



**Asia-Pacific
Economic Cooperation**

2010/FMM /013

Agenda Item: Working Lunch with ABAC

2010 ABAC Letter to Finance Ministers

Purpose: Information
Submitted by: ABAC



**17th Finance Ministers' Meeting
Kyoto, Japan
5–6 November 2010**

16 September 2010

H.E. Yoshihiko Noda

Chair, APEC Finance Ministers' Meeting &
Minister of Finance
Japan

Dear Minister Noda:

On behalf of the APEC Business Advisory Council (ABAC), we are honored to submit the enclosed 2010 ABAC Report to APEC Finance Ministers. We attach great value to the excellent relationship that ABAC has developed with the APEC Finance Ministers over the past few years, and note with satisfaction our growing cooperation with the Senior Finance Officials. The Sapporo forum is one of the excellent examples of our close coordination, from which we have extracted some of our very important recommendations this year. We are thus grateful for the opportunity to once again have a dialogue with the Finance Ministers this coming 6 November in Kyoto, and look forward to sharing with them our perspectives and views from the region's financial industry on the important issues we are facing today.

This year, ABAC focused its efforts on delineating growth strategies which are balanced, inclusive, sustainable, innovative and secure. These objectives underpin the recommendations that are contained in our report, which is structured to reflect three key areas that need attention.

First, we would like to underscore the importance of ***exit strategies and policy coordination among APEC economies*** in light of the nascent recovery of the global economy after the unprecedented financial crisis as well as some recent conundrums, particularly in Europe. We call for the development of a mid- and long-term credible plan to restore fiscal sustainability with the careful selection of timing to implement exit strategies reflecting each economy's specific situation while maintaining close and global collaboration.

Second, we believe that ***regional financial integration*** should be further promoted. APEC economies should well prepare for emergencies which occur outside the region. While the Chiang Mai Initiative Multilateralization agreement which came into effect in March this year has been a great progress for this sake, further initiatives should still be sought going forward, including cross-border securities collateral management.

Third, we recommend continuous international and domestic efforts to advance ***capacity building*** efforts to strengthen and deepen the region's capital markets. We believe that the co-existence of Islamic and conventional financial systems can promote greater financial system resilience by promoting diversification. We call for the launch of an Asia-Pacific Infrastructure Partnership as a pathfinder initiative to facilitate the growth of infrastructure PPP in the region. We propose that bond and equity markets be further promoted through various initiatives including establishment of wholesale securities markets open only to professional investors. We call for a task force within APEC to discuss implementation of International Financial

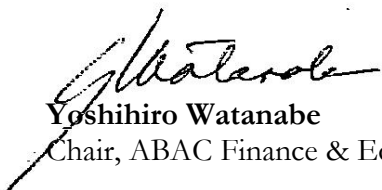
Regulatory Standards (IFRS), by ensuring appropriate communication with the International Accounting Standards Board (IASB). We underscore the importance of the public sector role to implement appropriate legal framework to promote environmental finance and SMME (Small, Medium and Micro Enterprise) finance, paying sufficient attention to the bottom of the economic pyramid.

In addition to these recommendations contained in our report, we also call for further continuation of greater dialogue between public and private sectors on financial reforms and regulatory changes, in particular in determining any threshold of important ratios, including capital and leverage.

We firmly believe that the Asia-Pacific region should be an important center of growth of the global economy. We reconfirm our support for APEC Finance Ministers' continued and coordinated efforts to promote a sound economic environment in our region, and look forward to further strengthening our cooperation in the months and years ahead.

Sincerely yours,


Gempachiro Aihara
ABAC Chair 2010


Yoshihiro Watanabe
Chair, ABAC Finance & Economics Working Group