



ABAC NEW ZEALAND REPORT TO NEW ZEALAND BUSINESS

THIRD ABAC MEETING FOR 2010

BANGKOK, THAILAND, 23-27 AUGUST 2010

Summary

The Bangkok ABAC meeting:

- **agreed to recommend that APEC Leaders adopt a new vision for APEC that builds on what has been achieved since the adoption of the Bogor goals¹ and which includes a recommitment to pursue the Free Trade Area of the Asia Pacific (FTAAP) as a vehicle to achieve free and open trade in the region**
- **continued to make progress on issues related to regulatory coherence, investment, competition, food security, energy efficiency, environmental goods and services, transport safety and innovation for small, medium and micro enterprises (SMME)**
- **finalised the annual report for presentation to Leaders at the November APEC Summit.**

Introduction

1. The main order of business for ABAC's third meeting for 2010, held in Bangkok, was to finalise ABAC's annual report to APEC Economic Leaders. This report forms the basis for discussion at the ABAC annual Dialogue with Leaders at their Summit in Yokohama in November 2010. The report includes a covering letter, executive summary and more detailed recommendations relating to each of ABAC's work areas in trade and investment liberalization, trade and investment facilitation, food security, finance and economics, sustainable development and SME capability building.

¹ APEC Leaders meeting in Bogor Indonesia in 1994 adopted the goal of free and open trade in the region by 2010 for developed economies and 2020 for developing economies. ABAC initiated a review of the achievement of the Bogor goals at its meeting in Melbourne in February 2010 and passed its recommendations to Trade Ministers in June 2010

2. The Bangkok meeting was attended by all three New Zealand members - Tony Nowell, Gary Judd and newly appointed member Maxine Simmons as well as by Senior Policy Adviser Stephen Jacobi. The team's objectives for the meeting included ensuring strong references in the final report to the proposed Free Trade Area of the Asia Pacific (FTAAP); focusing attention on the Trans Pacific Partnership (TPP) as a possible template for FTAAP; ensuring a focus on supply chain issues at a Food Security Workshop held in Bangkok on 23 August; raising views and concerns related to investment and currency volatility; and exchanging views more generally on the economic situation in the region.

Assessing the post crisis global economy

3. The meeting took place against the background of an improving global economy led largely by the Asian economies. In July the IMF announced that global GDP growth would be 4.6 percent in 2010 and 4.3 percent in 2011 (in 2009 growth was -0.6 percent). Earlier in the year financial market turmoil in Europe had given rise to fears of another downturn but markets had since calmed largely as a result of effective intervention in support of Greece by European and international institutions. More recently the US economy has shown signs of slowing (second quarter growth was 2.4 percent down from 5 percent in the fourth quarter of 2009). The pace of US industrial output and employment growth has also slowed in recent months raising the prospect of a further "double dip" recession. These developments suggest significant downside risk remains in the global economy. The timing of fiscal exit strategies including in APEC economies remains a key issue for maintaining global growth.

Developing a new vision for APEC

4. ABAC lent its support for the development of a new APEC growth strategy led by Japan as APEC Chair and which aims to achieve regional growth which is balanced, inclusive, sustainable, innovative and secure. ABAC New Zealand was prominent in calling for further definition of the elements of the strategy and advocating successfully that FTAAP should remain central to the strategy as well as to the achievement of APEC's vision for regional economic integration.
5. Attention was focused on the continuing relevance of the Bogor goals which ABAC reviewed earlier this year. Members agreed that any new vision for APEC needed to be built on what had been achieved since Bogor. Members also agreed to recommend that the APEC Secretariat should be charged with developing, collating and publishing annually a set of metrics for member economies related to trade in goods, trade in services, investment and the movement of people. Indicators of this kind should assist APEC to monitor on an ongoing basis the extent to which member economies are moving towards free and open trade and investment in the region.

Making further progress towards FTAAP

6. Working closely with like-minded partners ABAC New Zealand was successful in ensuring that FTAAP features prominently in ABAC's letter and report to APEC Economic Leaders. ABAC's **Liberalisation Working Group (LWG)**, chaired by Tony Nowell received an update from the Japanese senior official in charge of developing possible pathways to FTAAP as agreed at last year's APEC Summit. These pathways include both the convergence of existing FTAs in the region and the development of FTAAP as an incubator for new ideas and initiatives that could be implemented at a sub-regional level. Discussion among ABAC members revealed however some differing views regarding the scope, ambition and legally binding nature of FTAAP.
7. ABAC received an update from Liz Chelliah, Chair of APEC's Committee on Trade and Investment and a senior trade official from Singapore about progress with negotiations to conclude an expanded Trans Pacific Partnership (TPP). While some complex issues are at play in this negotiation two negotiating rounds have now been held and further rounds are scheduled to take place between now and the APEC Summit in Honolulu in November 2011. A further expansion of the negotiation to include Canada and Malaysia is reported to be under consideration².

