

**APEC BUSINESS ADVISORY COUNCIL  
THIRD MEETING, MELBOURNE, 10-13 AUGUST 2015**

**REPORT TO NEW ZEALAND BUSINESS**

**SUMMARY**

1. ABAC's third meeting for 2015 took place in Melbourne from 10 to 13 August. ABAC Members discussed a wide range of trade and economic issues and finalised a comprehensive ABAC letter to APEC Economic Leaders covering the large number of subjects that had been discussed over the course of 2015. Topics of major focus for the week included free trade agreements and global value chains, services trade, financial sector reform (including the Asia Regional Funds Passport), small and medium enterprises and the rule of law. ABAC New Zealand was active on the trade negotiations topics (the Free Trade Agreement of the Asia-Pacific, the TPP negotiations, and the World Trade Organisation, including leading a discussion on how to tackle non-tariff barriers), on the trade aspects of food security (including driving ahead our initiative for a private-sector food industry forum), and on the use of global data standards for supply chain optimisation. Of interest were also updates on an academic study on the involvement of small and medium enterprises in e-Commerce (which has involved interviews with New Zealand companies) and on the 'liveable cities' project being undertaken by Price Waterhouse Coopers which counts Auckland among the 28 cities in the APEC region judged vital for geographic and economic access to markets.

**REPORT**

2. ABAC New Zealand members Tony Nowell, Katherine Rich and Wayne Boyd, supported by Stephen Jacobi (Alternate Member) and Stephanie Honey, attended ABAC's third meeting for 2015 in Melbourne. The meeting was hosted by ABAC Australia and chaired by ABAC Philippines as host economy for 2015. There were wide-ranging discussions in each of the five themed working groups (finance and economics; regional economic integration; sustainable development; connectivity, and micro, small and medium enterprises (MSMEs)). There were also a number of events involving Australian state and federal ministers and senior government figures (including Secretary to the Australian Commonwealth Treasury John Fraser; Jacinta Allan, Minister for Public Transport and for Employment for the State of Victoria, and the Hon Steven Ciobo MP, Federal Parliamentary Secretary for Foreign Affairs, Trade and Investment).

3. This meeting was the final one for ABAC New Zealand member Wayne Boyd before retiring from ABAC duties. He received warm thanks for his contribution over the years from colleagues on the Finance and Economics Working Group. Wayne's New Zealand colleagues are also sad to see him go and very grateful for his contribution.

***Regional economic integration: liberalising trade and investment***

4. Building on previous discussions, there was considerable interest in the prospects for the Free Trade Area of the Asia-Pacific (FTAAP), both in the dedicated session during the Regional Economic Integration Working Group and throughout the week's discussions on broader topics. The trade policy consultant academics commissioned by ABAC to undertake a study on FTAAP gave an update on their work. A first draft of their study is expected in a month's time. (The ABAC study is

intended to provide input and add value to the collective strategic study being undertaken by APEC itself.) Presenter Professor Christopher Findlay has undertaken to follow up with ABAC New Zealand on a number of aspects, including ensuring that the real-world business perspective is sufficiently reflected in the final study. Other trade topics discussed included the TPP negotiations, US Trade Promotion Authority and the Pacific Alliance, along with the explosion in global value chains, the WTO and various other topics.

5. Building on her presentations at the first and second ABAC meetings this year, Katherine Rich (in her capacity as Co-Chair of the Regional Economic Integration Working Group) spoke further on the theme of non-tariff barriers (NTBs). The presentation canvassed some of the challenges in identifying and addressing NTBs for both goods and services and the importance of doing so, particularly to enhance the operation of global value chains. Katherine made the case for tackling those barriers both through existing and future trade agreements (including, *inter alia*, FTAAP – an important consideration for New Zealand and ABAC input into the various FTAAP studies), but also posing the question of whether in the short term a more systemic approach to addressing the most egregious NTBs, with active input from the business community, might help to smooth the path for trade. This series of discussions has usefully drawn attention to a growing challenge for exporters in regional and global trade, and ABAC New Zealand would intend to return to the theme at ABAC IV (perhaps with a greater focus on private standards at that meeting).

6. Stephen Jacobi gave a brief update on the WTO's Trade Facilitation Agreement (TFA), emphasising the importance for broader strategic and credibility reasons that APEC economies should take every step to ratify the TFA ahead of the WTO Ministerial Meeting in Nairobi in December of this year. (New Zealand is on track to have ratified by then, but to date only 12 WTO Members have done so, and 108 ratifications are needed for the agreement to enter into force.) ABAC New Zealand also took care to ensure that sufficient weight was given in the final letter to the importance of APEC leadership on WTO issues and indeed the pre-eminence of the multilateral rules-based trading system itself.

7. A further significant focus for ABAC work during the week was on the services agenda. Presentations were given on a range of services-related topics including the draft APEC Services Cooperation Framework, the Trade in Services negotiations and the APEC Services Trade Access Requirements (STAR) database. The latter is expected to be operational within a few weeks and should offer a useful business-friendly tool for identifying services trade barriers in eight important sectors (including, of prime interest to New Zealand, education, professional services, computer and related services, transport and distribution services) around the APEC region. The STAR database will be accessible via the following website: [www.servicestradeforum.org](http://www.servicestradeforum.org).

