



## **ABAC NEW ZEALAND REPORT TO NEW ZEALAND BUSINESS**

### **SECOND ABAC MEETING FOR 2011**

**SEOUL, KOREA 27-29 APRIL 2011**

#### **Summary**

##### **The Seoul ABAC meeting:**

- **Finalised letters to APEC Trade and SME Ministers outlining ABAC's views and recommendations on trade, investment and economic priorities for the APEC region**
- **Made further progress on the work programme established in the first meeting in Guangzhou in February on issues related to regional economic integration, SMEs, sustainable growth and financial issues**
- **Further developed ABAC's thinking on key issues of interest to New Zealand including progress towards freer trade, supply chain issues, regulatory coherence, food security and a proposed voluntary code of ethics for the medical devices industry**
- **Approved the continuing ABAC work programme including priority areas through to the third ABAC meeting in Lima, Peru in August and fourth and final meeting in Honolulu, Hawaii in November**
- **Made preparations for ABAC's engagement with Trade and SME Ministers at their annual meeting in Big Sky Montana in May.**

#### **Introduction**

1. The main order of business for ABAC's second meeting for 2011, held in Seoul, was to finalise ABAC's annual letters to APEC Trade and SME Ministers who will be meeting in Big Sky, Montana, in May. The letters outline ABAC's recommendations on trade and investment priorities for the region and highlight ABAC's views on issues affecting small, medium-sized and micro enterprises (SMEEs). The letters also provide a mid-term report on progress with the ABAC work programme and will feed into the recommendations to be made to APEC Economic Leaders at ABAC's annual Dialogue with Leaders at their Summit in Honolulu in November 2011. The letters include

recommendations on each of ABAC's work areas in regional economic integration, sustainable growth (including food security), SMME and entrepreneurship and finance and economics.

2. The Seoul meeting was attended by New Zealand members Gary Judd and Maxine Simmons as well as by Alternate Member and Senior Policy Adviser Stephen Jacobi. The team's objectives for the meeting included managing the work programme of the Regional Economic Integration Working Group (REIWG) chaired by New Zealand; ensuring strong references in the letter to Trade Ministers to the proposed Free Trade Area of the Asia Pacific (FTAAP) and concluding the WTO Doha round; focusing attention on the Trans Pacific Partnership (TPP) as an identified pathway for FTAAP; obtaining ABAC endorsement of a proposed voluntary code of ethics for the medical devices industry; making preparations for meetings with APEC senior officials and Ministers in Big Sky, Montana, in May including a first-ever formal Food Security Dialogue; and continuing to raise concerns about currency volatility and its impact on trade in the region.
3. The meeting also took place in the aftermath of the catastrophic earthquake and tsunami in Japan on 11 March: this led to extended discussion on the need to:
  - a. enhance disaster preparedness and business recovery in the region (a questionnaire for business will shortly be circulated)
  - b. ensure that at times of crisis critical supply chains are kept open and any measures to protect the public in domestic economies are based on science and international standards; and
  - c. review the safety and security of nuclear power stations.

This discussion was reflected in the ABAC letter to Trade Ministers.

#### **Assessing the economic outlook for APEC economies**

4. After a stronger than expected rebound in 2010, growth in the global economy is likely to slow to around 4.5 percent in 2011 and 2012 as fiscal and monetary policy settings turn, with varying degrees around the world, from stimulus to restraint. The most significant medium-term trend continues to be the divergence in the growth prospects between the "advanced" economies as a group and the "developing and emerging economies", a trend which is particularly apparent in APEC. Growth in advanced economies will be hampered by unsustainable levels of public debt. Particular risks remain in Europe and the United States and post-catastrophe Japan. In emerging economies growth is likely to slow from the very high rates of 2010 (averaging over 9 percent in Asian economies other than Japan and around 6 percent in Latin American economies). In addition while trade has largely recovered from pre-crisis levels, foreign direct investment (FDI) continues to lag.

### **Freeing up trade and investment**

5. Good progress was made on the agenda for the **Regional Economic Integration Working Group (REIWG)** established at ABAC's first meeting in Guangzhou late February. ABAC discussed the disappointing lack of progress in the Doha negotiations and the prospect that the round will not be concluded by the end of the year. ABAC reviewed progress in the identified pathways to the proposed Free Trade Area of the Asia Pacific (FTAAP) which had been endorsed at the APEC Summit in Yokohama last November. Among these, useful attention was focused on TPP which has now undergone five rounds of negotiation. A meeting of TPP economies was also held in the margins of the ABAC meeting to discuss ways of supporting TPP through to the APEC Summit in Honolulu: a seminar co-sponsored by business organizations from Chile, New Zealand, Peru, Singapore and the United States will be held at the seventh round of negotiations to be held in San Francisco in September.
6. Building on some initial advice offered to APEC senior officials earlier in the year ABAC approved the development of more detailed recommendations on a number of "next generation" trade and investment issues. Some of these issues are more traditional ones that need to be re-evaluated; others are more recent issues. These include: enabling competitive markets, promoting innovation, increasing labour mobility, facilitating government procurement and new issues in services and investment. ABAC's further thinking will be presented at the Lima meeting.

