



# ABAC BULLETIN

APEC Business Advisory Council

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The official Newsletter of ABAC



<p><b>16-19 July</b> <b>ABAC III</b> <i>Ho Chi Minh, Vietnam</i></p>	<p><b>2 - 9 September</b> <b>APEC 2012 Leaders Week</b> <i>Vladivostok, Russia</i></p>	<p><b>3 - 6 September</b> <b>ABAC IV</b> <i>Vladivostok, Russia</i></p>	<p><b>7 - 8 September</b> <b>APEC CEO Summit 2012-05-22</b> <i>Vladivostok, Russia</i></p>	<p><b>8 September</b> <b>ABAC Dialogue with APEC Leaders</b> <i>Vladivostok, Russia</i></p>
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## Deepening Private Sector Involvement through PPP, Financing, and Technology Transfer

**24 May** – Securing food and energy supply, financing innovation, addressing barriers to regional supply chain and services trade, and closing the gaps in technology transfer are some of the critical issues discussed in the recently concluded APEC Business Advisory Council (ABAC) 2 Meeting held in Kuala Lumpur, Malaysia from 21-24 May.

The business leaders, representing the 21 economies in the Asia-Pacific Economic Cooperation (APEC), stressed the importance of inclusive and sustainable growth in addressing APEC priority issues, particularly in developing pathways towards the Free Trade Area of the Asia Pacific (FTAAP).

The Council further urges APEC to leverage public-private collaboration in addressing the 21<sup>st</sup>-century “next-generation issues” on trade and investment. The latest APEC initiative with private sector involvement is the newly-formed APEC Policy Partnership on Food Security (PPFS), a body within APEC

which tackles regional concerns on food such as shortage, post-harvest losses, safety, technology, investments, markets infrastructure, and food price volatility.

On finance, ABAC is urging the APEC Leaders to create an Asia-Pacific Financial Forum comprised of government and private sector representatives who can advise on deepening the region’s capital markets, reviewing the operation of credit-rating agencies, and ensuring new financial regulation does not have damaging unintended consequences.

Innovation, particularly financing and the smooth transfer of technology, is one of the major topics of discussion in ABAC 2 that cuts across the majority of ABAC working groups. In the end, the message from the business sector is clear: narrow technology gaps among APEC economies through effective market-based initiatives to promote technology dissemination, and build

the capacity of SMMEs in utilizing and maximizing the benefits of ICT tools so they can compete across borders.

ABAC Members have also submitted a letter to Health Ministers meeting late in June in St Petersburg at the APEC High-level Meeting on Health. This calls for the sharing of best practices and capability building in promoting healthy communities and workforces in the region, specifically the reduction of non-communicable diseases. The Council stressed the important role of governments in creating a regulatory environment which would support innovation in life sciences, and the private sector’s role in conducting innovative products and services for this purpose.

ABAC will resume discussions on 16-19 July in Ho Chi Minh, Viet Nam, two months before the APEC Leaders’ Week in Vladivostok, Russia, where ABAC Members will present their progress report and recommendations to APEC Leaders. ■

## Services Trade and Supply Chains

**23 May** – At the APEC Leaders' Week in Honolulu last year, ABAC Members presented the results of two studies completed by the ABAC Regional Economic Integration Working Group in line with the APEC Bogor Goals. The recommendations, the **"Understanding Services"** Report which focuses on liberalizing and facilitating regional services trade and investment, and the **APEC Supply Chain Initiative**, which identifies opportunities to improve supply chain efficiency, are currently being considered by APEC working groups in this year's Committee on Trade and Investment (CTI).

Picking up from the ABAC initiative, APEC has approved the APEC Skills Mapping Project which aims to address concerns raised by ABAC in recent years on the need for more readily available information on skills and labour shortages across the region.

According to Nick Mowbray, Project Head from APEC Australia which is championing the project, this will follow a series of implementing stages culminating in completion of a Report and Skills Mapping methodology ready for roll out at the end of 2013.

