

ABAC Seeks Progress in Creating Asia-Pacific Regional Economic Integration

Seoul, Korea – The APEC Business Advisory Council (ABAC), which met in Seoul this month, is urging APEC Ministers Responsible for Trade (MRT) to encourage job creation and help revive the region's economies by prioritizing regional economic integration aimed at liberalizing trade in goods and services, making it easier to invest across borders.

ABAC also urged APEC Ministers to make a stronger stand for the adoption of WTO's Doha Development Agenda, as well as make concrete steps towards the Free Trade Area of the Asia-Pacific (FTAAP).

In a letter addressed to U.S. Trade Representative Ron Kirk dated April 29, 2011, ABAC highlighted the slow recovery of foreign direct investments which still remain at below pre-crisis levels. To boost FDI, ABAC suggests improving the predictability, transparency and efficiency of legal and regulatory environments, to speed approval processes, and build capacity to resolve disputes. "It is important to investors that clear, transparent and predictable investment laws, consistent both at central legislation and local enforcement levels, are in place," stated in the ABAC Progress Report to APEC Trade Ministers. Aside from regulatory coherence, ABAC recommends that efforts be targeted at reducing blockages in the

integrated supply- and value-chains on which international business depends, and on which business competitiveness rests.

To improve the ease with which companies can engage in international business, ABAC is calling for an Authorized Economic Operator (AEO) certification system, which would fast-track trade undertaken by certified companies. It is also calling for an electronically-based "Single Window" System for simplifying and speeding the handling of goods through customs.

Investment promotion should give priority to projects that develop renewable or low-carbon energy to address the growing concern of energy security. Tied to this is ABAC's support for the development of an APEC Energy Declaration to establish suitable long-term energy strategies for the region. The business group also expressed concern on the issue of water insecurity and the need to find meaningful strategies in urban water management across the region.

Meanwhile, ABAC is actively pursuing a "four-step" approach to enhance regional skills/labor mobility in support of APEC's Human Resource Development



Working Group. This approach includes region-wide skills mapping, delivery of vocational training, outsourcing, and the adoption of common best practices in the movement of skilled personnel. It is the goal of ABAC to present to APEC Ministers a detailed action plan on this initiative this year.

The ABAC progress report and recommendations were submitted to APEC MRT by ABAC Chair Deb Henretta after the conclusion of the ABAC 2 meeting on April 26 -29, 2011 in Seoul, Korea. ■

About ABAC

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. ABAC comprises of up to three members of the private sector from each economy.

The APEC economies include Australia; Brunei Darussalam; Canada; Chile; China; Hong Kong, China; Indonesia; Japan; Korea; Malaysia; Mexico; New Zealand; Papua New Guinea; Peru; Philippines; Russia; Singapore; Chinese Taipei; Thailand; United States of America; and Viet Nam.

Each ABAC member is involved in one of the five Working Groups that focus on the priority issues of ABAC this year.

Regional Economic Integration Working Group (REIWG): focuses on creating the pathway to FTAAP, next generation trade issues, and the smooth facilitation of movement of goods, services, investments and people.

SMME and Entrepreneurship Working Group (SMMEEWG): suggests and endorses policies that promote the establishment of new businesses and business models, the longevity of SMEs, and the economic inclusion, including women's issues.

Sustainable Growth Working Group (SGWG): focuses on food, energy, and water security, including environmental goods and services.

Finance and Economics Working Group (FEWG): defines and develops finance-related recommendations related to objectives of other ABAC groups. It also monitors and assesses regional implications of G20 developments, and provides macro-economic overview for the Council. Through its **Advisory Group on Financial System Capacity-Building**, it also tackles in detail proposals for reform of the APEC region's financial systems.

Action Plan and Advocacy Working Group (APAWG): tracks APEC action on ABAC recommendations, develops advocacy strategies to promote adoption of ABAC recommendations, and collaborates on capacity building programs with APEC.



Barriers to SMME Growth Identified

The report focuses on SMME start-up and sustainability, facilitating economic inclusion, and building capacities such as the knowledge to exploit new resources like cloud computing to help lower costs. It also seeks ways to ease access to international business opportunities.

ABAC believes that information on financing programs and broader access to loans by banks and financial institutions can ease the challenges faced by many SMMEs as they strive to grow. Difficulties in accessing opportunities in global markets and in exploiting new and efficiency-driving technologies have both been cited by ABAC as significant hindrances to SMME growth. ABAC believes that the use of ICT by enterprises is a key tool to breaking into the global markets. To tackle such difficulties, ABAC calls on APEC economies to provide IT infrastructure support and professional

training to SMMEs. ABAC also calls on Government agencies and business organizations to provide advice and support to SMMEs wishing to engage in global business, ease SMMEs' tax burden during early stages of development, and to offer incentives to encourage R & D and innovation.

