



ABAC NEW ZEALAND REPORT TO NEW ZEALAND BUSINESS

SECOND ABAC MEETING FOR 2012 KUALA LUMPUR, 21-24 MAY 2012

Introduction

1. The second ABAC meeting for 2012, held in Kuala Lumpur from 21-24 May, was attended by New Zealand members Tony Nowell and Maxine Simmons and Fiona Cooper Clarke as Lead Staffer. Key outcomes included the launch of an informal “ABAC for TPP” group and a decision to seek the formation of a public-private Asia Pacific Financial Forum in 2013.

Uncertain economic outlook

2. At the time of the ABAC meeting, the global economy remained fragile, exposing Asian Economies to serious downside risks. Re-escalation of the Euro-zone crisis was the primary threat to global growth. Oil prices had fallen from recent highs but the risk of an oil price shock arising from geopolitical uncertainty remained.
3. The Asian Development Bank expects that growth momentum in developing Asia will be largely maintained over the next couple of years. The greatest risks to this outlook relate to economic uncertainty caused by the euro-zone crisis and the possibility of oil price spikes arising from supply disruptions. Most Asian countries have policy space to respond to external shocks, having lowered budget deficits, maintained higher policy interest rates and strengthened liquidity safety nets. Asian banks also have the capacity to provide credit as European banks deleverage.

ABAC for TPP Group

4. In the margins of this meeting an informal group was formed, to be known as “ABAC for TPP”, with a view to developing initiatives from a business perspective to help accelerate the Trans Pacific Partnership negotiations and support the inclusion of new economies. The group is open to ABAC members from existing TPP economies and from any APEC economy interested in joining TPP in the future. The group will seek a meeting with Leaders from TPP economies at the APEC Summit in Vladivostok in September to reinforce messages of business support for an early conclusion to the negotiations.

Regional Economic Integration

5. The **Regional Economic Integration Working Group (REIWG)**, chaired by Tony Nowell, focused on recent progress in two of the possible pathways to a Free Trade Area of the Asia Pacific (FTAAP), namely TPP and the Regional Comprehensive Economic Partnership (RCEP). “Substantive agreement” on TPP is expected to be reached by September with all details finalized in 2013. On RCEP, ASEAN is working with its six Dialogue Partners, including New Zealand, to develop this concept, which was established in November 2011. Negotiations on goods, services and investment will occur sequentially, with goods market access negotiations starting later this year. RCEP will aim for zero tariffs on 95% of goods across the RCEP region. Services and investment will be tackled over the next three years. If this timetable is met, RCEP should enter into force on 1 January 2016 and, if successful, will cover 47% of the world’s population and account for 50% of world trade.
6. Other key issues discussed included ABAC support for an APEC project to develop a region-wide skills map to bring transparency to discussions about labour needs and flows around the region. ABAC agreed to take part in the Business Advisory Group for this project. ABAC also agreed to raise with APEC officials some technical taxation barriers that impede the smooth transfer of technology and the due collection of IP value from foreign investments.
7. ABAC received an update on the APEC Supply Chain Connectivity Framework (2012-15) which is nearing the half way mark. Under the SCCF, APEC adopted a 10 percent target for improving supply-chain performance in terms of time, cost and uncertainty by 2015. Many SCCF initiatives are underway but more will be needed beyond 2013 before APEC reaches the 10% target. There is an opportunity for ABAC to contribute new ideas for initiatives to cut time, cost and uncertainty from supply chains. Any New Zealand businesses wishing to contribute ideas can contact Fiona Cooper Clarke (see final paragraph for contact details).

Addressing the economic crisis

8. The most significant outcome from the **Finance and Economics Working Group (FEWG)** meeting was the decision to recommend to APEC Finance Ministers and Leaders the establishment of an Asia Pacific Financial Forum (APFF), “a public-private pathfinder initiative for the development and integration of the region’s financial markets”. The APFF is envisioned to be a platform for public-private sector collaboration in the development of robust financial markets across the region; the convergence of financial standards, regulations and practices; and connectivity for facilitating cross-border financial flows, with the objective of creating dynamic and integrated financial markets that will support the region’s sustained rapid growth. The APFF will also be a way of shaping global financial regulatory reforms in support of the APEC region’s financial development goals through coordination of views on agreed areas of common regional concern and ensuring that these concerns are adequately reflected in global financial standards and regulations. If APEC Finance Ministers endorse the concept this year, it is expected that the first APFF will take place in 2013.

