



ABAC NEW ZEALAND REPORT TO NEW ZEALAND BUSINESS

THIRD ABAC MEETING FOR 2012 HO CHI MINH CITY, 16-19 JULY 2012

Introduction

1. The third ABAC meeting for 2012, held in Ho Chi Minh City from 16-19 July, was attended by New Zealand members Tony Nowell and Maxine Simmons and Fiona Cooper Clarke as Lead Staffer. Key outcomes included a decision to develop a regional initiative on global data standards to enhance supply chain connectivity and facilitate trade; a letter to the Leaders of TPP economies from the informal “ABAC for TPP” group; and a useful planning session on how ABAC can help to make the Policy Partnership for Food Security, launched earlier this year, a success. ABAC also finalized its 2012 Letter and Report to APEC Leaders in preparation for the APEC Summit in Vladivostok in early September.

Global growth prospects improving despite Euro zone risks

2. In June, the World Bank forecast global GDP growth of 2.5 per cent in 2012, rising to 3.0 per cent in 2013 and 3.3 per cent in 2014. Fiscal consolidation will remain a drag on growth in high-income economies, which are expected to expand by 1.4 per cent in 2012, 1.9 per cent in 2013 and 2.3 per cent in 2014. For developing economies, the World Bank projects growth of 5.3 per cent in 2012, rising to 5.9 and 6.0 per cent in 2013 and 2014. For these economies tensions emanating from the Euro zone represent the most serious downside risk to growth.
3. The World Bank projects global trade volumes to grow below trend at 5.3 per cent in 2012 rising to 7.0 per cent in 2013 and 7.7 per cent in 2014. Trade momentum has turned negative and it could take four years for global trade to catch up to the pre-recession trend. But global trade imbalances appear to have stabilised at new, lower levels. The steady decline in global trade imbalances over the past five years appears to be slowing. Current account balances declined from a high of 5.7 per cent of global GDP in 2006 to about 4 per cent of global GDP in 2011.

ABAC for TPP

4. The informal ABAC for TPP group held its second meeting in the margins of ABAC III. The group’s aim is to seek the acceleration of the Trans Pacific Partnership (TPP) negotiations towards a timely conclusion; support the inclusion of new economies and ensure that TPP addresses business needs and priorities. The group approved a set of key messages that

will form the basis of a letter to TPP Leaders. The group will also seek a meeting with Trade Ministers from TPP economies at the APEC Summit in Vladivostok.

Promoting regional economic Integration

5. The main outcome of the **Regional Economic Integration Working Group (REIWG)**, chaired by Tony Nowell, related to supply chain connectivity, one of the REIWG's key themes this year. The meeting agreed that ABAC should formulate a proposal aimed at achieving comprehensive acceptance and implementation of global data standards in supply chains on a region-wide basis. This followed a presentation about global data standards by GS1's Global Office, following up GS1 NZ CEO Peter Steven's presentation to REIWG earlier this year. The meeting discussed the need for new initiatives under APEC's Supply Chain Connectivity Action Plan, and endorsed a US proposal that APEC economies should adopt an inventory-based approach to the identification of policy measures required to address supply chain chokepoints.
6. REIWG discussed recent TPP developments including the San Diego round of negotiations 2-10 July and the expansion of membership to include Canada and Mexico. A representative from Japanese business organization Keidanren expressed strong support for Japan to join TPP, and gave an account of the challenges facing Japan as it continues to consider whether to seek TPP membership. ABAC agreed to support an early and meaningful conclusion of WTO negotiations to expand the product coverage and membership of the Information Technology Agreement (ITA).

Enabling SMME trade

7. The **Small, Medium and Micro Enterprise and Entrepreneurship Working Group (SMMEEWG)**, reviewed its key priorities and recommendations to APEC Leaders including the need for policies promoting the creation of new businesses and business models; policies to foster innovative SMME growth through cross border strategic alliances; the need for government support in providing access to angel and venture investment capital by entrepreneurs; promotion of the use of ICT and e-commerce platforms to help SMMEs reduce transaction costs and connect to global markets; the development of online single window initiatives to facilitate use of market access information to help grow SME exports, and promotion of young entrepreneurs and the participation of women in business. The different definitions of SMEs around APEC were considered, noting that what was considered small in one economy (like China) would be considered medium in many other economies, which has implications for SME policy measures around the region.

