



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

### **FOURTH ABAC MEETING FOR 2010 and ANNUAL DIALOGUE WITH APEC ECONOMIC LEADERS**

**YOKOHAMA, JAPAN, 8-13 NOVEMBER 2010**

#### **Summary**

**The Yokohama ABAC meeting was an opportunity to promote the Trans Pacific Partnership (TPP) as the most viable pathway to the Free Trade Area of the Asia Pacific (FTAAP). Against a background of significant interest in TPP in Yokohama on the part of Japan, Canada and other economies, TPP was front and centre of the Yokohama meetings. ABAC also identified other issues to be raised in ABAC's annual dialogue with APEC Leaders including exchange rate volatility , issues related to small, medium sized and micro-enterprises (SMMEs), food security, energy security and the need to develop human talent and labour mobility.**

#### **Introduction**

1. The fourth and final ABAC meeting for 2010 was held in Yokohama, Japan, during the annual APEC Leaders' Week at which the Leaders of APEC's 21 member economies including Prime Minister John Key gathered for their annual Summit. This meeting was also the occasion for ABAC's annual Dialogue with Leaders. The Dialogue gives the three ABAC members from each APEC member economy an unparalleled opportunity to put their views on business issues facing the region directly to Leaders in an informal setting. The APEC Leaders' Week and associated APEC CEO Summit was also the occasion for the welcome announcements from the Government of Japan that it was consulting both domestically and with the other parties about whether to participate in an expanded Trans Pacific Partnership (TPP)<sup>1</sup>.

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<sup>1</sup> The Trans Pacific Strategic Economic Partnership or TPP is a free trade agreement linking Brunei, Chile, Singapore and New Zealand which entered into force on 1 January 2006. In September 2008 the United States announced it wished to join TPP. In November 2008 Australia and Peru announced they would also join and shortly thereafter Viet Nam sought observer status for the first three rounds of negotiation. At the APEC Summit in Singapore 2009

2. The Yokohama meeting was attended by New Zealand members Tony Nowell, Gary Judd and Maxine Simmons and by Stephen Jacobi as Alternate Member. The team's objectives for the meeting focused largely on promoting TPP as a pathway towards FTAAP, advancing the APEC growth agenda, enhancing food security through the APEC Food System and addressing the problem of currency volatility as well as SMME issues.
3. Seven other business leaders joined the ABAC team at other events during the APEC Leaders' Week including a TPP seminar organized by the NZ US Council in association with Singapore and US business groups, the APEC CEO Summit, APEC SME Summit, ABAC Energy Forum and events with Prime Minister John Key and Trade Minister Tim Groser. The APEC CEO Summit offers important opportunities for networking and debate on a range of key global and regional issues. More importantly, it enables participants to obtain first hand business intelligence and a better understanding of the global business environment.

#### **Clouds on the financial horizon?**

4. The Yokohama meeting took place against a gradually improving economic situation - the IMF estimates global real economic growth to 4.8 percent in 2010 and 4.2 percent in 2011 compared to -0.6 percent in 2009. At the same time business remains concerned by excessively volatile currency movements and by monetary and exchange rate policies in the United States and China respectively which risk derailing the recovery. The ABAC meeting expressed its support for decisions taken at the prior G20 meeting in Seoul as well as the proposed APEC economic growth strategy which was eventually adopted by APEC Economic Leaders' in Yokohama.<sup>2</sup>

#### **ABAC Dialogue with Leaders**

5. The Dialogue process is one in which 5 groups each including four Leaders and 12 ABAC members spend an hour together discussing issues of importance to ABAC. Tony Nowell's group met with the Leaders of New Zealand, Chile, Russia and the Deputy Prime Minister of Malaysia. Gary Judd's group met with the Leaders of Brunei Darussalam, Canada, Korea and a senior Minister from Indonesia substituting for the President who had to return to Indonesia early because of the volcano. Maxine Simmons' group met with the Leaders of China, Peru, Singapore and Viet Nam. The Japanese Prime Minister visited briefly with all groups.