Finally, ABAC is proposing to share best practices and policies that foster innovation among SMMEs. And by endorsing the APEC SME Summit concept, the revitalization of the Young Entrepreneur's Summit, and the establishment of an ABAC Women's Forum, ABAC aims to promote inclusive growth for business groups that have in the past faced particular challenges in getting involved in international business. ■

Seoul, Korea - ABAC's Small and Micro-enterprises & Entrepreneurship (SMME) Working Group has prepared and submitted its agenda to the APEC SME Ministers following the recent ABAC 2 Meeting in Seoul, Korea. The SMME Working Group has identified key barriers to cross border trade that affects SMMEs, the most fundamental of which is access to finance.

2011 Key Dates

- ✓ 14-17 February
1st ABAC Meeting for 2011
Guangzhou, China
- ✓ 26-29 April
2nd ABAC Meeting for 2011
Seoul, Korea
- 22-24 August
3rd ABAC Meeting for 2011
Lima, Peru
- 7-9 November
4th ABAC Meeting for 2011
Honolulu, Hawaii, U.S.A.
- 10-12 November
APEC CEO Summit
Honolulu, Hawaii, U.S.A.
- 12 November
ABAC Dialogue with APEC Economic Leaders
Honolulu, Hawaii, U.S.A.

ABAC Action Plan and Advocacy Working Group

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Global Outlook : Report for ABAC

Finance & Economics Working Group examines economic challenges facing the APEC region

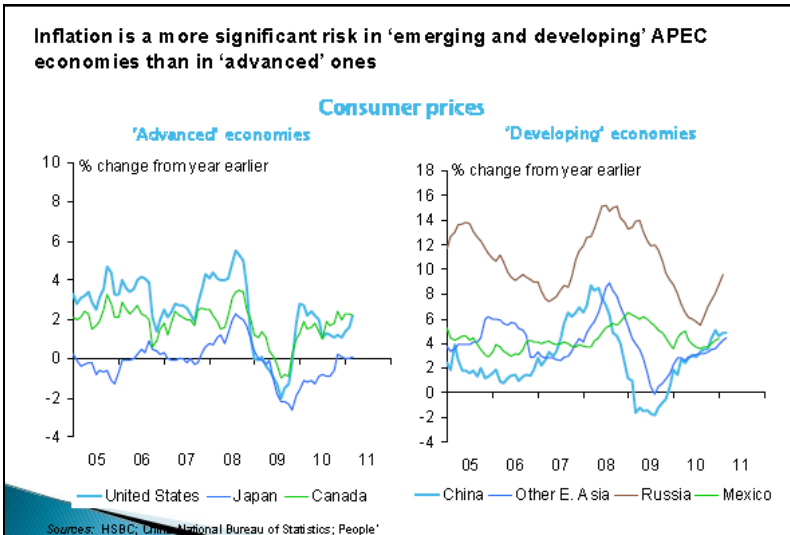
May 2011 - After a stronger-than-expected rebound in 2010, growth in the global economy is likely to slow to about 4½% per annum in 2011 and 2012, as fiscal and monetary policy settings turn, to varying degrees around the globe, from stimulus to restraint. The most important medium-term trend in the global economy continues to be the divergence in the growth prospects between those of the 'advanced' economies as a group and those of 'developing and emerging economies' – a divergence which is particularly apparent within APEC, and has been amplified by Japan's devastating Sendai earthquake in March.

Prospects in most 'advanced' economies will be dampened by unsustainable levels of public debt, which make cuts in government spending and tax increases inevitable. This has been most apparent in Europe, but also looms as an issue over the longer term for the United States and Japan. More cautious attitudes to household borrowing and spending will also dampen growth in many 'advanced' economies, particularly the US.

In 'emerging and developing' economies, economic growth is likely to slow from very high rates in 2010 (averaging over 9% in Asian APEC economies other than Japan and around 6% in Latin American APEC economies), not just because of the global slowdown, but because of significantly higher food and energy prices, and to policy measures put in place to contain the inflationary pressures associated with those price rises.

To some extent, increases in food prices stem from supply shortages, many of them flowing from the strongest La Niña weather patterns in over 50 years, which are likely to prove temporary. However the upward trend in energy and metal prices is likely to prove more long-lasting.

In some 'emerging' economies, tighter monetary policies have been adopted to protect against potentially destabilizing property and stock market bubbles. The persistence of divergent growth rates between 'advanced' and 'developing' economies, and large external imbalances, implies that tensions over exchange rates, and exchange rate regimes, will continue.



From the perspective of businesses operating in the region, it is imperative that these negative developments (or the forces underlying them) do not lead to protectionism against trade and investment flows. ■