### **Promoting efficient supply chains**

7. ABAC believes that regional economic integration can best be promoted by identifying and removing blockages in regional supply and value chains. Background research to identify and quantify these blockages has been commissioned from the USC Marshall School of Business which will be conducting interviews with business leaders in the region in May and June.
8. In Seoul ABAC's understanding of the operation of supply chains was deepened through a presentation by Edwin Keh, formerly Chief Operating Officer and Senior Vice President of Wal-Mart Global Procurement. Mr Keh said that a number of steps could be taken in the short term to make supply chains more efficient including simplifying documentation, standardising processes and procedures, changing the unit of measure (minutes rather than hours or days) and use of more electronic processing. In the medium term the Trans Pacific Partnership (TPP) provided an opportunity to address supply chain issues in a comprehensive way. Longer term economies needed to move away completely from nationally imposed trade barriers if sustainable consumption was to occur as global population increases.

### **Addressing the priorities of services trade**

9. A presentation on the services value chain prepared by Jane Drake-Brockman of the Australian Services Roundtable and delivered on her behalf by Gary Judd identified a number of key issues including innovation, cross border barriers, digital issues, regulatory coherence and intellectual property rights protection. Further work will now be undertaken to develop focused recommendations addressing these issues for inclusion in ABAC's annual report to APEC Economic Leaders.

### **Achieving regulatory coherence**

10. ABAC has earlier identified regulatory coherence and co-operation as a key ingredient for regional economic integration. Having endorsed a number of principles to guide regulatory coherence, ABAC agreed in Guangzhou to undertake a series of sectoral studies to determine what regulatory coherence might look like in practice. ABAC USA presented the first of these studies focusing on regulations for carbon emissions. ABAC USA based its work on the APEC Economic Committee's Good Practice Guidelines for Regulation which stress the importance of the following:

- designing performance based regulations based on international standards
- trade-friendly regulatory institutions
- regulatory impact assessments
- stakeholder consultation mechanisms
- effective enforcement.

It was agreed that the regulatory best practices identified by ABAC USA should be incorporated into ABAC's advice to Leaders. ABAC New Zealand undertook to prepare a further sectoral study applied to the dairy industry for presentation and ABAC Japan undertook to undertake a study related to the electronics industry. The results of these studies will be presented at the Lima meeting.

### **Promoting sustainable growth**

11. The ABAC's **Sustainable Growth Working Group (SWG)** covers food, energy and water. ABAC continued to develop ideas for a systems approach to achieving food security in the region. In Seoul presentations focused on addressing competition for food sources, improving agricultural productivity and identifying blockages in the food supply chain. ABAC has sought for some years to establish a high level dialogue on food within APEC and the first meeting of what could become a more institutionalised event will take place in Big Sky in May: ABAC's recommendations on a terms of reference for this dialogue were confirmed (copies are available on request). Tony Nowell from ABAC New Zealand is attending the food security meetings in Big Sky.

12. Discussions on energy focused on updating ABAC's Energy Security Strategy document, facilitating trade and investment in environmental technologies and addressing nuclear safety. On water ABAC is in the process of developing recommendations on the use of water reserves and sustainable water management.

### **Promoting SME capability**

13. ABAC's **Small, Medium-Sized and Micro Enterprises and Entrepreneurship (SMEEWG)** finalized its annual letter to SME Ministers who will also be meeting in Big Sky in May. The letter identifies a number of major issues affecting SMME development including access to finance, lack of capacity to internationalise, need for transparent and open business environment and inability to protect international property rights. In the course of discussion on issues affecting SMMEs Gary Judd again registered the importance of currency volatility as an impediment for SMME growth.
14. Maxine Simmons from ABAC New Zealand presented a case study on the significance of a voluntary code of business ethics for the medical devices industry and ABAC endorsed this approach as a means of efficiently addressing stakeholder concerns and avoiding cumbersome regulation on the part of governments (a copy of Maxine's presentation is available on request).

### **Ensuring the health of the region's economy**

15. ABAC's **Finance and Economics Working Group (FEWG)** discussed financing for SMMEs, regulatory convergence in the financial sector (including accounting standards) and financing for green growth initiatives. The latter will be discussed further at a workshop being organized for the APEC CEO Summit in Honolulu. Gary Judd will be attending meetings in Big Sky related to investment and financial services.

### **Advocating ABAC priorities**

16. ABAC's **Action Plan and Advocacy Working Group (APAWG)**, established only this year, reviewed the progress made on ABAC priorities across the board and the means by which these priorities are promoted in the APEC system. The meeting also discussed preparations for meetings of Ministers and senior officials to be held in Big Sky which will be attended by a number of ABAC representatives (including at different times Tony Nowell, Gary Judd and Stephen Jacobi).

### **Conclusion**

17. The Seoul meeting was a useful staging point in the development of ABAC's annual work programme and preparing for the annual engagement with Trade and SME Ministers at Big Sky. ABAC's advice to Trade Ministers contains recommendations related to making progress towards FTAAP, increasing FDI flows, identifying next generation trade and investment issues, concluding Doha and responding appropriately to natural disasters as well as other initiatives in progress. As noted above, the letter to

SME Ministers captures recommendations on a range of priority issues. The meeting also identified a number of priorities for further development in coming months. The next ABAC meeting will be held in Lima, Peru, 23-26 August.

**For further information**

18. Please contact Stephen Jacobi at 0294 725 502 or [Stephen@nzibf.co.nz](mailto: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](http://www.nzibf.co.nz). Copies of documents mentioned in this report may be obtained on request from Stephen Jacobi as above.

**ABAC New Zealand**  
**April 2011**