



**APEC BUSINESS ADVISORY COUNCIL
FIRST MEETING, AUCKLAND, 11-14 FEBRUARY 2014**

REPORT TO NEW ZEALAND BUSINESS

SUMMARY

1. ABAC's first meeting for 2014, held in Auckland, 11-14 February, was notable for the successful launch of ABAC's annual work programme and for the annual Dialogue session with APEC Senior Officials from around the region. There were numerous opportunities for interaction at several social events between ABAC Members and the New Zealand business community and political leaders. ABAC New Zealand wishes to thank BusinessNZ for hosting the event in partnership with the New Zealand Government, with corporate sponsorship generously provided by ANZ Bank and Fonterra and social event sponsorship from ATEED, Air New Zealand and the Meat Industry Association.

REPORT

2. The incoming ABAC Chair for 2014, Mr Ning Gaoning, COFCO Chairman, invited ABAC New Zealand to host the first meeting for 2014, according to the theme of "Building Asia Pacific Community, Mapping Long Term Prosperity". This invitation was a feather in New Zealand's cap, and happily the event was judged a success by the ABAC Chair.
3. The meeting at the Langham hotel was attended by ABAC New Zealand Members Wayne Boyd, Tony Nowell and Maxine Simmons (attending her final meeting before the conclusion of her ABAC term), supported by Stephen Jacobi (Alternate Member) and Fiona Cooper Clarke (Lead Staffer). ABAC NZ Member-Designate Katherine Rich also attended. The Prime Minister, Rt Hon John Key, and Ministers Steven Joyce and Tim Groser as well as the Mayor of Auckland, HW Len Brown were all involved in the ABAC programme. Several related visit programmes were arranged, including for a significant delegation from the APEC China Business Council, and Dr Raed Safadi from OECD's Trade and Agriculture Directorate.
4. ABAC's primary role is to prepare recommendations to APEC Economic Leaders. These are developed in the course of the year by ABAC's working groups¹, developed through interaction with APEC member officials and to be delivered in writing and in direct dialogue at the 2014 APEC Summit in Beijing in November 2014. The Auckland meeting therefore sought primarily to set the agenda and accompanying work programme for the year ahead. The Dialogue with APEC Senior Officials enabled an exchange of views on key APEC themes for this year: advancing regional economic integration, promoting innovative development, economic reform and growth, and strengthening connectivity and infrastructure.

¹ ABAC working groups are: Regional Economic Integration (REIWG) chaired by Tony Nowell; Infrastructure and Connectivity (ICWG), co-chaired by Wayne Boyd; Sustainable Development (SDWG); Small, Medium & Micro-Enterprises and Entrepreneurship (SMMEEWG), co-chaired by Maxine Simmons until the end of February 2014, and Finance and Economics (FEWG).

Liberalizing trade and investment

5. Regional economic integration remains a key focus for ABAC; work in this area continues to be led by ABAC NZ Member Tony Nowell. The key priorities this year will be liberalizing trade (focusing on the WTO and anti-protectionism); liberalizing investment; liberalizing and facilitating trade in services; and enabling a Free Trade Area of the Asia-Pacific (FTAAP), including by promoting a coherent regional approach to global data standards. There are some important areas of cross over with APEC.
6. This year ABAC will seek to take a leadership position in framing what business wants from a Free Trade Area of the Asia Pacific (FTAAP), and will continue to monitor progress in possible pathways to FTAAP. The TPP negotiations are, we hope, nearing the end game, the Regional Comprehensive Economic Partnership (RCEP) negotiations are still at a fairly early stage but making useful progress with the goal of completion late next year, and the Pacific Alliance was concluded last year.
7. ABAC approved Action Plans on services and investment. For example, ABAC will consider ways to promote the efficient management of the movement of people, e.g. by an APEC Workers Travel Card. ABAC will undertake an audit of APEC business organizations with a specific interest in services trade. ABAC will continue to exchange ideas with APEC's Investment Experts Group and track progress in the services chapters of the TPP and RCEP negotiations, as well as in the plurilateral services negotiations in Geneva. Following on from their highly successful research report on barriers to FDI in APEC last year, this year the Marshall Business School at the University of Southern California will undertake a research project on barriers to FDI in the services sector. This report will be delivered at ABAC IV in Beijing in November.
8. ABAC received an interesting presentation from Dr Raed Safadi, OECD, on the trade policy implications of global value chains (GVCs). Dr Safadi identified numerous policy barriers and opportunities for improving GVCs, the important role of multilateral trade in improving the environment for GVCs, the scope for unilateral action and the need for the negotiation of goods and services to be tackled together rather than in silos.
9. Over the last couple of years, ABAC New Zealand has emphasized the important role that global data standards (GDS) could play in improving the regional trade environment. The GDS concept is now well accepted by APEC, with a workshop and policy dialogue both on the APEC schedule this year. The next step for ABAC is to engage at the individual economy level with industry and regulators to identify potential pilot programs or "living labs" that support supply chain connectivity. The learnings from the Product Recall NZ system and their potential application across the APEC region were shared with ABAC colleagues.
10. ABAC members were heartened by the WTO's achievement of the so called Bali Package in December 2013 and pledged to encourage its early implementation, particularly the Trade Facilitation Agreement. This will be one of the themes of ABAC's letter to Ministers Responsible for Trade in preparation for their May meeting.

