, Viet Nam: 19 May); Meeting of APEC Ministers Responsible for Trade (MRT) (Ha Noi, Viet Nam: 20-21 May); Asia-Pacific Forum on Financial Inclusion (Hoi An, Viet Nam: 10-11 July); The 4th APEC Financial Infrastructure Development Network (FIDN) Conference on Credit Infrastructure Reforms (Hoi An, Viet Nam: 12 July); SOM III and related meetings (Ho Chi Minh City, Viet Nam: 18-30 August); APEC SME Finance Forum: Leveraging Technologies to Scale up Supply Chain Finance (Ho Chi Minh City, Viet Nam: 11 September); APEC SME Ministerial Meeting and related meetings (Ho Chi Minh City, Viet Nam: 11-15 September); The APEC Startup Forum (Ho Chi Minh City, Viet Nam: 12 September); Women Entrepreneurs' Forum: She Means Business (Hue City, Viet Nam: 28 September); SFOM (Quang Nam-Da Nang, Viet Nam: 19 October); APEC Finance Ministers' Meeting (Quang Nam-Da Nang, Viet Nam: 19-21 October); Finance and Central Bank Deputies' Meeting (Quang Nam-Da Nang, Viet Nam: 20 October); Concluding SOM (Da Nang, Viet Nam: 6-7 November); and APEC Ministerial Meeting (Da Nang, Viet Nam: 8-9 November).

Other events organized and/or participated in by ABAC included: Seminar on Capacity Building for MSMEs (Bangkok, Thailand: 20 February); Promoting the Islamic Infrastructure Investment Platform (I3P) (Bangkok, Thailand: 22 February); APFF Workshop on Key Issues in Developing Thailand's Repo and OTC Derivatives Markets (Bangkok, Thailand: 22 February); Joint APFF/APIP Dialogue with the Government of Indonesia on Promoting PPPs in Waste Management Projects (Jakarta, Indonesia: 14 March); APFF Workshop on Microinsurance Development Roadmap for Asia-Pacific Emerging Markets (Ha Noi, Viet Nam: 16 March); APFF/ASIFMA Conference on Corporate Bonds, Repo and OTC Derivatives Market Development in China (Beijing, China: 16-17 March); APFF Workshop on A Changing Trade Environment & An Assessment of Cross-Cutting Issues in The Road to New Growth: FTA, Trade Facilitation, Technology, Compliance & Trade & Supply Chain Financing (Singapore: 7 April); ABAC-IFC-PBOC APFF International Symposium on Personal Data Protection and Credit Reporting (Beijing, China: 20-21 April); APFF Symposium Developing APEC's Financial Market Infrastructure (Seoul, Korea: 25 April); APEC CBET Network Meeting (Seoul, Korea: 29 April); Joint APFF-ABMF Sub Forum 2 (SF2) Joint Session on the Financial Market Infrastructure Roadmap (Manila, Philippines: 4 July); APFF Financial Technology Workshop Encouraging Innovation, Promoting Inclusion and Managing Risks (Manila, Philippines: 5 July); FIDN Roundtable Discussion on Credit Reporting Data and Cross-Border Credit Information Exchange (Hoi An, Viet Nam: 13 July); ABACx: APEC-Canada Growing Business Partnerships Symposium (Toronto, Canada: 25 July); APFF Roundtable on Expanding Trans-Pacific Opportunities for Long-Term Investment in Infrastructure (Toronto, Canada: 25 July); ABACx @ Innovation Hub (Toronto, Canada: 25 July); Viet Nam Business Summit (Da Nang, Viet Nam: 7 November); and APEC CEO Summit (Da Nang, Viet Nam: 8-10 November).

Studies and Related Work

ABAC partnered with the University of Southern California's Marshall School of Business to undertake a study on "Harnessing globalization and technological progress for social inclusion and growth". The research project sought to look at the issue of dislocation from the perspective of globalization, including drivers and adjustment policies. The objective was to better understand the sources of anti-globalization sentiments, better communicate the benefits of open markets and identify policy recommendations.

ABAC produced a White Paper entitled 'Creating Inclusive Business Through the Extractive Industry', the objective of which was to foster inclusive business models (focusing on SME and inclusive agribusiness development) that would generate improved livelihoods and viable pathways out of poverty for the region's poor.

ABAC worked with the Asian Institute of Management to build on the work done in 2015 on Large Enterprise Linkages to Facilitate MSME Participation in the Global Value Chain. The study continued to document more successful cases and outline emerging models across APEC with a view to developing recommendations at the policy and industry levels for enabling inclusive business models.

Outreach

As part of its communications outreach efforts and in line with its economic inclusion agenda, ABAC continued to hold SME and Women's Forum events.

ABAC continued to strengthen its interaction and engagement with APEC Ministers, Senior Officials and APEC fora. ABAC members also hold meetings with the APEC leadership at the domestic level after each ABAC meeting.

