



ABAC NEW ZEALAND REPORT TO NEW ZEALAND BUSINESS

FOURTH ABAC MEETING FOR 2012 VLADIVOSTOK, 3-6 SEPTEMBER 2012

Introduction

1. The fourth and final ABAC meeting for 2012, held aboard the Legend of the Seas cruise ship moored in the port city of Vladivostok in Far Eastern Russia from 3-6 September, was attended by New Zealand members Tony Nowell, Maxine Simmons, Wayne Boyd, Stephen Jacobi (Alternate Member) and Fiona Cooper Clarke as Lead Staffer. It was an extraordinary week of activity that included the ABAC meeting and Dialogue with APEC Leaders, an ABAC SME Summit, an APEC Youth Summit, a meeting of the Management Council of the Policy Partnership on Food Security and the APEC CEO Summit. At the same time APEC officials, Ministers and Leaders were meeting at nearby Russky Island.
2. Key outcomes of the ABAC meeting included
 - delivery of a major research report on barriers to services trade in the APEC region;
 - endorsement of an ABAC proposal to work collaboratively with APEC and GS1 on the development of a framework for the adoption of global data standards across regional supply chains;
 - agreement to nominate private sector representatives for APEC's new public sector / private sector Policy Partnership on Science, Technology and Innovation, with the goal of supporting the development of science and technology cooperation and effective innovation policy in APEC economies.
 - Endorsement of the structure of the public sector / private sector Policy Partnership on Food Security, including the formation of four working groups which will report their action plans in 2013.
 - Endorsement of the public sector / private sector Asia Pacific Financial Forum concept; the first symposium will take place in Australia in early 2013.

Global growth prospects improving despite Euro zone risks

3. The European debt crisis continues to impact the Asia Pacific region. Activity across the Asia Pacific region weakened in late 2011 and first half of 2012 mainly as a result of a decline in exports, as well as the impact of natural disasters in New Zealand, Japan and Thailand. The prospects for the latter half of 2012-13 appear more optimistic, with domestic demand remaining strong in the region, despite continued exposure to downside risks. These include sovereign debt financing for Asia Pacific economies, declining exports due to declining demand in some European economies and the impact of the debt crisis on the global financial sector and the corresponding effect on the provision of credit. Growth in the Asia Pacific region is expected to remain at 6% in 2012 and increase to 6.5% in 2013.

APEC CEO Summit

4. In line with the theme of "Addressing Challenges, Exploring Opportunities" the APEC CEO Summit discussed the benefits and unintended consequences of economic integration; global currency issues, the availability of natural resources, food and water security, supply chain issues, living cities, education and human resource issues. Several Leaders from APEC economies addressed the CEO Summit including Prime Minister John Key whose remarks focused on the need to boost regional integration by opening markets and addressing subsidies through the WTO. Tony Nowell and Ian McCrae also participated in Summit panels on supply chain and health management issues respectively (Tony's remarks will be posted to the NZIBF website shortly).

ABAC for TPP

5. The informal ABAC for TPP group met in the margins of ABAC IV to finalize key messages for sharing with TPP Trade Ministers around the scope, timing and membership of TPP. As it transpired logistical issues (of which there were many during the week) prevented the full meeting with Ministers from taking place but Tony Nowell and Juan Raffo from ABAC Peru delivered the group's key messages of support to the New Zealand and Peruvian Trade Ministers for passing on to their ministerial colleagues.

Promoting regional economic Integration

6. The **Regional Economic Integration Working Group (REIWG)**, chaired by ABAC New Zealand Member Tony Nowell, agreed to seek collaboration with APEC economies on a joint approach to development of a regional framework for the broad introduction of global data standards as a major facilitator of regional supply chain connectivity and trade growth. This proposal will be the key focus of ABAC's work on supply chain connectivity in 2013. The meeting received a comprehensive report from a Marshall Business School research team on the key barriers to trade in services. The report found that a 10% reduction in services transaction costs would increase the services contribution to GDP across APEC by US\$100 billion. The report's recommendations on how to address constraints on services trade will be a key component of ABAC's ongoing efforts to promote a new services agenda in APEC.

7. The recent decision taken by ASEAN +3 Economic Ministers to recommend the initiation of negotiations on the Regional Comprehensive Economic Partnership (RCEP) after the next ASEAN Summit in November 2012 was welcomed. The meeting discussed the benefits of TPP as estimated by Prof. Peter Petri from Brandeis University and the Peterson Institute of International Economics. According to his economic modeling, TPP has the potential to yield annual income gains of US\$295 billion and offers a pathway to a Free Trade Area of the Asia Pacific with potential gains of nearly US\$2 trillion if a TPP framework is followed.
8. The meeting approved an investment work plan for ABAC in 2013, and resolved to seek a seat for ABAC on the steering council for the APEC Travel Facilitation Initiative, which aims to make travel across the region easier, faster and more secure. The meeting discussed the APEC skills mapping project which aims to develop a regional perspective on critical skill shortages, drawing together data on employment projections, skills supply and shortages in each APEC member economy and for the region as a whole. ABAC is involved through a Business Advisory Group. Tony Nowell was reappointed to chair REIWG in 2013.

