



Asia-Pacific
Economic Cooperation

ABAC BULLETIN

APEC Business Advisory Council is the official voice of business in APEC

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4th ABAC Meeting 2013

1-4 October 2013 | Bali, Indonesia



11 - 14 February 2014
First ABAC Meeting
Auckland, New Zealand

4 - 7 May 2014
Second ABAC Meeting
Santiago, Chile

7 - 10 July 2014
Third ABAC Meeting
USA

5 - 8 October 2014
Fourth ABAC Meeting
Beijing, China

ABAC Meets with APEC Leaders in Bali, Indonesia

(Bali, Indonesia) 7 October 2013 – Concluding the ABAC year in Bali, the members of the APEC Business Advisory Council (ABAC) met with the 21 APEC Leaders in a private dialogue to present their 2013 recommendations and inputs to APEC work. The Members took this opportunity to also ask the Leaders their individual assessments on the progress made towards attaining the Bogor Goals 2020 of an open and free trade area in the region, with special focus on services liberalization, increasing foreign direct investments and enhancing SMME competitiveness.

In its 2013 Letter and Report to Leaders, ABAC called on APEC to have a more ambitious agenda on trade, investment and services liberalization targets. It stressed its belief that the ultimate expression of regional connectivity is still the achievement of a Free Trade Area of the Asia-Pacific (FTAAP), currently driven by developing negotiations in the Trans Pacific Partnership, the Regional Comprehensive Eco-

nommic Partnership, and the Pacific Alliance, which is a regional FTA among Latin American economies.

To facilitate smoother trading of goods, the Council provided key recommendations to improve regulatory coherence, which should start with domestic regulatory reforms, and urges APEC to adopt global product data standards to address supply chain connectivity and complexity challenges noted in the region. These proposed steps would help reduce transaction costs and improve supply chain performance by at least 10%, a target set by APEC for 2015.

The ABAC report also highlighted the need for major infrastructure investment across APEC to secure the economic growth and regional integration desired. In particular, the business community is concerned about the slow implementation of big-ticket public-private partnership (PPP) projects in the region while noting a McKinsey Global Institute report estimat-

ing global infrastructure investment requirement of US\$57 trillion to sustain economic growth. For its part, ABAC has developed an infrastructure investment checklist designed to help governments determine the extent to which their economies facilitate infrastructure investment. In addition, ABAC continued to host confidential dialogues with individual APEC economies under the Asia-Pacific Infrastructure Partnership. These offered advice to governments on how to create conducive environments for successful PPPs.

There have been two important milestones of ABAC this year: First the completion of a detailed roadmap towards regional food security, drawn by the newly-created APEC Policy Partnership for Food Security (PPFS) with ABAC participation. One of the PPFS action plans is to reduce food losses and increase food safety by promoting the effective use of cold chain technology and by urging economies to adopt international food safety standards.

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*The 21 APEC Leaders sit before ABAC Members in a private dialogue held at Sofitel Hotel Bali
Photo courtesy of Malacañang Photo Bureau, the Official Gazette of the Republic of the Philippines*

ABAC's 2014 Key Priorities

Finance and Economics

- Macro-economic overview and G20 Developments
- Regional Financial System Integration and APFF
- Enhancing FDI and Long-term Savings in Infrastructure
- Meet the Challenges of Urbanization in the Asia-Pacific Region

SMME & Entrepreneurship

- SMME Access to Finance
- Internationalization of SMMEs
- Women & the Economy
- Innovative Growth

Regional Economic Integration

- Support for WTO and preventing backsliding to protectionism
- Building towards a Free Trade Area of the Asia-Pacific (FTAAP)
- New Services Agenda
- Investment Liberalization and Facilitation

Sustainable Development

- Food Security
- Energy Security and New Energy
- Green Growth and Environmental Goods and Services
- Health and Sustainable Economic Growth

Infrastructure and Connectivity

- Accelerating Infrastructure Development
- Facilitating Infrastructure Financing
- Enhancing Capacity Building for Regional Connectivity
- Building Effective Global Value Chains

other achievement is the ministerial endorsement of the Asia Pacific Financial Forum (APFF), a regional platform for multi-stakeholder collaboration to help accelerate the development of integrated financial markets. The Finance ministers' endorsement marks a significant step towards the goal of deepening and integrating financial markets across the Asia-Pacific region.

Mapping Long-Term Prosperity in 2014

After ABAC Indonesia turned over the chairmanship to ABAC China Member, Frank Gaoning, the latter presented before the Council the key work priorities for 2014. It centers on accelerating regional economic integration, championing sustainable development, supporting micro, small and medium-sized enterprises, fostering entrepreneurship, and strengthening infrastructure and connectivity. ■

Women's Economic Empowerment Vital for Regional Competitiveness

(Bali, Indonesia) 3 October 2013 – The APEC Business Advisory Council, through a focused working group ABAC Women's Forum (AWF), ended the year with a strong message from the business sector: women's economic empowerment is a fundamental element of inclusive growth promoted in APEC and is vital to the future competitiveness of the region.

In its research paper released in Bali, "Driving Economic Growth and Business Performance through the Economic Empowerment and Inclusion of Women in APEC Economies," AWF identified a variety of factors that inhibit opportunities for women on education, business leadership, and entrepreneurship in the region.

According to the report, many SMMEs operated by women have encountered barriers to growth such as inadequate access to capital, lack of ownership of land and resources, restrictive concepts of the role of women in society, weak business networks and insufficient business training. Positive government interventions and support will help cut down these barriers, encouraging women to pursue their entrepreneurial spirits. The paper suggests reducing financial and non-financial barriers for entrepreneurial growth and opening

up government procurement to women-owned firms to stimulate the creation and expansion of new businesses owned by women.