Monitoring protectionism and concluding Doha

8. The meeting received an update on continuing protectionism in the global economy. Notifications of trade restrictive measures received from three member economies, including New Zealand, tended to support the views of the WTO and Global Trade Alert (GTA) that much crisis-era protectionism has yet to be unwound. ABAC therefore agreed to continue to mention the ongoing risks of protectionism in its letter to leaders.
9. The meeting was joined by a Thai senior official, Ms Pimchanok, Executive Director, Multilateral Trade Negotiation bureau, Ministry of Commerce who provided a read out on the state of play in Geneva. Ms Pimchanok drew attention to problem areas in the negotiation but overall felt that the real issue holding up progress was that several countries had yet to reveal their bottom line in the negotiations. The problem was seen by members as more political than technical at this point.

Achieving regulatory coherence

10. As part of ongoing work to identify new business requirements for future FTAs, LWG received a paper from ABAC New Zealand drawing attention to New Zealand's experience in promoting dialogue between regulators and achieving regulatory coherence with a range of trading partners. The meeting endorsed the concept of enhanced, principles-based regulatory co-operation as an ideal outcome from new generation FTAs and agreed to convey this advice to APEC senior officials.

² Since the meeting Canada has announced it is not yet ready to join the TPP negotiation.

Facilitating trade and investment

11. ABAC's **Facilitation Working Group (FWG)** reviewed APEC's Non-binding Investment Principles which were first introduced in 1994 and made recommendations for updated language. FWG also endorsed some guidelines for procedural fairness in competition policy. Both documents were referred to the appropriate APEC contacts.
12. FWG discussed a range of issues that have the potential to improve the flow of goods and services across borders and substantially reduce business costs. A transport safety workshop was held in Bangkok on 24 August and attended by Tony Nowell.

Continuing to build the APEC Food System

13. The whole New Zealand team attended a Food Security Workshop held in Bangkok on 23 August reflecting the importance of this issue for New Zealand. The objective of the workshop was to develop an outline of an action plan to address distribution and logistics in food as a key part of ABAC's presentation to Food and Agriculture Ministers meeting to be held in Niigata, Japan, in October 2010. Participants were able to feed in ideas for the Ministerial declaration to be adopted in Niigata (ABAC New Zealand mentioned the protectionism, food safety and regulatory co-operation). The workshop drew attention also to the issue of malnourishment among some member economies, the need to improve supply chain efficiency especially in the context of reducing food loss and waste as well as energy consumption. The need to end export restrictions on food was also stressed. ABAC continues to advocate for a high level co-ordination mechanism to bring a systems approach to APEC's diverse food-related agenda.

Promoting sustainability

14. ABAC's **Sustainable Development Working Group (SDWG)** reviewed progress with ABAC's Energy Security Strategy and discussed energy efficiency and climate change issues. The language on climate change in the final report to Leaders came in for close attention with ABAC members, led by New Zealand, agreeing to a more flexible approach to climate change mitigation and warning about the potential negative impacts of climate change policy on food supply. SDWG also received an update of progress with a background study of trade and investment issues in relation to environmental goods and services which it had commissioned from the USC Marshall School of Business. The study will be finalized for adoption at the Yokohama meeting and should provide a useful basis for further ABAC work on this sector.

Ensuring the health of the region's economy

15. At ABAC's **Finance and Economics Working Group (FEWG)** Gary Judd continued to promote discussion on ways to address currency volatility. FEWG discussed financial regulatory reform, access to finance by SMEs and micro-enterprises and international accounting standards. The group finalized its separate report to APEC Finance Ministers. In the discussion on ABAC's letter to Leaders ABAC China successfully

advocated the inclusion of a reference to the continuing need for financial reform requiring close co-ordination among member economies.

Promoting SME capability

16. ABAC's **Capability and Action Plan Working Group (CBAPWG)** took stock of progress with projects to accelerate ICT use by SMMEs and micro-enterprises and to promote ICT applications in human resource development.

Conclusion

17. Notwithstanding the diversity of views among members the Bangkok meeting came up with a strong message to Leaders on the critical importance of achieving FTAAP. ABAC New Zealand successfully ensured that FTAAP remained at the heart of proposals to develop a new vision and growth strategy for APEC and made useful progress on a number of other issues including food security of importance to New Zealand business. ABAC's last meeting for 2010 will be held in Yokohama, Japan, in November, just prior to the annual meeting with Leaders.

For further information

18. Please contact Stephen Jacobi at 0294 725 502 or Stephen@nzibf.co.nz.
19. Copies of ABAC's letters to APEC Leaders and APEC Trade Ministers are posted along with other information at www.nzibf.co.nz. Copies of documents mentioned in this report may be obtained on request from Stephen Jacobi as above.

**ABAC New Zealand
September 2010**