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the United States confirmed it would join the negotiations. In Yokohama Malaysia was confirmed as the ninth member and Viet Nam announced it would participate as a full member.

<sup>2</sup> "The Yokohama Vision – Bogor and Beyond", 13-14 November 2010:  
[www.apec.org/apec/leaders\\_\\_declarations/2010.html](http://www.apec.org/apec/leaders__declarations/2010.html)

6. Issues raised with Leaders during the discussions included TPP as a pathway to FTAAP, exchange rate volatility, issues related to small, medium sized and micro-enterprises (SMMEs), food security, energy security and the need to develop human talent and labour mobility. ABAC's further recommendations to Leaders are outlined in its annual report *"Working Towards Sustainable Growth for all"*.<sup>3</sup>

### **Promoting TPP as a pathway to FTAAP**

7. Significant attention was focused on TPP in Yokohama largely as a result of a policy announcement by the Government of Japan on 6 November that it would proceed with consultations (with TPP participants) "while proceeding with the collection of relevant information and laying the groundwork back home". Prime Minister Kan went further in his address to the APEC CEO Summit saying that Japan "will be opening up its doors" and that the Government would liberalise the agriculture sector to make it more competitive. It remains to be seen whether Kan can deliver on these undertakings given the vociferous opposition of the agriculture lobby but his comments mark a radical departure from previous policy. He himself defined it in his address as a "new opening in the Heisei era"<sup>4</sup>. Prime Minister Kan joined as an observer the meeting of the nine TPP participants in Yokohama on 14 November.
8. On 11 November the NZ US Council joined with the Singapore Business Federation and the US APEC Business Coalition to organize a seminar which aimed at building business support for TPP. Entitled *"Walking the Talk – TPP as a pathway to the Free Trade Area of the Asia Pacific"*, the seminar was attended by over 80 business leaders and officials attending the APEC meetings. The seminar included remarks from the Trade Ministers of New Zealand and Singapore and the US Deputy Trade Representative as well as business leaders, including Tony Nowell, who presented ideas for new generation business issues which could be addressed in the negotiation. These included ease of doing business, supply chain connectivity and regulatory and other behind the border issues. A Japanese Vice Minister of Economy, Trade and Industry requested and was given an opportunity to deliver a statement at the meeting indicating Japan's strong interest in joining the TPP negotiations.
9. In its report to Leaders ABAC urged them to make decisions on the possible pathways to FTAAP. The Leaders' Statement took up this recommendation:

*"We will take concrete steps toward realization of a Free Trade Area of the Asia-Pacific (FTAAP), which is a major instrument to further APEC's regional economic integration agenda. An FTAAP should be pursued as a comprehensive free trade agreement by developing and building on ongoing regional undertakings, such as ASEAN+3,*

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<sup>3</sup> See <https://www.abaconline.org/v4/download.php?ContentID=2609958>

<sup>4</sup> "Heisei" refers to the current era of Japanese history which began with the death of Emperor Hirohito and the ascension of Emperor Akihito in 1989.

*ASEAN+6, and the Trans-Pacific Partnership, among others. To this end, APEC will make an important and meaningful contribution as an incubator of an FTAAP by providing leadership and intellectual input into the process of its development, and by playing a critical role in defining, shaping, and addressing the "next generation" trade and investment issues that FTAAP should contain".*

### **Liberalising trade and investment**

10. ABAC's trade liberalization agenda is pursued through the **Liberalisation Working Group** (LWG) chaired by Tony Nowell. The LWG meeting in Yokohama received a report on the continuing lack of progress in the WTO's Doha round and the prospects for 2011 and an update on negotiations in TPP as well as other pathways such as the Comprehensive Economic Partnership in East Asia (CEPEA, aka ASEAN + 6) and the East Asian Free Trade Area (EAFTA, aka ASEAN +3). LWG reviewed the state of protectionism and concluded that trade restrictions appear to be declining although some new measures have been introduced and only 15 percent of measures introduced at the height of the financial crisis have been withdrawn. LWG also discussed the problem of non tariff barriers in the food sector.

