



**APEC BUSINESS ADVISORY COUNCIL
SECOND MEETING, SANTIAGO, CHILE, 3-7 MAY 2014
REPORT TO NEW ZEALAND BUSINESS**

SUMMARY

1. At ABAC's second meeting for 2014, held in Santiago, draft recommendations were further developed for sharing with APEC Leaders later this year¹. ABAC also agreed, after much haggling, on the text of a letter to APEC Ministers Responsible for Trade (MRT), which Ministers considered in Qingdao, China on 18-19 May.

REPORT

2. The meeting was attended by ABAC New Zealand Members Wayne Boyd, Tony Nowell and Katherine Rich (attending her first meeting as a full ABAC Member), supported by Fiona Cooper Clarke (Lead Staffer). APEC Executive Director Dr Alan Bollard was also present and actively engaged in all the discussions.
3. Chilean President Michelle Bachelet addressed ABAC over lunch; interestingly she invited the Foreign Ministers of Brazil and Argentina to attend, indicating that her government's foreign policy is focused as much, if not more, on like-minded near neighbours than on Asia Pacific trading partners further afield. Discussions with a range of local business leaders during some splendid social events suggested a widespread perception that the Bachelet government has moved well to the left on the political spectrum. A rise in the corporate tax rate from 20% to 35% is being considered, giving rise to concern about the impact on investment levels and economic growth rates.

Liberalizing trade and investment

4. The main focus of ABAC's trade discussions this week was how to encourage APEC to take concrete steps towards a Free Trade Area of the Asia-Pacific (FTAAP). The Chinese Chair of ABAC this year, COFCO Chairman Frank Ning, has made this a top priority. An informal "ABAC for FTAAP" group, chaired by Tony Nowell, which met in the margins of the conference, made several recommendations to the wider ABAC group, drawing on a paper prepared by ABAC NZ in consultation with ABAC China. ABAC agreed that FTAAP should be in place by 2020, consistent with the timeframe for achieving the Bogor Goals (for free and open trade and investment within APEC), and that a stronger sense of direction towards FTAAP would be achieved by developing a roadmap, timetable and a feasibility study, building on previous studies commissioned by ABAC, PECC and others. Most important though will be the achievement of substantive progress in the negotiations of the possible pathways to FTAAP, such as Trans Pacific Partnership (TPP), Regional Comprehensive Economic Partnership (RCEP) and the Pacific Alliance (PA). The FTAAP theme was identified as a key priority in the Letter to MRT.

¹ ABAC's primary role is to prepare recommendations to APEC Economic Leaders. These are developed by ABAC's working groups, developed through interaction with APEC member officials and to be delivered in writing and in direct dialogue at the APEC Summit in Beijing in November 2014. ABAC working groups are: Regional Economic Integration (REIWG) chaired by Tony Nowell; Infrastructure and Connectivity (ICWG), co-chaired by Wayne Boyd; Sustainable Development (SDWG); Small, Medium & Micro-Enterprises and Entrepreneurship (SMMEEWG) and Finance and Economics (FEWG).

5. In the same week as ABAC met in Santiago, ABAC NZ Alternate Member Stephen Jacobi was in Qingdao for the second round of APEC Senior Officials Meetings, and presented to an APEC Dialogue on Regional Free Trade Agreements, with a focus on FTAAP. There was a range of views amongst APEC economies on whether the focus should be on completing negotiating pathways that could lead to an FTAAP (e.g. TPP, RCEP) or whether APEC should articulate a clearer process towards FTAAP independent of the pathway negotiations. For ABAC NZ it's not an either/or proposition, it's both.
6. ABAC also addressed other themes relevant to regional economic integration and the pursuit of FTAAP. For example, services trade and investment are of critical importance to APEC economic growth and jobs. Of particular interest was a draft proposal to develop an "Earn, Learn and Return" framework for managing the movement of workers on temporary contract (many of whom are in the services sector) who can help meet recognised skill shortages around the region. Key elements of the framework would include governance, certification, standards and training, documentation, recognised benefits and rights, contract duration, and tailoring to meet individual sector requirements. The creation of an APEC Worker Travel Card on similar lines to the existing APEC Business Travel Card will also be considered. These issues will be discussed with APEC officials in the coming months.
7. The University of Southern California's Marshall School is assisting ABAC with a research project aimed at identifying barriers to foreign direct investment in the services sector. The next phase of the research will involve interviews with business leaders in APEC economies in the following sectors: life assurance, accountancy, IT and Telecoms services, logistics/transport and retail/restaurant sectors. Interviews with New Zealand business leaders will be conducted by phone from late May- early June. The final report will be presented to ABAC IV in Beijing.
8. ABAC was pleased to note that, after much ABAC lobbying and some proactive leadership from the New Zealand government, APEC has commenced a work programme on global data standards (GDS) to enhance connectivity and improve supply chain performance. While in Qingdao, Stephen Jacobi presented on ABAC's behalf to an APEC workshop on the benefits of global data standards. ABAC is also working on a GDS pilot project to quantify the cost and benefits of utilizing common international standards in the supply chain for medical products. ABAC USA is continuing to drive a focus on cross-border data flows, covering both product data (relevant to GDS) and transaction data, and is preparing a comprehensive best practices report that identifies where data regulation is becoming fractured, addresses potential impacts on commerce and advocates for a balanced objective approach to regulation that promotes data flows while maintaining security and privacy.
9. ABAC is monitoring closely the implementation in Geneva of the WTO's "Bali Package", particularly the trade facilitation element. ABAC has asked MRT to play a leadership role in ensuring the package is signed and ratified as soon as possible.