Promoting Infrastructure and Connectivity

11. ABAC New Zealand's work in this area is championed by Wayne Boyd who co-chairs the relevant working group. This year that Working Group will focus on: (1) accelerating infrastructure development; (2) facilitating infrastructure financing; (3) enhancing capacity building for regional connectivity; and (4) building effective global value chains. ABAC has developed an Enablers of Infrastructure Investment Checklist which will be further deployed this year with a view to improving the business environment for infrastructure and connectivity, cutting costs and time of infrastructure project

preparation, facilitating domestic and foreign infrastructure finance and identifying the key elements to connect through effective and resilient value chains.

12. Auckland International Airport presented a case study of the contribution of international airports as a means to accelerate infrastructure development and build regional connectivity. The lessons and issues arising from the Auckland International Airport experience which could be adopted more widely in APEC were noted.

Towards sustainable development and food security

13. This year ABAC's sustainable development agenda will focus on the following work streams: (a) food security; (b) energy security and new energy; (c) green growth and environmental goods and services; and (d) health and sustainable development.
14. ABAC New Zealand continues to play a leading role on food security within ABAC and the APEC Policy Partnership on Food Security (PPFS). Tony Nowell took part in the a public-private dialogue on food security at the APEC SOM meeting in late February, which focused on (a) technological cooperation and transfer in food production; (b) technological cooperation in food storage and supply chain; (c) food trade cooperation and facilitation; (d) cooperation and development in food investment and infrastructure construction; and (e) food standardization and quality.
15. In the area of energy security, ABAC will explore energy efficiency measures and environmental impact mitigation, with special attention to policies that accelerate the development of commercially viable Clean Coal Technology. ABAC will contribute to the development of APEC's energy security strategic plan. ABAC will also study the social and economic contributions of mining to economies and to develop best practices to promote sustainable mining practices.

Promoting SMEs and women's economic empowerment

16. Maxine Simmons co-chaired the SME working group for the final time in Auckland. SMME financing remains a key priority. Ms Simmons reported on the NZ/Chinese Taipei Venture Co-Fund which is focused on SMME access to growth capital and markets. The co-fund seeks to facilitate venture capital investment in high growth companies and will contain US\$160 million to be made available over five years. This presentation gave rise to discussions about a possible APEC fund for SMMEs to expand the fund collaboration to the APEC community.
17. ABAC approved the formation of an ABAC Open Innovation Platform (A-OIP) to stimulate cross-border collaboration on technology development and dissemination for SMMEs. This Platform will promote cross-border cooperation on the commercialization of innovations. The first meeting of the A-OIP steering group will take place in Taipei in mid-April to establish some operational guidelines and a certification system for evaluating and recognizing promising innovations for dissemination. Private sector members are currently being sought – please see ABAC NZ Secretariat for details if interested.
18. Efforts to mainstream the issue of women's economic empowerment within ABAC are bearing fruit. The release of the ABAC Report on Women and the Economy (October 2013) has helped to strengthen ABAC's voice on these issue, which will be further pursued at the APEC Policy Partnership on Women and the Economy in Beijing on 20-21 May. ABAC plans to create a toolbox of best practices for women's advancement.
19. Three APEC Cross-Border e-Commerce Training (CBET) workshops, which will provide capacity building programs to SMMEs focusing on cross-border e-commerce, will be held in China in 2014. Details are available from the ABAC New Zealand Secretariat.

Ensuring the region's financial stability

20. ABAC's finance and economics workplan includes the following priorities: (a) macroeconomic overview and monitoring of G20 developments; (b) improving the investment environment to facilitate the channeling of long-term savings into infrastructure investment, including investment by sovereign wealth funds (SWFs), state-owned enterprises (SOEs) and pension funds; (c) internationalization of emerging markets currencies; (d) developing a framework for the challenges of urbanization and promoting investment in infrastructure; and (e) advancing the work of the Advisory Group through the Asia-Pacific Financial Forum (APFF) and Asia-Pacific Infrastructure Partnership (APIP).
21. ABAC's Asia Pacific Financial Forum project will be an important ongoing focus of attention. There will be two APFF conferences this year: in Seattle in July and in Hong Kong in September. Other APFF initiatives will include co-sponsorship of the APEC Finance Ministers' seminar on long-term and stable financing for infrastructure development in 26-27 June in China; the addition of a subsection on the Financial Inclusion Forum in the Business Resources section of the ABAC website; and ABAC participation in the Deputy Finance Ministers' Meeting in Boao to update officials on the progress of APFF, APIP and other initiatives.
22. ABAC Australia is part way through a multi-year program to promote measures to encourage regional investment flows, including by SWFs and SOEs, through greater predictability and transparency in decision making. Amongst other things, a training program for investment policy and facilitation experts will take place in Melbourne in June.
23. ABAC has endorsed a proposal to identify best practices in urban infrastructure development, including a biennial forum to develop a holistic policy framework for meeting the challenges of rapid urbanization in the Asia Pacific region and its associated infrastructure development needs.
24. ABAC will also review initiatives to internationalize emerging market currencies with a view to assessing lessons to be learnt from previous efforts by China and Russia to internationalize their currencies. This work will enable regional economies that are interested in pursuing foreign exchange reforms to better understand the benefits and costs of currency internationalization.
25. ABAC agreed to write to the B20 highlighting ABAC concerns on the impact of proposed international financial regulatory standards on SMME access to bank financing and other non-bank financing mechanisms, as well as financial regulatory standard-setting.

Next meeting and further information

26. The next ABAC meeting will take place in Santiago, Chile on 4-7 May. Further information 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, at email fionacc@clear.net.nz.