



## Executive Summary






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The global economy is witnessing an unprecedented period of high growth. But there are serious risks to that outlook which have intensified in recent months. The key risks arise from the growing current account imbalances between major economies and the threat of further sharp rises in oil prices given the conflict in the Middle East and the limited excess production capacity. Inflation is increasingly becoming a cause for concern with the prospect of continuing upward movements in global interest rates. Financial markets have become more volatile and there is a perception of increased risk in the global system. The World Trade Organization (WTO) trade talks have been suspended, making the prospect of successfully concluding the Doha Round by the end of this year less likely. So long as these risks remain, global stability and growth are threatened. They provide the environment in which protectionist pressures would take hold. Careful management by economies and increased international cooperative efforts could go some way to ameliorating risks to the global system but even if that were to occur, market adjustments in the period ahead could be more pronounced than was seen over the recent period of high growth and relative stability.

Against this background, ABAC puts forward the following recommendations to APEC Leaders:

- 1. Lead the way in the successful conclusion of the WTO DDA negotiations.** ABAC is deeply disappointed at the suspension of the Doha Development Agenda (DDA) negotiations. This Round, so critical to maintaining economic growth and promoting development, is now moribund with no clear prospects for resumption. Suspension of negotiations means that the Round will not be completed this year, and businesses and consumers around the world will continue to be excluded from the benefits of expanded trade liberalization. ABAC maintains its strong commitment to a robust and balanced outcome. It urges APEC economies to reevaluate and enhance their offers, focus efforts in advancing negotiations in areas with the most potential for tangible progress such as trade facilitation. Further, it is critical that economies move in a timely manner while current offers are on the table. Like the Rounds that have come before, the DDA is a once in a generation opportunity to make progress on trade liberalization and must end in a positive outcome for the world trading community.
- 2. Promote high-quality RTAs/FTAs.** ABAC is concerned that the proliferation of regional trading arrangements (RTAs) and free trade agreements (FTAs) is adding to the complexity of doing business and for that reason, it strongly endorses as a matter of priority, the development of model measures as proposed in the Busan Roadmap. Model chapters provide valuable benchmarks to judge the consistency of existing and new agreements in complying with the objectives of both the Bogor Goals and the WTO. To complement these efforts, ABAC undertook jointly with PECC a feasibility study of the Free Trade Area of the Asia-Pacific (FTAAP) to explore ways and means of advancing trade and investment liberalization in the region as an alternative to the existing situation, characterized by the proliferation of bilateral and plurilateral preferential trade agreements. ABAC strongly urges Leaders to develop an APEC initiative to promote convergence and consolidation among existing agreements and those currently being negotiated. To this end, ABAC believes that a region-wide FTAAP offers the highest degree of achieving such convergence and consolidation, however a study undertaken by ABAC and PECC this year indicates practical difficulties in negotiating an FTAAP at this time.
- 3. Implement the Busan Business Agenda.** ABAC believes that there is a strong link between an economy's regulatory environment and its economic performance – and that the process of regulatory reform in APEC has had mixed results. Bolder policy action is required by APEC economies to ensure that our economies do not progressively lose their international competitive edge. ABAC and APEC cooperated in organizing a joint symposium on 'ease of doing business' in our region. Priorities for reform and capacity building identified by business included the burden of regulations, complex taxation regimes, difficulty in accessing finance and rigid labor laws. These challenges are particularly onerous for small and medium enterprises (SMEs). ABAC calls upon APEC Leaders to commit to bold action to promote transparency and improve the regulatory environment for business in their economies. The success of this session reflects the need to not just identify these issues, but to address them. ABAC requests that a follow-up meeting is convened again next year.
- 4. Foster a secure and favorable environment for trade and investment.** ABAC believes that securing trade is vital to continued prosperity in the APEC region. ABAC urges APEC to remain committed to securing trade flows




in a way that is complementary to APEC's goal of trade and investment liberalization and facilitation. Measures being proposed include the implementation of the APEC Framework of Standards to Secure and Facilitate Global Trade and the Trade Facilitation Action Plan 2006-2010 taking into account the lessons learned from the 2001-2006 Action Plan, single window electronic data interchange, expedited clearance, risk management based inspections, *de minimis* value thresholds and the provision of customs clearance on a 24/7 basis. APEC economies should seek to improve efforts to implement the APEC Transparency Standards. Finally, ABAC encourages Leaders to extend the membership of the APEC Business Travel Card Scheme to include the final four member economies (the United States, Canada, Mexico and the Russian Federation) through a proposed two-tiered scheme centered on providing fast track entry/departure at major airports.