8. Reflecting the emphasis being placed on services issues by the APEC Philippines Chair, there was also discussion about the various public-private dialogues on services trade it has held this year and the regional conference scheduled to take place on 6-7 September in Cebu, the Philippines, at which preparations will be progressed for the establishment of an "APEC Coalition of Services Organisations". A draft memorandum of understanding for the establishment of the coalition was circulated at the meeting. (Ahead of the Melbourne meeting, ABAC New Zealand had undertaken consultation with New Zealand services sectors to identify concerns and priorities. Further outreach will now be undertaken with services organisations regarding participation. Other

confirmed participants include services organisations from Australia, Canada, China, Chinese Taipei, Hong Kong China, Indonesia, the Philippines, Singapore, the US and Europe.)

#### *Towards sustainable development and food security*

9. In his capacity as Co-Chair of the Sustainable Development Working Group and of the APEC Policy Partnership on Food Security (PPFS), Tony Nowell gave an update on the prospects for a second meeting of the Asia Pacific Food Industry Forum (AP-FIF). This would build on the first AP-FIF session held in the margins of the last PPFS event, which had allowed around 25 companies to bring a focus onto the trade aspects of food security for the audience of both PPFS and APEC Economic Leaders. Nowell reported that it was hoped to hold the industry meeting just ahead of the next PPFS meeting (perhaps once again in Singapore) and in association with a week-long series of agriculture and food discussions in late September/early October in Iloilo City, the Philippines. There may also be involvement from New Zealand companies in a High-Level Policy Dialogue on Food Security and the Blue Economy on 4-6 October.

10. PwC gave an update on the work ABAC has commissioned it to do on “Building Better Cities” in the APEC region. Thanks to our efforts in previous discussions, Auckland is one of the 28 “liveable cities” being assessed in the study. The cities, being framed as vital geographic and economic access-points to markets, were being measured against indicators of culture, society, infrastructure, health and welfare, sustainability and competitiveness. There is to be a forum for mayors and city planners on Liveable, Sustainable and Competitive Cities on 3-4 September in Cebu, the Philippines. The presentation revealed some minor data gaps relating to Auckland which we have undertaken to follow up with Auckland Council/PwC.

#### *Promoting connectivity in the region*

11. GS1 and ABAC New Zealand provided an update on the global data standards (GDS) initiative. This is intended to promote supply-chain optimisation. The project examines nine ‘best practice’ examples (the New Zealand pilot projects involve deer velvet and seafood).

12. There were also presentations on the digital economy (the “internet of everything”) and further evolution of the “Rule of Law” topic being championed by Peru (looking ahead to its year chairing APEC next year). On the latter, ABAC agreed to write to the APEC SOM Chair requesting assistance in arranging a high-level meeting during 2016 for ABAC and APEC Ministers of Justice. The meeting is intended to underscore the importance of the rule of law for an optimal business and trade environment.

#### *Enhancing MSME development*

13. From the Chair, ABAC Philippines continued to champion the needs of micro-, small and medium enterprises (MSMEs), and more broadly ABAC itself gave a strong focus to practical ways to advance MSME interests.

14. In that connection, the USC Marshall School of Government gave an update on the project that ABAC has commissioned on the involvement of MSMEs in e-commerce, for which a number of New Zealand companies have been or will be interviewed – part of a broader coterie of around 500 interviews that will have been completed by the conclusion of the project. The study is likely to make eight final

recommendations about how governments can support MSMEs including in both the domestic sphere (e.g. undertaking capacity-building and simplifying domestic policies) and regionally (including an APEC-wide action plan to create forward-looking e-commerce policy frameworks and covering the same in FTAs). ABAC agreed that members should circulate an online questionnaire to a larger number of MSMEs following the Melbourne meeting. The final report will be presented in Manila in November.

#### *Finance and economics*

15. There was discussion of the APEC Finance Ministers' process including the Cebu Action Plan (characterised as an important step in reforming regional financial systems), with a major focus of interest to New Zealand being the expected commencement of the Asia Region Funds Passport in a couple of months' time.

#### **Letter and report to APEC Economic Leaders**

16. ABAC members finalised their letter to APEC Economic Leaders, to be conveyed ahead of the Leaders' meeting in Manila in November. (The letter serves as a cover to a very detailed report on the large number of topics covered by APAC during the year's meetings.) The letter touches on the wide-ranging ABAC agenda and highlights several topics of keen interest to New Zealand. In particular, we sought to secure language which calls for ambitious leadership on FTAAP, the WTO, supply-chain connectivity, services trade and food security. Other topics highlighted in the letter include the rule of law initiative, MSMEs, the APEC Finance Ministers' Cebu Action Plan including the Asia Region Funds Passport, and initiatives aimed at increasing the APEC region's sustainability including on both tariff- and non-tariff barriers to environmental goods and services.

#### **Next meeting and further information**

17. ABAC IV will be held in Manila from 13 to 16 November and the annual CEO Summit will take place 16-18 November. New Zealand has been placed in the leadership for Group 2 for the ABAC Dialogue with Leaders, alongside the US, Viet Nam and Indonesia. The CEO Summit is expected to involve 12 APEC Leaders and around 750 delegates, discussing the theme "Creating the Future: Better, Stronger, Together" (with specific topics to include regional economic growth, building resilient communities, innovation and entrepreneurship, human capital, health and education, and sustainable development). Further information is available on the event website [www.apec2015ceosummit.ph](http://www.apec2015ceosummit.ph).

18. ABAC members were asked to encourage their business sectors to participate in the APEC CEO Survey being run by PwC as in previous years.

19. Further information is available at [www.nzibf.co.nz](http://www.nzibf.co.nz) and [www.abaonline.org](http://www.abaonline.org). Copies of reports and studies mentioned in this report are available on request from Stephen Jacobi, [stephen@jacobi.co.nz](mailto:stephen@jacobi.co.nz).