Promoting Infrastructure and Connectivity

10. ABAC New Zealand's work in this area is championed by Wayne Boyd. ABAC is working on ensuring that APEC's "Blueprint on Connectivity" addresses both hard and soft infrastructure and promotes innovation and resilience in value and supply chains. In this regard, ABAC took a keen interest in a quantitative assessment of value chain risk and resiliency in the region undertaken by independent consultant Dr Ben Shepherd and APEC's Policy Support Unit. Attention is also being given to the development of disaster-resistant ICT infrastructure in the region, particularly in light of the Tōhoku earthquake. ABAC is encouraging Governments around APEC to use the "Enablers of

Infrastructure Investment Checklist”, prepared by ABAC, to help boost infrastructure investment and development. ABAC is preparing a set of messages on how to improve the preparation of infrastructure projects (by cutting time and cost) and improve access to infrastructure financing for sharing with APEC Finance Ministers later this year.

Towards sustainable development and food security

11. Food security has been a longstanding priority on ABAC’s policy agenda; these days pursued mainly via engagement with the APEC Policy Partnership on Food Security (PPFS). ABAC discussed options for increasing the level of private sector engagement in light of perceptions that PPFS is overly weighted towards public sector views and priorities. It was agreed that efforts should be made to organize a private sector dialogue in the margins of the August PPFS plenary in Beijing. Separately, ABAC received the preliminary findings of research on facilitating investment and infrastructure development in the grain sector. In regards to energy security, ABAC endorsed a set of sustainable energy recommendations based on balancing the goals of economic growth and environmental protection.
12. ABAC’s sustainable development agenda has expanded to include a focus on the mining sector. ABAC discussed a range of sustainability challenges facing the mining industry across the region as well as options for capacity building activities to improve the mining investment environment. ABAC will develop proposals for sharing with APEC’s Mining Taskforce including analysis of mining sector potential in APEC economies; best practices for sustainable and responsible mining; identifying the socio-economic impact of mining within APEC, and highlighting key elements of regulatory and policy frameworks that impact on local and foreign investment in mining.

Promoting SMMEs and women’s economic empowerment

13. Improving SMME² access to finance is an ongoing ABAC goal. ABAC discussed how internet supply chain financing (such as e-commerce micro loans) are helping to address SMME financing needs in China and how this could be spread across APEC. If this trend continues then traditional financing sources and internet financing are likely to converge over time. ABAC agreed to contribute ideas to APEC’s SME Financing Framework on how governments can promote innovative SMME financing mechanisms.
14. ABAC China is preparing to host a Cross-Border E-Commerce Training programme in Dongguan, China from 23-26 June (not May as earlier advertised). It is open to business people from across APEC. Attendance fees have been waived and the organizers will also cover accommodation, meals and local transport costs. If you are interested in finding out more, please contact the ABAC New Zealand Secretariat (see last page for contact details).
15. The ABAC Women’s Forum discussed an APEC initiative, led by Japan, to gather best practices for increasing women’s leadership opportunities and “plug the leaky pipeline” through programmes such as flexible work arrangements. Businesses can submit their best practices through their national APEC officials.
16. The Asia Pacific Open Innovation Platform (A-OIP), designed to stimulate cross-border collaboration on technology development and dissemination for SMMEs, held its first meeting of experts in Chinese Taipei in April. New Zealand was represented by Peter Lai from the Maurice Wilkins Centre for Molecular Biodiscovery at Auckland University. Peter has reported favorably on the Platform’s potential to link NZ IP projects with

² SMME refers to small medium and micro enterprises.

overseas expertise and/or funding. The A-OIP concept is still at a relatively early stage and will be further developed at the next ABAC meeting.

Ensuring the region's financial stability

17. While APEC economies are forecast to grow in 2014, there is concern over the medium term outlook as forecasts have been revised down from about 5% to 4-4.5% over the next 5 years. This revision would translate to a fall of \$4 trillion in economic output in APEC economies. ABAC agreed therefore that it is essential for APEC governments to focus on policy reforms to promote productivity and investment growth and greater regional integration and connectivity to improve economic growth.
18. ABAC discussed planning for the B20 (July) and G20 (November) meetings in Australia. The G20 is focusing on strategies to stimulate economic growth, reform the financial system and to attract private infrastructure investment. ABAC is well placed to advise and inform the G20 arising from its work programme on these and other issues.
19. ABAC is continuing to advance the work programme of the Asia Pacific Financial Forum established last year. The main work streams are devoted to trade and supply chain finance; lending infrastructure; insurance and retirement income, financial market infrastructure and cross border practices, capital markets and linkages and structural issues (including internationalization of the RMB). Reports on these issues will be prepared for APEC Finance Ministers this year. ABAC is also developing a framework to address the challenges of rapid urbanization and promote investment in infrastructure.

Next meeting and further information

20. The next ABAC meeting will take place in Seattle, USA on 7-10 July, back to back with the 2014 APEC China CEO Forum (10-11 July). In addition to the ABAC Members, the Forum will engage more than 250 public and private sector delegates from around the Asia-Pacific region including a sizable delegation of executives from leading companies in China.
21. Further information is available at www.nzibf.co.nz and www.abaonline.org. Copies of reports and studies mentioned in this report are available on request from Fiona Cooper Clarke, at email fionacc@clear.net.nz.

**ABAC New Zealand
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