5. **Respond urgently to critical energy situation.** APEC Leaders are urged to show leadership in addressing the region-wide challenges posed by energy imbalance and volatile oil prices. Priority initiatives are needed to increase and diversify supply, improve efficiency usage, promote alternative and sustainable sources, encourage cross-border trade, identify benchmarks, and implement policies designed to reduce regulatory and market uncertainty in commercial investment in innovative energy technology.
6. **Strengthen financial systems.** ABAC considers it vital that APEC member economies take action to strengthen their macroeconomic and prudential frameworks so as to increase their capacity to withstand external shocks and to make them more resilient to the vagaries of the global economic system. Necessary measures include efforts to improve risk management and governance in the region's banking systems and in other financial sectors, strengthening financial regulatory capacities and in promoting greater cooperation between national regulatory authorities and regional and international agencies aimed at limiting risk to the global financial system. ABAC also highlights the critical role that foreign direct investment can and is playing in supporting the restructuring of banking and other financial sectors, of the great value in open and liberal investment policies which have been demonstrably successful in increasing investment flows in the region. ABAC urges APEC economies to implement measures to

deepen capital markets, in particular bond markets, in the region and strongly recommends that they intensify capacity building initiatives to strengthen financial systems.

7. **Support the growth of SMEs.** ABAC continues to emphasize the importance of removing regulatory obstacles to SME growth and improving access to financing, technology and information and of measures to enhance the capacity and competitiveness of SMEs. It encourages region-wide efforts to promote credit rating agencies, the development of business associations and network linkages to encourage information dissemination and of policies that reflect the importance of SMEs in the client base of banks and financial institutions. It likewise encourages financial sector participation to support the commerciality of guarantee schemes and the development of credit evaluation capacities as they relate to SMEs.
8. **Develop avian influenza/pandemic preparedness.** ABAC believes that there is a critical need for more information about avian influenza within the regional business community to help individual companies prepare continuity plans for the possibility of a future health pandemic. It encourages APEC to review its programs and activities related to avian influenza and pandemic preparedness to identify additional areas where cooperation and collaboration between business and governments can be enhanced, specifically the review of initiatives related to assisting SMEs in developing their business continuity plans.
9. **Strengthen Standards Organizations and Regulatory Dialogue.** ABAC is committed to making capacity building in standards a priority and is developing a two-year agenda aimed at highlighting the need for – and assisting in the realization of – stronger standards bodies in the APEC region. Such efforts will be undertaken in concert with the promotion of global/international standards efforts. As a contribution to reducing technical barriers to trade, ABAC recommends more dialogue between standards-setting regulatory authorities on a sector-by-sector basis.
10. **Implement APEC's Intellectual Property Rights Commitments.** In 2005, APEC Leaders in Busan committed to strengthened intellectual property protection and enforcement, and adopted the APEC



Anti-Counterfeiting and Anti-Piracy Initiative. ABAC applauds the public commitment made to intellectual property rights (IPR) protection principles, and notes that a clear work program arises from the Leaders' commitments, but notes that despite considerable progress that is being made, traffic in counterfeit products continues to grow faster than the trade in legitimate products. As ABAC celebrates its tenth anniversary, it notes that strengthening IPR protection has been a recurring recommendation from ABAC in each of its reports to Leaders, and it urges all APEC governments – once again – to redouble their efforts to prevent and interdict the production and trade in counterfeit and pirated goods, make the legitimate licensing of content and respect of copyright a requirement for the issuance of cable licenses, and promote the sharing of new technologies by reducing various barriers which are hindering capacity building in the APEC region.

**11. Encourage innovative and emerging technologies.**

Economic growth and prosperity in APEC will be driven by technological innovation and access to information. An appropriate policy and regulatory environment will be underpinned by technology choice, data privacy, and expanded broadband access. Leaders are asked to reaffirm their commitment to intellectual property protection, and to give special and urgent attention to devising effective measures to address counterfeiting and pirated goods. ABAC welcomed the endorsement in the Busan Declaration of innovation and sharing of advanced technologies. ABAC endorsed information and communication technology (ICT)-enabled growth activity on a regional collaborative basis in fields as diverse as health care delivery, geospatial and sensor technology, isotope-based solutions, and biosecurity and horticultural research. ABAC has initiated a comprehensive study of the challenges to creating an information society for APEC by 2010.

**12. Life sciences and environment.** Regional business is conscious of the implications including steeply escalating costs, associated with infectious disease, chronic disease, and ageing demographics. Leaders are urged to ensure priority is given to implementing the Life Sciences Strategic Plan's recommendations on research, access to capital, harmonization of standards and regulatory procedures, and health services.

**13. Foster closer APEC-ABAC relations.** The above points to the relationship between government and business never being at a more critical point. Greater interaction can help policy makers prioritize and pursue more focused, business-friendly policies that will in turn further enhance trade and investment liberalization and facilitation in the APEC region. ABAC calls on APEC to establish a more structured process at all levels of the APEC process from working groups to Ministerial meetings to review business input and respond, in order to further improve our dialogue and strengthen cooperation.