EMPLOYING PEOPLE AND IDEAS FOR SUSTAINED GROWTH IN ASIA-PACIFIC

Aspirations to Reality

In 2011, ABAC successfully set the groundwork on significant APEC issues and is raring to go into action in 2012

Honolulu, Hawai‘i – The APEC Business Advisory Council (ABAC) aimed high on its targets for 2011 and got a lot of ‘stuff done’. In its concluding meeting for the year last November 8 –10, the group of business leaders from 21 APEC economies discussed major work going on into 2012 – including liberalization of trade in services, the region’s supply and value chain framework, and on regional integration.

ABAC members also endorsed the final report on the ABAC Innovative Growth Initiative that reviewed recent policy movements designed to encourage SMME innovative growth. The Council has also agreed to form two public-private sector policy partnerships aimed at addressing food security and promoting the role of women in the economy.

Mr. Gennady Ovechko, APEC Senior Official from the Russian Federation, with is APEC’s host for 2012, presented to ABAC similar priorities lined up for APEC in 2012, which includes trade and investment liberalization, regional economic integration, food security, supply chain connectivity, and fostering intensive cooperation for innovative growth.

While ABAC members agreed to endorse these priorities, they also proposed to pursue the improvement of transportation and supply chains, development of infrastructure via public-private partnerships, the economic inclusion of small, micro and medium enterprises, the creation of new business, and people growth. Urban water issues will be addressed, as will the creation of a comprehensive and harmonized APEC definition for environmental goods and services as part of the green development agenda of ABAC in 2012.

Prior to the APEC Leaders’ Week in Honolulu, ABAC submitted its 2011 report and recommendations to APEC Leaders, highlighting the need for leaders to incorporate ‘next generation’ issues in trade agreements to ensure they keep pace with the increasing complexity of regional and global business models.

As APEC is striving towards a comprehensive and high quality Free Trade Area of the Asia Pacific (FTAAP), it is essential to address emerging issues in the area of services, investment, innovation, supply chain and regulatory coherence among others. Addressing ‘next generation’ issues, increasing access to SMME finance and promoting green growth are ABAC’s three-point proposed plan to create jobs and spur balanced growth in the region. ■
ABAC’s infrastructure financing initiative gets nod from APEC

APEC Finance Ministers welcome the creation of the Asia Pacific Infrastructure Partnership (APIP)

13 November - APEC Finance Ministers’ meeting in Honolulu in November welcomed ABAC’s initiative to create the Asia Pacific Infrastructure Partnership (APIP) – a private sector initiative to provide confidential briefings to senior government officials in the region on measures needed to improve access to funding for urgent infrastructure projects.

The ABAC-led Advisory Group on APEC Financial Systems Capacity Building (AGFSCB), led by its chairman, Mark Johnson, reported the progress made in 2011 in testing the relevance, effectiveness and value of APIP. APEC economies are forecast to need over US$8 trillion in the coming decade for infrastructure spending – a target that is unlikely to be met without strong private sector funding support.

Finance Ministers expressed support for APIP and recognized that its activities are critical to regional infrastructure improvement. “We welcomed the creation of Asia-Pacific Infrastructure Partnership Dialogues to foster candid discussion between market participants, individual APEC member economies, and multilateral development banks,” a Joint Ministerial Statement said.

The APIP brings together high-level government officials, multilateral development bank experts and private sector advisors from a wide range of relevant fields, particularly in infrastructure financing. This partnership draws on insights from successful infrastructure public-private partnerships (PPP) in the region, and provides a confidential setting for governments, the private sector and the region’s top PPP advisors to discuss the sensitive details of financing, legal frameworks and investment risks, involved in infrastructure development. Over the course of 2011 APIP dialogues were held with the governments of Mexico, Peru and the Philippines in collaboration with the World Bank, Asian Development Bank, and the Inter-American Development Bank. A forum on Infrastructure Finance was also held in Honolulu, Hawai’i in partnership with the World Bank, US Treasury and APEC Finance Deputies.

The aim in 2012 is to expand and extend the APIP’s activities in the Asia Pacific to develop solid PPP frameworks and address nagging issues related to project financing, legalities and the development of local capital markets. Plans are being laid for the next round of dialogues with the governments of Indonesia, Thailand and Vietnam.