### **Facilitating trade and investment**

11. The **Facilitation Working Group (FWG)** discussed APEC's Non Binding Investment Principles, procedural best practice in competition policy, transport safety, customs procedures, labour mobility and supply chain connectivity. ABAC was advised that APEC has undertaken to meet a goal of a 10 percent improvement in performance measured by time, cost and uncertainty.

### **Promoting sustainability**

12. ABAC's **Sustainable Development Working Group** (SDWG) received the results of a study examining the investment landscape for sustainable energy in APEC. The study was undertaken by a team of MBA students from the USC Marshall School of Business. The study found that disappointingly little progress has been made within APEC in moving towards a sustainable energy future.
13. SDWG also discussed steps to improve water security and the lack of progress to date in realizing ABAC's earlier request to APEC to establish a Food Dialogue to discuss food security issues. ABAC USA confirmed that it would continue to press for this in ongoing discussions with the US Chair of APEC in 2011.

### **Addressing the economic crisis**

14. The **Finance and Economics Working Group (FEWG)** discussed a number of risks to the emerging recovery including the provisions of the Dobb-Frank Act to address the regulation of financial markets in the United States and the unintended consequences for trade finance of the Basel III capital requirements which in their present form would

reduce the supply of trade financing available in the market and increase the price of trade financing to businesses especially SMMEs

15. Exchange-rate volatility and the impact on exchange rates of the continually depreciating US dollar in particular have been under consideration by ABAC since the beginning of 2009. Gary Judd presented his second substantive paper on the issue. It proposed the adoption of an APEC reserve currency, which might be called the APECCU. The APECCU would not replace domestic currencies (it would not be a single currency for the region like the euro is for the Eurozone economies) but would be like the European Currency Unit – the ECU – which was a basket of the currencies of the European Community Member states, used as the unit of account of the European Community before being replaced by the Euro on January 1, 1999. Economies would not be prevented from having exchange rate arrangements considered to be necessary or desirable for their own economies' monetary or other economic conditions. Their domestic currencies would adjust against the APECCU according to the arrangements they have in place. The APECCU's value would be based on a basket of the 21 APEC currencies, including US dollar and Chinese yuan and other regional currencies.

### **Enabling SMME innovation**

16. ABAC received two reports aimed at promoting innovation by SMMEs. The first by Canada related to the adoption of ICT. The second, by Chinese Taipei, looked at a number of best practice case studies in relation to human resource development, innovation system, infrastructure and the business environment. ABAC also continued to review policies implemented by government authorities to assist SMMEs in times of crisis – the results of this review will be posted to a newly developed website.

### **ABAC's forward agenda**

17. The United States takes the Chair of ABAC for 2011 and has proposed changes to the ABAC Working Group structure. Tony Nowell retains the role of Chair of the newly established Regional Economic Integration (REI) Working Group bringing together ABAC's liberalization and facilitation agendas. Maxine Simmons will serve as a Co-Chair of the newly established SMME and Entrepreneurship Working Group. Gary Judd continues as Co-Chair of the APEC Advisory Group on Financial System Capacity Building. Steps are also being taken to refine ABAC's meeting procedures and external advocacy.

### **Conclusion**

18. ABAC's agenda in Yokohama usefully supported the New Zealand Government's efforts to position TPP as the leading trade negotiating initiative in the region. New Zealand's team was able to make progress on key deliverables and have a range of productive meetings with Ministers, officials and colleagues. ABAC's first meeting for 2011 will be held in Guangzhou, China, in February 2011.

**For further information**

19. Please contact Stephen Jacobi at 0294 725 502 or [Stephen@nzibf.co.nz](mailto:Stephen@nzibf.co.nz). Further information including ABAC's final report and press statements from the meeting are available at [www.nzibf.co.nz](http://www.nzibf.co.nz) and [www.abaonline.org](http://www.abaonline.org). Copies of all reports and studies mentioned in this report are available on request.

**ABAC New Zealand  
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