The REIWG recognizes that a single publicly available tool that will bring together all available data would significantly increase understanding of skills gaps in the region. ABAC supports this initiative and has formed a Business Advisory Group for the project composed of five ABAC Members lead by ABAC Hong Kong and ABAC Philippines, the ABAC champions of the services trade initiative.

Meanwhile, the USC Marshall School has begun research work to classify trade barriers to trade in services and the impact of Free Trade Agreements in the development of the services sector in the

region. Their study includes in-market interviews, surveys, and data collection in all 21 APEC economies, and will be completed in time for the Vladivostok Leaders' Meeting in September.

The REIWG also discussed developments in the APEC Supply Chain Connectivity Framework. Dr. Akhmad Bayhaqi, APEC Policy Support Unit Senior Analyst, updated the business leaders on progress made in attaining the target 10 percent improvement in supply chain performance in terms of time, cost and uncertainty by 2015. The action plan, he says, "focuses on logistics and transportation related issues, mostly commodity supply chain." The ultimate goal is to address the eight APEC-identified supply chain chokepoints plaguing infrastructure, procedures, and institutions. Bayhaqi sought the advice of ABAC on how to identify new cuts, and the Members have agreed to support APEC in coming up with new initiatives to help meet the target. ■

## PPP for Water Infrastructure

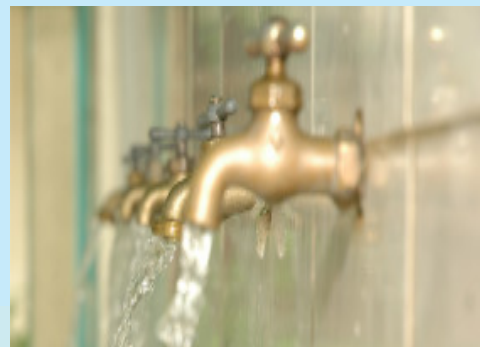
**23 May** – For economies with limited household access to clean drinking water, the key barrier to attracting investment in new water infrastructure is not the impediment to private sector participation but the lack of measures to incentivize and facilitate public-private partnership (PPP) projects.

In the recent ABAC meeting in Kuala Lumpur, ABAC Japan presented case examples of water projects under PPP and pointed out the lack of incentives as the reason why some economies are unable to attract sufficient key expertise and financing through PPPs. Aside from incentives, other crucial concerns involving PPP, in general, are said to include the lack of adequate and accurate project information, the setting of acceptable tariff levels, the level of commitment by the public sector, and the absence/lack

of schemes for contract adjustments and dispute settlement.

The cases reveal some important lessons. In Manila, for example, a concession contract made adaptable to changes in environment and monitored by a supervisory body, and a National Water Crisis Act which provides a legal framework on public/private sector roles, were the key success factors in developing Manila's water system with PPP. Meanwhile, Chile's approach towards affordable payment for the poor is to foster a sense of ownership and involvement among users by inviting them to apply for the municipal budget survey to receive subsidy. The Chilean government also supervises the water operator for proper implementation.

In its progress report submitted to the APEC Ministers Responsible for Trade (MRT) after ABAC 2, the Council emphasizes that good water management and the expansion of



sewerage systems are essential in reducing environmental burdens to attain sustainable growth. So far, PPP investments in water facilities seem to have taken a backseat. ABAC is calling for moves facilitating public and private sector collaboration in building acceptable water delivery infrastructures across the region.

The APEC business leaders shall develop specific recommendations in ABAC 3 in Ho Chi Minh to include in their recommendations for key infrastructure development by September in Russia for the APEC Leaders Week. ■

## The 'Internationalization of SMEs' with the Use of ICT

**22 May** – Small and Medium Enterprises (SMEs) play a significant role in APEC economies in terms of their contribution to national income and employment generation. However, limitations still exist for SMEs to participate in international trade. Three major hurdles identified by ABAC include the lack of financing capability, ignorance of how to operate in other markets, and difficulty in accessing potential customers in other markets. New information technologies (ICT) can be invaluable in tackling these barriers.

