



**APEC BUSINESS ADVISORY COUNCIL
THIRD MEETING, SEATTLE, 7-10 JULY 2014**

REPORT TO NEW ZEALAND BUSINESS

SUMMARY

1. ABAC's third meeting for 2014 finalised key messages for sharing with APEC Leaders at the Beijing Summit in November. Freer trade, the need for greater private sector investment in infrastructure and ways to promote innovation, especially by SMEs, are the key themes. Growing private sector interest in cross-border data flows and ABAC's contribution to APEC's emerging Blueprint on Connectivity were also discussed in special sessions in Seattle. A symposium of the Asia Pacific Financial Forum (APFF) preceded the ABAC meeting: APFF focuses on the region's financial integration. An APEC China CEO Forum followed – the latter included a number of the Chinese business leaders who visited Auckland for ABAC I in February.

REPORT

2. ABAC New Zealand members Tony Nowell and Katherine Rich, supported by Stephen Jacobi (Alternate Member), attended ABAC's third meeting for 2014 in Seattle¹. In addition to signing off the annual letter and report to APEC Leaders, the meeting also finalised separate letters to APEC Ministers of Finance, Food Security, Health and SMEs.

Liberalising trade and investment

3. Tony Nowell chaired ABAC's discussion aimed at advancing regional free trade, promoting services trade and investment, liberalising and facilitating investment and achieving multilateral trade liberalisation. A report on APEC progress towards realization of the Bogor goals for free and open trade and investment by 2020 showed that progress is mixed – ABAC agreed to highlight its concern in the annual letter to Leaders. Strong support was also expressed for a push for more concrete steps to bring about the Free Trade Area of the Asia Pacific (FTAAP) - the ABAC for FTAAP group, co-chaired by Tony Nowell, will take this forward in association with the Pacific Economic Co-operation Council (PECC). The opportunity was taken to update members on progress with regional negotiations including the Trans Pacific Partnership (TPP).
4. Good progress is being made on the proposed introduction of global data standards, which have the capacity to make a discernible difference to the ease with which goods can pass through the supply chain as well as providing valuable product information in cases of recall or counterfeit. The new APEC Alliance for Supply Chain Connectivity (A2C2) with government and business membership, led by ABAC USA, will assist the process. Good progress is also being made in developing the intellectual framework for the "Earn Learn and Return" initiative – this seeks to promote the movement of workers around the region and workforce development. The initiative aligns well with APEC's broader goals for skills development and can be expected to be a major theme when the Philippines chairs APEC in 2015.

¹ New Zealand's third member, Wayne Boyd, was unable to attend this meeting.

5. A range of actions are underway to support ABAC's services agenda including support for negotiations for a new Trade in Services Agreement (TiSA), bringing together a services coalition between business organisations around the region and completing research by the USC Marshall Business School into barriers to investment in targeted services sectors. New Zealand business representatives will be asked to participate in this research project in due course.
6. The most disappointing aspect of the meeting was the lack of progress note in the World Trade Organisation (WTO), whether in relation to the Doha round, implementation of the Bali package or extension of the Information Technology Agreement (ITA).
7. A major emerging issue for ABAC relates to cross border data flows. This arises because of the rapidly expanding sharing of personal and other data in business. Personal data is subject in many economies to privacy and localization requirements and there is increasing stakeholder pressure about the way business should use this data. A research project is underway to highlight best practice. ABAC NZ plans to undertake further consultation with business and government agencies about the relevance of this work to our interests.

Ensuring the region's financial stability

8. Stephen Jacobi stood in for Wayne Boyd in attending the prior meeting of the Asia Pacific Financial Forum (APFF), which brought together ABAC members and representatives from governments, business and regulators. The meeting endorsed a comprehensive report to APEC Finance Ministers and adopted a 14-point work programme to promote the region's financial integration and connectivity (further details available on request). New Zealand has particular interests in relation to trade finance and the use of the renminbi and the proposed Asia Region Funds Passport (ARFP) scheme, which aims to improve capital flows. Regulators from the six economies including New Zealand will convene in August to discuss the ARFP further.
9. ABAC's review of the regional economic situation indicates that APEC economies grew 3.7% in 2013 but with varying performance. Growth in APEC is expected to accelerate in 2014 and 2015 but early data for 2014 are showing slower than expected growth.
10. ABAC is also developing a useful work programme on urban infrastructure, investment into infrastructure by sovereign wealth funds, SOEs and pension funds and is developing a set of quantitative indicators of investment policy.

Towards sustainable development and food security

11. ABAC discussed ways to enhance the private sector's involvement in the APEC Policy Partnership on Food Security (PPFS), which is to convene in Beijing 14-16 August. PPFS is a public-private dialogue, which aims to identify actions to secure the region's food security by 2020. Tony Nowell will participate in the August meeting along with other PPFS members. Several New Zealand business representatives are expected to attend an accompanying exhibition focusing on trade, food safety, addressing post harvest loss and the role of food science.
12. Other aspects of sustainable development discussed included shale gas, standards and best practice in the mining industry, trade in remanufactured goods, the impact on business of non-communicable diseases, and marine challenges facing the APEC region.

ABAC Peru and ABAC Philippines initiated a discussion on the importance of rule of law for economic development – we can expect this to be a priority for the Philippines’ chair next year.

Enhancing the region’s infrastructure

13. Infrastructure issues have been prominent on the ABAC agenda for the last two years reflecting the concerns of Indonesia and China as successive Chairs. Of particular concern is the need for more private sector funding and in Seattle ABAC approved a framework proposed by ABAC China to promote the involvement of the private sector. China also provided further background on the Asian Infrastructure Investment Bank (AIIB), which was first mooted at last year’s APEC Summit.
14. ABAC approved a new Transport Connectivity Map – in this context ABAC NZ was successful in inserting language in the ABAC Report to Leaders related to airport connectivity reflecting the presentation given by Auckland International Airport at ABAC I in Auckland last February.
15. APEC is preparing to adopt a new APEC Blueprint on Connectivity. A special session on this topic, attended by Tony Nowell, focused on providing input to this initiative reflecting ABAC’s key concerns of infrastructure investment, labour and business mobility and regulatory co-operation.

Promoting SMEs and women’s economic empowerment

16. Katherine Rich attended the sessions on SME development, which exchanged ideas on financing options for SMEs. A side event brought together the ABAC Women’s Forum, which was addressed by representatives of the Gates Foundation and other initiatives working on women’s empowerment.

APEC China CEO Forum

17. Tony Nowell and Stephen Jacobi attended the APEC China CEO Forum, which was organized by the National Center for APEC in Seattle and the APEC China Business Council (ACBC) – it was ACBC, which brought the delegation to New Zealand last February. The Forum focused on top of mind issues for Chinese business leaders (technological advance, urbanization and shift in global economic power), policy priorities for China in APEC, perspectives on China’s future economic outlook, implications of China’s continuing reform process arising from the 3rd Plenum of the 18th Party Congress, China’s role as a global investor, the role of e-commerce and perspectives on current trade initiatives (FTAAP, TPP, RCEP) and Chinese business perspectives on China. The Forum was notable for a number of senior presenters from both China and the USA. Tony Nowell moderated the session on China as a global investor.

Next meeting and further information

18. ABAC will meet for the fourth time in Beijing, China, from 5-7 November. The highlight of that meeting will be the annual ABAC Dialogue with APEC Economic Leaders.
19. Further information including ABAC’s press statement from the Kyoto meeting 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, at email stephen@jacobi.co.nz.