9. Other key outcomes from the FEWG included discussion about the role and importance of cross-border data flows in both the financial sector and supply chain/logistics sector, a topic which proved more contentious than anticipated. ABAC Russia presented on tools and policies for achieving financial market stability, and the Australian APEC Studies Centre presented on its proposal for AUSAID funding to develop two “readiness” indexes for private pensions and health care schemes, to help regional economies identify and remedy gaps and weaknesses in pension and health systems.
10. Recommendations from ABAC China were agreed in relation to the role of credit ratings systems; the impact of the US Volcker Rule and the US Foreign Account Tax Compliance Act. Members agreed that an appropriate policy coordination mechanism should be established in APEC to avoid the formulation and implementation of unilateral policies, which may have negative effects on other economies and result in disputes. Following a presentation by ABAC Japan, it was agreed that ABAC would discuss the risks of unintended consequences from new financial regulations with the US Federal Reserve, the IMF, the Basel Committee on Banking Supervision and the Chair of the APEC Finance Ministers Meeting.

Enabling SMME trade

11. The **Small, Medium and Micro Enterprise and Entrepreneurship Working Group (SMMEEWG)**, noted the valuable information tool provided by the APEC Services Trade Access Requirements (STAR) database, which can be found at: <http://www.servicestradeforum.org>. This is a business friendly online tool which brings together information on services market access into a single easily accessible knowledge bank. This will help services providers to identify regulatory requirements in each APEC economy by services sector. ABAC also resolved to support the next-generation Asia-Pacific Interactive Tariff Database, which is being developed by APEC, and is intended to be a one-stop shop for exporters and importers within APEC to obtain current and future tariff information for the movement of their goods between APEC economies.
12. Other topics of interest included an update on the ABAC Innovative Growth Initiative, a research project which seeks to identify barriers to SMMEs generating innovative growth. The study is investigating the main barriers and issues relating to cross-border RDI strategic alliances, cross-border human capital flows, cross-border IP protection and sharing, common industrial standards and international emerging industry clusters. The meeting also agreed on recommendations for improving SMME entrepreneurs’ access to angel and venture investment capital.

Improving Regional Infrastructure

13. The **Infrastructure Development Working Group (IDWG)** discussed integrated infrastructure planning and management, with input from the University of Wollongong's SMART Infrastructure Facility (SMART = Simulation, Modeling, Analysis, Research, Teaching). The SMART approach seeks to analyse the individual and combined effects of infrastructure systems and how they can better work together to serve the community. This was of particular interest to ABAC NZ in view of the Christchurch rebuild.
14. Other topics of interest included (a) Indonesia's massive infrastructure development programme (worth nearly US\$300 billion), including roads, ports and power generation; (b) the concept of living cities, and their benefits for future urban development across the APEC region; (c) China's approach to disaster recovery; (d) developments in ABAC's water security strategy, and (e) an update on the work of the APEC Transportation Working Group, which seeks the liberalisation of transportation services and works to enhance the safety of APEC transport systems.

Promoting sustainability

15. ABAC's **Sustainable Development Working Group (SDWG)** focused on preparations for the inaugural Policy Partnership on Food Security (PPFS) which took place in Kazan, Russia in May. Tony Nowell gave a presentation on how a reduction in post-harvest losses would enhance regional food security and the important role of refrigeration in this effort. The meeting also emphasized the importance of APEC reaching an agreement on Environmental Goods and Services which, *inter alia*, takes into account energy efficiency technologies. Other topics discussed included the ASEAN Power Grid, which is a platform to facilitate the regional trade of electricity and address energy security and climate change concerns. The meeting endorsed the work underway in a study by ABAC Chinese Taipei aimed at reducing barriers to technology transfer and investment in cutting edge technologies. The meeting also endorsed a Technology Partnership Initiative being promoted by ABAC Russia, aimed at uniting and activating a technology dissemination ecosystem in APEC.

For further information

16. The next ABAC meeting will take place in Ho Chi Minh City from 16-19th July.
17. Please contact Fiona Cooper Clarke on 021 93 4466 or fionacc@clear.net.nz. Further information including ABAC's press statement from the meeting is also available at www.nzibf.co.nz and www.abaconline.org. Copies of all reports and studies mentioned in this report are available on request.