ABAC is developing single window repositories which can facilitate and encourage the wider use of ICT tools and databases that can widen opportunities of thriving businesses to expand their businesses across borders and increase their competitiveness without undue financial burdens. In particular ABAC Members reviewed databases that provide SMEs with easily available information on regulatory require-

ments and applied tariff rates to enable them to work through the labyrinth of FTA arrangements, and to maximize the benefits of more than 45 regional, bilateral and multilateral trade agreements, particularly in the Asia Pacific region.

The **APEC Services Trade Access Requirements (STAR) Database** and the **Next Generation Interactive APEC Tariff Database** are complimentary initiatives that SMEs can use to access business-friendly and harmonized sources of trade information. The STAR Database aims to increase business awareness on the rules and regulations affecting market access across a range of services sectors, while the Next Generation Database focuses on providing timely, current, and commercially-relevant customs information such as applied tariff rates, rules of origin and trade agreements.

"Both of these databases have undergone pilot phases to test functionality and to develop content



*APEC Service Trade Requirement (STAR) Database aims to help SMEs take advantage of new export opportunities*  
[www.servicetradeforum.org](http://www.servicetradeforum.org)

improvements," says ABAC Chair, Ziyavudin Magomedov in the ABAC Letter to APEC CTI Chair. Both databases go well beyond the capabilities of existing databases developed by the World Trade Organization, World Customs Organization, the Organization for Economic Cooperation and Development, and Inter-American Development Bank.

With the theme "Promoting SME Cooperation for the Innovative Growth in the Region", the upcoming 19<sup>th</sup> SME Ministerial Meeting in St. Petersburg, Russia aims to assist SMEs to join global trade, foster innovation and support startups and young entrepreneurs. ■

## Intensified Commitment to Energy Security

**22 May** - As Asia Pacific economies strive for growth and development, ABAC leaders recognize the important role that energy security plays. Through numerous initiatives such as energy conservation programs, promotion of clean and renewable energy, and energy efficiency, ABAC leaders are addressing the need to secure adequate power supplies today and in the future.

Part of its approach is to reduce overall regional energy intensity by 45% by 2035. This means using less energy to produce the same amount of economic output. One step to reach such targets is the creation of an Environmental Goods and Services (EGS) list. EGS refers to goods and services that "directly and positively contribute to green growth and sustainable development objectives". All the goods and services placed on the list will be

subject to tariffs of 5% or less by 2015. This will facilitate access to the best clean and renewable products, technologies and services in all of our economies. The World Trade Organization in 2007 identified 143 items belonging to the EGS list while the World Bank has 41 items. APEC's list is currently being negotiated.

ABAC leaders also support energy efficiency and low-emissions strategies to be incorporated in transportation, construction, power grids and other sectors in the economy. In the *Living city* approach to building and re-developing cities, encouragement is being given to smart technologies, green buildings, reduced carbon emissions and better public awareness about energy conservation.

ABAC leaders are also calling for the removal of fossil fuel subsidies that encourage wasteful consumption. It is projected that by elimi-

nating such subsidies, there would be less dependence on the use of fossil fuel as well as increased private sector use of alternative sources such as wind, hydro, and solar.

Finally, ABAC leaders are encouraging the regular exchange of information between APEC Energy Ministers and the private sector to establish an **APEC energy security framework** that will resolve cross-border energy supply and demand concerns. This constant communication is deemed crucial for successfully answering APEC's energy security needs. ■

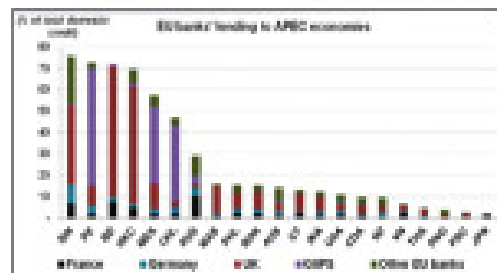
## Managing the Global Financial Crisis: Asia Pacific Financial Forum

**23 May** - It is evident that APEC member economies are affected by the European financial crisis. In terms of trade, small open economies such as Hong Kong and Singapore are most vulnerable due to their high dependence on external trade for growth. Furthermore, APEC economies have little defense or protection against sudden capital market disruptions that might occur because of their great reliance on Western traditional financial banks for funding.