Promoting sustainability and food security

8. ABAC's **Sustainable Development Working Group (SDWG)** discussed follow up to the Policy Partnership on Food Security (PPFS) meeting which took place in Kazan in May. Tony Nowell stressed the need for ABAC to identify concrete actions that ABAC can take to ensure PPFS delivers on its long term goal of attaining a food system structure by 2020 that will be sufficient to provide lasting food security to the economies in the Asia Pacific. A

strategic plan is being developed by PPFS; however an operational plan is also needed to ensure appropriate resources are found to deliver the strategic objectives. The meeting also discussed energy efficiency technologies as well as the need for greater investment in renewable energy infrastructure development. There was much debate but no consensus on whether and how to encourage technology transfer and investment in cutting edge technology investment.

Promoting public-private dialogue on economic issues

9. The **Finance and Economics Working Group (FEWG)** agreed to further develop ABAC's proposal to set up an Asia Pacific Financial Forum (APFF) in 2013 to address issues related to regional financial architecture. FEWG agreed to seek to overcome concerns from some external stakeholders about possible duplication with other forums and the need for a clearer set of objectives and agenda. A briefing paper on the APFF concept will be prepared for APEC Ministers and officials before the Finance Ministerial Meeting in Moscow in late August. That meeting will include a dialogue meeting with ABAC focused on public-private sector collaboration in developing the region's financial systems, including the APFF. FEWG also approved the text of a letter to APEC Finance Ministers setting out ABAC views on a wide range of finance and economic subjects.
10. FEWG discussed concerns about some aspects of IFRS (harmonized accounting standards) in relation to lease accounting, insurance contracts and revenue recognition, and the need for better understanding of the impact of IFRS on economic growth and SMME development. FEWG agreed that stability of financial markets in the APEC region would be enhanced by expanded use of emerging economies' currencies for trade and investment. ABAC will therefore recommend that APEC lead further development of capital markets in the region by promoting cross-border bond issuance denominated in emerging market currencies. There was discussion but no agreement about how to improve business-related cross border data flows. It was suggested that economies should work together to ensure differing regulatory regimes don't hinder cross border data flows and international trade. Work on this topic will continue.

Improving regional Infrastructure

11. The **Infrastructure Development Working Group (IDWG)** discussed collaboration with the APEC Transportation Working Group to develop a framework to define the key aspects of a resilient supply chain and identify measures to improve supply chain resilience. A letter to APEC Transportation Ministers was approved in preparation for their forthcoming Ministerial meeting. The important role of the private sector in disaster resilience and planning was discussed, including the need to strengthen cooperation and investment in public safety technologies. The theme of anti-corruption and transparency in government procurement was thoroughly aired and several recommendations to APEC Leaders were agreed. The meeting discussed the potential for greater use of Russian rail and marine routes as the shortest transit routes from Asia to Europe, given significant investments currently being made by Russia. The meeting also discussed how governments could incentivize the

private sector to adopt “living city” (or eco city) standards. The IDWG will publish a Strategic Framework for Infrastructure Development later this year.

Optimizing ABAC’s effectiveness

12. The **Action Plan and Advocacy Working Group (APAWG)** discussed ways of ensuring that ABAC priorities and initiatives are effectively and consistently projected into APEC, including through greater participation in senior officials meetings (SOMs) and ministerial meetings (MMs), bearing in mind the inevitable constraints in terms of time and money. Several recent examples of effective ABAC interaction with APEC, mentioned elsewhere in this report, were noted and discussed. ABAC welcomed the launch of an interactive internet portal to improve intra-ABAC communication and collaboration. Tony Nowell advocated making ABAC reports more widely available to the public through more effective use of the ABAC website.

For further information

13. The next ABAC meeting will take place in Vladivostok from 3-6 September, immediately before the APEC CEO Summit on Russky Island.

14. Further information including ABAC’s press statement from the meeting is available at www.nzibf.co.nz and www.abaonline.org. Copies of reports and studies mentioned in this report are available on request from Fiona Cooper Clarke on 021 934 466 or fionacc@clear.net.nz.

ABAC New Zealand
23 July 2012