



**APEC BUSINESS ADVISORY COUNCIL
SECOND MEETING, MEXICO CITY, 20-23 APRIL 2015**

REPORT TO NEW ZEALAND BUSINESS

SUMMARY

1. ABAC's second meeting for 2015, with The Philippines in the chair, was held in Mexico City 20-23 April. The focus for this meeting was the preparation of a letter and report to APEC Trade Ministers covering support for trade liberalisation both regionally and through the World Trade Organisation (WTO), supply chain connectivity, services trade, small and medium size enterprises and a new ABAC focus on the rule of law. At this meeting ABAC New Zealand presented on the importance of addressing non-tariff barriers, progress made in establishing a new forum for the private sector to channel views to APEC on food security and the stage reached in promoting the use of global data standards for supply chain optimization.

REPORT

2. ABAC New Zealand members Tony Nowell and Katherine Rich, supported by Stephen Jacobi (Alternate Member) attended ABAC's second meeting for 2015 hosted by ABAC Mexico in Mexico City. ABAC continued its work programme reflecting the theme for 2015 - "Resilient, inclusive Growth – a fair deal for all" – and prepared a mid-term report to APEC Trade Ministers who meet in Boracay on 23 May. The ABAC team was pleased to meet with Ambassador Clare Kelly and Deputy Head of Mission Diana Hawker while in Mexico.

Liberalising trade and investment

3. A major focus at this meeting was how ABAC could contribute to the conceptual work now underway to initiate a Free Trade Area of the Asia Pacific (FTAAP), first mooted by ABAC in 2004, adopted as a long-term goal by APEC in 2006 and given new momentum by the Beijing Roadmap adopted at last year's Leaders' Summit. In Mexico ABAC confirmed how it would make input into APEC's "collective strategic study" which will be presented to Leaders by the end of 2016. A leading trade expert, Professor Peter Petri from Brandeis University, together with a number of colleagues, will complete a study including analysis of existing FTAs and the reasons why they are not fully utilised by business. That should help ABAC focus attention on gaps in coverage, which can be addressed in the context of FTAAP. This project will roll out in consultation with ABAC Members over coming months and an update will be provided at ABAC III in Melbourne in August. The analysis will be completed by ABAC IV in Manila and provide a basis for ABAC's continuing engagement with APEC next year. ABAC New Zealand will follow this work closely (further information on the Petri study is available on request).
4. Progress towards FTAAP will also be determined by developments with the Trans Pacific Partnership (TPP) and Regional Comprehensive Economic Partnership (RCEP). It is not expected that RCEP will be concluded by the end of this year as planned but prospects for TPP have taken a major step forward now that a draft "fast track" negotiating authority has been tabled in the Congress with bipartisan support. Passage of this legislation will not be easy given the opposition to TPP by many Democrats but US

representatives at ABAC expect it to be passed in the course of May. That should pave the way for a conclusion of bilateral negotiations between the US and Japan and the extension of the outcome to other TPP participants including New Zealand. Exactly how this will be done remains to be seen and the quality of the market access outcome will condition the extent to which Ministers can reach agreement on outstanding rules issues (like investment and intellectual property).

5. Following her presentation on the WTO at ABAC I, Katherine Rich, as Co-Chair of ABAC's Regional Economic Integration Working Group, gave a presentation highlighting the importance of addressing non-tariff barriers, which appear to be gathering intensity. Katherine's presentation covered the definitions of non-tariff barriers, some examples of NTBs in the food sector, the nature of their impact on business and the ways they can be addressed through bilateral, plurilateral and multilateral agreements. Katherine also touched on the significance of private standards, to which we intend to return in due course. The presentation gave rise to a lively discussion amongst ABAC Members and agreement that this would be further addressed at ABAC III.
6. Stephen Jacobi gave a brief update on progress with ratification of the WTO Trade Facilitation Agreement (TFA). Only four WTO members have ratified to date (New Zealand's ratification is proceeding and will be completed by the time of the WTO Ministerial in December). ABAC Japan drew attention to the stalemate (largely between China and the US and Japan) with the extension of the Information Technology Agreement and ABAC Singapore briefed us on the small number of APEC economies (including none from ASEAN) participating in the Trade in Services Agreement negotiations.
7. ABAC continues its work on the services agenda. Attention was focused at this meeting on the need for better data such as the index managed by the OECD. The Philippines' APEC chair is holding a number of regional services dialogues this year culminating in a meeting of regional services organisations to be held in October. It is proposed to establish an APEC Services Coalition to bring together these national organisations and others interested in services issues. ABAC New Zealand is presently undertaking further consultation with New Zealand services sectors to identify concerns and priorities.
8. ABAC Members attended a useful seminar on developments in the Pacific Alliance, an economic integration process linking Mexico, Chile, Peru and Colombia. The emphasis in the presentations was on the gathering momentum in integration and the interest in expanding the grouping. Observer economies, including New Zealand, may be interested to participate in these programmes.

