

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.

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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 11<sup>th</sup> 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 11<sup>th</sup> 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 micro-insurance 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, micro-insurance 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 (ASCF)), 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 (APEREC), 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 CO<sub>2</sub> 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 CO<sub>2</sub> 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.