Enabling SMME trade

9. The **Small, Medium and Micro Enterprise and Entrepreneurship Working Group (SMMEEWG)**, discussed the importance of Information and Communication Technologies and e-commerce to help SMEs reduce transaction costs and access global markets. The meeting reviewed the results of an Innovative Growth Initiative that aims to encourage cross-border strategic alliances to help SMEs to grow. Policies such as R&D alliances, information exchange and cross-border human capital flows were identified as being important. Korea's experience of collaboration between large companies and SMEs in an international context was reviewed. The significant progress made by the ABAC Women's Forum this year was noted, and plans for further outreach and research in 2013 were approved. ABAC New Zealand Member Maxine Simmons was reappointed as co-chair of this Working Group for 2013.

Promoting sustainability and food security

10. ABAC's **Sustainable Development Working Group (SDWG)** focused on food security, energy security and technology transfer issues. ABAC proposes to work closely with the new APEC Policy Partnership for Science, Technology, and Innovation (PPSTI), which is being established to represent stakeholders across APEC engaged in technology inception, dissemination and commercialization. ABAC agreed to nominate private sector candidates, including for the role of principal advisor of the PPSTI Governing Board.
11. The 2012-13 Action Plan for the Policy Partnership on Food Security (PPFS), which was reviewed and approved at a PPFS Management Council meeting earlier in the week, was endorsed. As the primary advisory mechanism on food security issues to APEC, the PPFS will focus on ensuring that regional food supplies are sufficient, nutritious and safe. Four working groups will be established, including one on Enhancing Trade, which New Zealand

has offered to lead. The Chairpersons will be appointed by mid-October and will develop their work plans by February 2013.

12. ABAC noted the challenges facing APEC in drawing up an agreed list of environmental goods and services to be subject to applied tariffs of 5% or less but reiterated the importance to business of achieving this commitment made at the APEC Leaders meeting in 2011. This was in fact achieved a few days later during the APEC Leaders Meeting and represents one of the key achievements of the Vladivostok Summit. ABAC is also working on policies to encourage diversification of energy sources and dissemination of energy efficient technologies. The key findings of a research initiative on technology transfer and cutting edge technology were received.

Promoting public-private dialogue on economic issues

13. The **Finance and Economics Working Group (FEWG)** discussed the need to develop sound, efficient and integrated financial markets in the Asia Pacific region, and agreed to proceed with its plan to set up an Asia Pacific Financial Forum involving the public and private sectors. This proposal was also endorsed by APEC Finance Ministers at their Dialogue Meeting with ABAC in Moscow in late August, reportedly the most successful interaction between Finance Ministers and ABAC to date, at least from an ABAC perspective. An APFF symposium will be held in Australia in early 2013, to be followed up by a second forum in Indonesia. There was a spirited but inconclusive discussion about cross-border data flows, particularly in a finance context. While some core principles underpinning such data flows were approved in ABAC earlier this year, there is not yet a consensus on specific measures to facilitate data flows across borders so discussions will continue next year.

Improving regional Infrastructure

14. According to a report on investment in infrastructure development received by the **Infrastructure Development Working Group (IDWG)**, New Zealand comes out poorly in the survey of investment intentions - second to bottom for investment amongst fast growing economies and in the lower half for investment from mature economies. This is of concern given New Zealand's need for capital flows to balance the trade deficit and to expand economic development. The IDWG also gave further consideration to the concept of eco-cities or "living cities" and resolved to undertake a survey to better understand the views of governments, businesses and civil society towards this concept across the APEC region; reviewed an action plan on water security focused on achieving efficient use of water resources, and discussed collaboration with APEC's Transportation Working Group. The last item is of particular interest to ABAC Russia which wishes to improve the capacity of alternative transportation routes such as rail via the Trans Siberia and arctic marine route via the Northern Sea Route.

Optimizing ABAC's effectiveness

15. The **Action Plan and Advocacy Working Group (APAWG)** considered ways of improving the effectiveness of ABAC's interactions with APEC officials by deploying more resources. This will require more discussion in 2013.

APEC Leaders' Meeting

16. At their meeting on 9th September, APEC Leaders pledged to fend off the deepening damage from the European crisis and revive flagging growth in the region by supporting open trade, reforming their economies and strengthening public finances. The Leaders welcomed European leaders' promises to help stabilize the euro zone and warned against "excess volatility" and distortions in financial markets. The APEC leaders said they would work to reduce deficits and imbalances in their countries' own finances. Amongst other points of interest, New Zealand and Indonesia offered to jointly co-chair a meeting of APEC Chief Science Advisers in 2013, to reinforce senior science relations across the Asia Pacific.

ABAC 2013

17. Indonesia will chair APEC and ABAC in 2013. ABAC's theme in 2013 will be "Partnership, Resilience and Building Bridges to Growth". The next APEC Leaders Meeting and APEC CEO Summit will take place in Bali in early October 2013. The next ABAC meeting will take place in Manila from 20-23 January 2013.

For further information

18. Further information including ABAC's press statement from the meeting is available at www.nzibf.co.nz and www.abaconline.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
29 September 2012**