Against the backdrop of global financial instability, ABAC leaders recognize the need to build deeper and more sophisticated regional capital markets. Through creation of the Asian Pacific Financial Forum (APFF), ABAC leaders hope to "develop sound, efficient and integrated markets" that

will strengthen every member economy's financial market and make it less vulnerable to external shocks.

APFF is intended to be a regional public-private multi-year pathfinder initiative that can provide long-term insulation against the global financial crisis. The APFF would be open to participation from finance ministers and regulators, central banks, multilateral and international institutions and standard setters, and regional and international financial industry groups to discuss a range of issues towards integration. The topics that will be discussed involve the streamlining of financial and bank regulations and practices, securing reliable sources of credit and liquidity and determining how the global reform of financial regulations would help the region in



Source: Emerging Economic Trends, Opportunities and Challenges in the APEC Region. APEC Policy Support Unit. May 2012

achieving its own financial development goals. The end goal is robust and integrated financial markets within the Asia Pacific region.

Detailed proposals for the APFF will be put to the region's Finance Ministers when they meet at the end of June, with the aim of a detailed debate in Vladivostok in September, and formation early in 2013. The ambitious hope is that a first APFF can be held in Sydney, Australia on 2013. ■

## Women in Business Making a Difference

**24 May** – Pushing for greater economic inclusion for women in the region, the ABAC Women's Forum (AWF), comprised of senior women executives involved in ABAC, met in Kuala Lumpur, Malaysia for the sixth time since its inception early last year. The Forum reaches out to women organizations in the region in developing policy recommendations to boost support for women entrepreneurs. It also collaborates with formal and informal APEC bodies on gender-related issues, and it engages women in informative and inspirational conversations for economic empowerment.

As part of the AWF's meeting in Kuala Lumpur, the group co-hosted the E3 Women's Forum: *Electronically & Economically Empowered* with the Ministry of International Trade and Industry Malaysia, and the SME Corp Malaysia. Three ABAC Members served as panel speakers, namely Maxine Simmons (ABAC New Zealand), Hafimi Abdul Haadii Frances M.C. Lo (ABAC Brunei Darussalam), and Diane Wang

Shu Tong (ABAC China), who each shared stories of their journeys in becoming influential business players in their respective industries.

"ICT is a powerful enabler. It is one of the most powerful means of getting more women into economically productive activities," says Wang Shu Tong, CEO of DHgate.com. She speaks on her own experience as well as the trend she sees in her e-commerce platform where countless women entrepreneurs attain economic success. Women leverage new technologies and successfully enter new markets every day. Hafimi Haadii adds, "E-commerce levels the playing field. It provides a very unique opportunity to enable SMEs, the minority (groups), and women to compete."

Simmons, meanwhile, stresses the importance of women leaders in politics and diplomatic positions. "We need more women to serve as policymakers and regulators – part of the decision-making process – because they tend to



be more sympathetic to women's challenges." All three speakers were optimistic about the expansion of women's roles in societies, particularly since the advent of e-commerce. They encouraged the forum's participants to explore and expand using available ICT tools.

The Members of the ABAC Women's Forum also represent the private sector in the APEC Policy Partnership on Women and the Economy (PPWE). The PPWE was established last year at the second APEC Senior Officials' Meeting, creating a single private-public entity to streamline and elevate the influence of women's issues within APEC. The body is focused on increasing women's access to capital, expanding women entrepreneurs' access to markets, building their capacity and skills to be more competitive, and encouraging their leadership role in the APEC process. ■