Constraints along the Chain
Chokepoints and barriers in APEC supply chains identified and targeted for 2012

10 November– Asia’s supply chains have become so connected and integrated that inefficiency and barriers in just one or two economies can result in significant delays and higher costs. In a report by the USC Marshall School of Business, commissioned by ABAC, it was noted that if economies adopt best practices in eliminating key barriers to trade of goods, significant savings in time and costs would be achieved. The report called on APEC governments and private sector players to address key supply chain chokepoints.

“APEC is home to economies that lead the world in supply chain efficiency (but) it also has economies that lag world averages, and lag substantially,” highlights the report, entitled ‘APEC Supply Chains: Identifying Opportunities for Improvements’. Comparing current supply chain performance of each APEC economy to the best-in-APEC supply chain, it was estimated that between the more advanced economies up to 2.1 days could be shaved from shipment times, with potential cost savings of US$617 per container. From a developed economy to an emerging economy, potential savings per shipment are 4.1 days and US$932 per container; trade between emerging economies can result in significant delays and higher costs. In a report by the USC Marshall School of Business, commissioned by ABAC, it was noted that if economies adopt best practices in eliminating key barriers to trade of goods, significant savings in time and costs would be achieved. The report called on APEC governments and private sector players to address key supply chain chokepoints.

The report said the key challenge was to address different fundamental chokepoints present in each type of economy – behind the border, at the border and across borders. The study revealed that executives in developed economies complained about the speed of customs and port clearance, complex regulations and standards, non-tariff barriers, and burdensome document requirements. For emerging economies, concern focused on port infrastructure, transparency, availability and use of online IT systems, connectivity of transport modes and efficiency of customs. All these chokepoints add to the main concern of business constraints.... Next page
10 November - The services sector accounts for 61% of jobs and 68% of value add in the APEC region, but despite this evidence of the significant contribution of services to all of the region’s economies, talks of liberalizing trade in services have attracted “negligible attention” from negotiators of the Doha Development Round, according to the joint research study championed by ABAC Hong Kong and ABAC Philippines entitled “Services at the Heart of a Competitive Economy”.

The paper, which analyzed the global services economy and identified remedies to efficiently facilitate services-related trade, was presented for APEC endorsement during the ABAC Regional Economic Integration Working Group meeting held in Honolulu. It highlighted the growth of the services sector in the past decade and its strong correlation to poverty reduction and to female employment in the region.

The study highlighted that the services sector provides other industries with the essential infrastructural networks for the goods they produce and manufacture, making it an integral element in enabling growth for any economy. A key challenge in recognising this critical contribution is the absence of data measuring the contribution of services either domestically or in trade.

The study noted that difficulties not only lie on accurately measuring multimodal services in business operations but in addressing the distinctive barriers to each mode of service – ranging from market access impediments that place limitations on the number of suppliers, transactions, assets and service output of foreign service providers, including the amount foreign capital, to national treatment impediments, and impediments to most favoured nation treatment of member economies.

In 2012, ABAC plans to pursue vigorously the issue of services liberalization in APEC in order to address the barriers to trade in services, particularly concerning “behind the border” barriers like regulatory discrimination or licensing. The study called for leaders to consider a services-only liberalization round to supersede the stalled Doha Round, and the creation of a tripartite “expert group” that would look at ways to improve the global governance of services trade and investment.

ABAC plans to collaborate with relevant stakeholders to improve the region’s official statistics on services production, employment, productivity, trade and investment, beginning with a special APEC meeting organised by the Group on Services (GOS) and the Market Access Group (MAG) at the first APEC Senior Officials Meeting in Moscow in February 2012.

Services Value-Added as Percentage to GDP (2009 or latest available year)

![Services Value-Added as Percentage to GDP (2009 or latest available year) chart]

Sources: ABAC “Services at the Heart of a Competitive Economy” Paper; APEC Statistical Database; World Bank
ABAC finalized its proposal to APEC on ways to advocate innovation policies that are friendlier to SMMEs as APEC leaders aim for innovative growth in the region.