Future Work

ABAC remains fully committed to providing advice to APEC Leaders on business sector priorities and in pushing forward the APEC agenda on trade and investment liberalization and facilitation. Future work will continue to focus on regional economic integration, FTAAP, trade facilitation, infrastructure development and investment, supply chain connectivity and global value chains, digital economy, MSME development, energy security, food security, structural reform and the development and integration of financial markets.

List of Acronyms

ABAC	APEC Business Advisory Council	IFC	International Finance Corporation
ABTC	APEC Business Travel Card	IMF	International Monetary Fund
AELM	APEC Economic Leaders' Meeting	ISO	International Standards Organization
AIM	Asian Institute of Management	ITA	Information Technology Agreement
APEC	Asia-Pacific Economic Cooperation	KYC	Know-Your-Customer
APERC	Asia-Pacific Energy Research Center	LSIF	APEC Life Sciences Innovation Forum
APFF	Asia-Pacific Financial Forum	MDB	Multilateral Development Bank
APIP	Asia-Pacific Infrastructure Partnership	MNE	Multinational Enterprise
ARFP	Asia Region Funds Passport	MRT	APEC Ministers Responsible for Trade
ASCF	APEC Services Cooperation Framework	MSME	Micro, Small and Medium Enterprise
ASCR	APEC Services Competitiveness Roadmap	MSMEEWG	Micro, Small and Medium Enterprises and Entrepreneurship Working Group
ASEAN	Association of Southeast Asian Nations	MTF	APEC Mining Task Force
BEST	APEC Business Efficiency and Success Target	NTB	Non-Tariff Barrier
BMG	APEC Business Mobility Group	NTM	Non-Tariff Measure
CAP	Cebu Action Plan	OECD	Organization for Economic Cooperation and Development
CBET	Cross-Border E-Commerce Training Program	OTC	Over-the-counter
CEO	Chief Executive Officer	PA	Pacific Alliance
CO ₂	Carbon Dioxide	PBOC	People's Bank of China
CWG	Connectivity Working Group	PPD	Public-Private Dialogue
DEAP	Digital Economy Action Plan and Work Agenda	PPFS	APEC Policy Partnership on Food Security
ECSG	APEC Electronic Commerce Steering Group	PPP	Public-Private Partnership
EDNET	Education Network	RAASR	Renewed APEC Agenda for Structural Reform
EGA	Environmental Goods Agreement	RCEP	Regional Comprehensive Economic Partnership
EGS	Environmental Goods and Services	REIWG	Regional Economic Integration Working Group
ELR	Earn, Learn, Return	RTA	Regional Trade Agreement
FEWG	Finance and Economics Working Group	SCFAP	Supply Chain Connectivity Framework Action Plan
FIDN	Financial Infrastructure Development Network	SDWG	Sustainable Development Working Group
FMM	APEC Finance Ministers' Meeting	SFOM	Senior Finance Officials' Meeting
FTA	Free Trade Agreement	SME	Small and Medium Enterprise
FTAAP	Free Trade Area of the Asia-Pacific	SOM	APEC Senior Officials' Meeting
GDP	Gross Domestic Product	SPS	Sanitary and Phytosanitary Measures
GDS	Global Data Standards	STEM	Science, Technology, Engineering and Mathematics
GHG	Greenhouse Gas Emissions	TFA	Trade Facilitation Agreement
GHS	Globally Harmonized System of Classification and Labeling of Chemicals	TiSA	Trade in Services Agreement
HRDWG	APEC Human Resources Development Working Group	TPP	Trans Pacific Partnership
HWG	APEC Health Working Group	UNCTAD	United Nations Conference on Trade and Development
HWHE	Healthy Women, Healthy Economies	USC	University of Southern California
I3P	Islamic Infrastructure Investment Platform	WHO	World Health Organization
IATA	International Air Transport Association	WTO	World Trade Organization
ICAO	International Civil Aviation Organization		
ICT	Information and Communication Technology		
IEA	International Energy Agency		

ABAC Executive Director 2017

Tran Thien Cuong

Head, International Relations Department
Viet Nam Chamber of Commerce and Industry

9 Dao Duy Anh street, Dong Da district, Hanoi, Viet Nam
Tel: (84) 435742022 ext. 221
Email: cuongtt@vcci.com.vn

APEC Business Advisory Council Secretariat

Antonio Basilio

Director

Evelyn Manaloto

Deputy Director

32/F, Zuellig Building
Makati Avenue Corner Paseo de Roxas
Makati City 1225 Philippines
Tel: (632) 845 4564 / (632) 843 6536
Fax: (632) 845 4832
Email: abacsec@pfgc.ph
Website: <https://www.abaconline.org>



www.abaonline.org