Towards sustainable development and food security

9. Tony Nowell is Co-Chair of ABAC's Sustainable Development Working Group (SDWG) and Co-Chair of the APEC Policy Partnership on Food Security (PPFS). In recent months significant progress has been made towards strengthening the voice of the private sector in APEC food security discussions. An establishment meeting for what is hoped will become the Asia Pacific Food Industry Forum will be held in Singapore on 11 May prior to the PPFS meeting in Boracay 13-15 May. This New Zealand-led, private sector initiative is being developed in association with Food Industry Asia, which brings together food companies throughout the region. Tony Nowell and Stephen Jacobi will attend these forthcoming meetings.
10. ABAC is supporting a study of livable cities in the APEC region, which is being undertaken by PWC using metrics developed under their "Cities of Opportunity" project. The scope of the study was considered at ABAC I and Auckland has now been

added to the 27 cities under survey. The study will focus on indicators of culture and society, infrastructure, health and welfare, sustainability and competitiveness.

Promoting connectivity in the region

11. ABAC New Zealand continues to champion the global data standards (GDS) initiative to promote supply chain optimisation and integrity. In Mexico City Tony Nowell provided an update on GDS pilot projects are now underway amongst APEC economies including in the pharmaceutical sector. New Zealand agencies and companies are working on pilot projects in the area of deer velvet and seafood.
12. ABAC USA continues to champion a work programme drawing attention to the needs of the digital/Internet economy, building on previous work identifying barriers to cross border data flows. ABAC New Zealand remains interested to talk to New Zealand companies about their interests in this work programme building on the background work we completed last year.

Enhancing SMME development

13. ABAC continues to explore practical ways of promoting small, medium and micro-sized enterprises (SMMEs) with a focus on access to finance and innovation. This year the USC Marshall School of Business research project for ABAC will focus on accelerating SMME growth through cross-border e-commerce. ABAC New Zealand will be looking to identify up to 25 companies active in e-commerce and to arrange interviews with the research team in June. Some inspirational case studies are needed which can be highlighted in the final report. ABAC China is also pursuing research to highlight opportunities for cross-border electronic commerce.
14. The Asia Pacific Innovation Platform (APIP) supported by ABAC Chinese Taipei seeks to link new innovations with potential commercial partners. A conference for APIP will be held in Taipei in October. ABAC Canada is presently gathering data on incubators and accelerators with a view to producing a report on the innovation eco-system in APEC.

Promoting women's economic empowerment

15. The ABAC Women's Forum held a further dialogue in Mexico City with the Mexican Minister for Tourism HE Claudia Ruiz Massieu. Katherine Rich spoke in the discussion drawing attention to progress in New Zealand.

Report to Trade Ministers

16. ABAC's mid-term letter to Trade Ministers covers areas of the work programme relevant to the Trade portfolio including FTAAP, TPP, WTO agreements (Trade Facilitation, Trade in Services, Information Technology), supply chain connectivity, services trade, small and medium size enterprises and a new ABAC focus on the rule of law. The latter is being championed by ABAC Peru, which assumes the Chair in 2016 and focuses on how business can contribute to improving government and judicial processes and combatting corruption. The need for APEC to follow through (as New Zealand has done) on the undertaking to reduce tariffs on a range of environmental goods and services was also highlighted in the letter.
17. During the meeting ABAC was pleased to meet on two occasions with the Mexican Minister of the Economy HE Ildefonso Guajardo Villarreal and to be received for dinner at the Foreign Ministry.

Next meeting and further information

18. ABAC III will be held in Melbourne 1-13 August and ABAC IV in Manila 13-16 November. The annual CEO Summit will be held in Manila 17-18 November.
19. 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 Stephen Jacobi, Stephen@jacobi.co.nz.

**ABAC New Zealand
April 2015**