In its final report presented at the ABAC SMME Working Group in Honolulu, ABAC Chinese Taipei outlined ten policy recommendations to support the APEC Growth Strategy. Under the area of execution and promotion, ABAC recommends information transparency on aid programs extended by the government, strict enforcement of IPR protection, connecting SMMEs with major corporations, guiding newly emerging industries, and promoting incubation efforts to foster innovation ideas.

In addressing the problem of resources, ABAC suggests that governments offer innovation funding, as well as funding to companies for regular marketing research and/or customer demand analysis. It also commended Korea’s formation of national branding strategies that involve establishing a master plan and brand index. Aside from this, governments are encouraged to invest in R&D, to broaden innovation networks, and connect with regional partners.

The ABAC study is supported by both primary and secondary research on companies from the 21 APEC economies. Companies were surveyed and asked about their innovative activities, factors that impede their innovation and idea commercialization, facilities and services needed for innovation that they find difficult to acquire, and other common issues that affect SMMEs - such as financing, intellectual property protection and additional government assistance. It was noted in the study that more than 75% of surveyed SMMEs expressed that they did not receive enough information or assistance from the government. Despite this, 60% of the respondents say they do engage in innovation and remain willing to invest in innovation in spite of the financial crisis. Their priorities for innovation are on products and services, followed by marketing, value and business model innovation.

ABAC’s work and recommendations on APEC’s Growth Strategy for the Asia Pacific Region will be submitted to the APEC SME Working Group, which has set SMME development and expanding SMME network with large companies, as one of its priorities next year.

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Owning the 21st Century

The Asia Pacific Economic Cooperation dedicated 2011 to strengthening regional economic integration and achieving balanced, inclusive, sustainable, innovative and secure growth – a vision set out in Yokohama, Japan in 2010.

With the active engagement of the APEC Business Advisory Council (ABAC) and the Pacific Economic Cooperation Council (PECC), APEC has laid foundations for further trade liberalization, enhancing SMME participation in trade and supply chains, and promoting green growth for 2012 and beyond. It remains committed to its 1994 Bogor Goals of creating the world’s largest area of free trade and investment by 2020. In fact, a key agenda item for APEC Leaders in Honolulu, Hawai’i was endorsement of initiatives being taken by nine APEC member economies to create a “Trans-Pacific Partnership” (TPP) that could over time provide a template for a Free Trade Area of the Asia-Pacific (FTAAP), a proposed comprehensive, high-level trade agreement that would considerably expand commerce and trade through opening markets and liberalization.

APEC made significant progress in 2011 in eliminating unjustifiably burdensome and outdated regulations. In the next two years, APEC will seek to implement good regulatory practices in its economies including internal coordination of regulatory work, assessing regulatory impacts and conducting public consultations.

The 2011 Leaders’ Declaration stated that APEC will “establish commercially useful de minimis values that will exempt low-value shipments from customs duties and streamline entry document requirements” as part of its goal of cutting costs along supply-chains in the region by 10% by 2015. Past efforts have cut 5% out of the cost of total trade transactions in the APEC region between 2007 and 2010, according to the World Bank’s Trading Across Borders indicators – saving USD 58.7 billion.

Leaders agreed to speed up the transition toward a global low-carbon economy by developing in 2012 an APEC list of environmental goods that directly and positively contribute to green and sustainable growth. The aim is to reduce applied rates on these goods to 5% or less by the end of 2015, and to eliminate non-tariff barriers, including local content requirements.

Leaders agreed to pursue the objective of preventing technical barriers to trade in emerging green technologies such as smart grid interoperability standards, green buildings and solar technologies. This is in line with the APEC goal of reducing energy intensity by 45% by 2035, using 2005 as base year, and to take up work on its Low Emission Development Strategies.

Recognizing the contributions of ABAC, APEC is strengthening its alliance with the business community by creating several public-private policy partnerships on key regional issues. This year, it has created the APEC Policy Partnership on Food Security, as well as the Policy Partnership on Women and the Economy, which will work towards the advancement of women’s economic empowerment. APEC has pledged to incorporate the private sector and civil society into its emergency preparedness efforts and in building resilient communities and businesses. Leaders have instructed officials to continue to work with the private sector on the Trade Recovery Program 2012 that will rebuild in the wake of natural disasters and major emergencies operating systems that would ensure trade recovery and resilience across the region.