Women in the workforce also face serious obstacles to career development. Large multinational companies report significant losses of talent known as the "Leaking Pipeline", the loss of talent caused by the steady attrition of women that occurs before they reach senior management or executive positions. The report cited a study by the Business and Industry Advisory Committee to the OECD, "Putting All Our Minds to Work: Harnessing the Gender Dividend" released on May 2013, which identified the following reasons:

- Family and work-life balance considerations
- Lack of access to, or high cost of, child care
- Demands of parental care
- Lack of role models
- Inadequate support from their companies (training, mentoring, networks)
- Gender stereotypes imbedded in corporate culture
- Social norms that attach stigma to working mothers

The study noted that some economies need policy frameworks related to

work-life balance, child care and care for elderly relatives that can provide additional flexibility for women. It noted that many companies were encouraged to provide some of these care facilities in their offices which bolstered the productivity of women workers. Indeed, AWF recognizes that creating the proper environment for advancing women's economic engagement is a multifaceted challenge requiring government and private sector commitments. It called for public private dialogues and partnerships on this issue.

Recognizing the rare opportunity to leverage these important discussions in APEC, the AWF encourages APEC officials and government representatives to use this platform to identify best practices and capacity building needs for women in their economies to help them actively contribute to the economy.

To support future discussions, AWF urges APEC to take a data-driven approach to policy development – using metrics and research that highlight the link between women's economic empowerment to economic prosperity. Lastly, educating and engaging local business communities is a critical step in changing mindsets and implementing practices that encourage and support participation by women in the economy. ■

Losses along the corporate pipeline
Percentage women



¹ Estimates
SOURCE: McKinsey proprietary database, 2011; government publications; literature search

Tackling Barriers to Foreign Investment

(Bali, Indonesia) 2 October 2013 – One of ABAC's priorities this year is to accelerate trade and investment liberalization, a subset of which is attracting growth-producing foreign direct investment. To get a clear grasp of what the main barriers and opportunities are for FDI growth in the region, ABAC commissioned a study entitled "Foreign Direct Investment Across APEC: Impediments and Opportunities for Improvement" prepared by the USC Marshall School of Business.

The researchers conducted in-depth interviews with 271 business executives and government officials from the 21 APEC economies and used global metrics on FDI to develop economy rankings and to compare findings. From these, the following key conclusions were drawn and were presented to ABAC at the Bali meeting:

- Intentional FDI restrictiveness remains high in APEC but the business impact is low. Noted in particular were limitations on ownership and control of businesses. But the research found that this impediment had a low impact on business engagement in the region.

- Unpredictability and instability of investment regulations hinders the investment decision making process.

- Free Trade Agreements have dual benefits for FDI – first, these can increase market opportunities, thus they have an increasingly important role to business' locational decisions. Second, high-quality FTAs provide cover for politicians to commit to more liberalized FDI policies.

- Corruption still exists at all stages of the investment process and its presence, and the weight of its presence, affects processes and decisions throughout an investment's lifecycle. It greatly adds to the cost and risk of doing business.

- The most problematic FDI business concerns within APEC economy groups were:

ABAC will utilize the six (6) recommendations proposed by the Marshall School to guide it in its discussions about FDI in APEC. First is to accelerate the APEC "single window" initiative that standardises through a single portal the way governments handle FDI across all

economies. ABAC will also urge economies to start collecting and publishing APEC FDI data on a regular basis, standardized by sector and economy. And to facilitate disputes, ABAC is promoting the establishment and recognition of international commercial arbitration standards.

Highly skilled human capital is a key influence on business investment, according to the study. Investments come in when there is readily available talent to complete business operations. As such, ABAC is promoting the facilitation of international human capital and talent mobility. Its new services agenda, now under discussion in APEC, is aimed at liberalising trade in services.

The final recommendation involves online information access. There is a need to centralize FDI information and adopt online processing, including creating a central APEC portal to give access to economy information pages online. The availability of accurate and up-to-date information to businesses can speed up decision making process and increase assurance and confidence to investors. ■

High Income

- Talent mobility
- Access to land by foreign firms
- Sector restrictiveness
- Efficiency of process & procedures for obtaining approval
- Tax environment

Upper-Middle

- Sector Restrictiveness
- Ownership & control limitations
- Physical security
- IP protection
- Corruption

Lower-Middle

- Sector Restrictiveness
- Ownership & control limitations
- Efficiency of approval process
- Corruption
- Dispute resolution

ABAC Responds to Challenges in Infrastructure Development

(Bali, Indonesia) 2 October 2013 – ABAC USA presented updates and next steps to the “Enablers of Infrastructure Investment Checklist.” The Checklist serves as a self-assessment tool for governments in the APEC region to determine the extent to which their regulatory environments encourage private sector participation in infrastructure projects. The issues are divided into four overarching subsections with key performance indicators for each category: (1) augmenting government project planning and coordination mechanisms; (2) building a strong, transparent and predictable financing environment; (3) developing robust PPP mechanisms and frameworks; and (4) creating and maintaining an investment environment that attracts FDI.

A supplemental report entitled “Attracting and Harnessing Infrastructure FDI to

Secure Lasting Economic Growth” contains further details and deeper analysis on the policy recommendations indicated in the Checklist. Both the Checklist and the Report were approved by ABAC intersessionally.

According to the Asian Development Bank, between 2010 and 2020, Asia-Pacific economies will require roughly \$8 trillion in infrastructure investment to meet demands for energy, transportation, water and sanitation. Additional investments will also be needed for maintenance and for disaster preparedness and recovery. While private sector can provide the needed funding and expertise, it is the government’s role to provide the necessary regulatory and judicial environment in order to maximize investment opportunities, including the public-private partnerships (PPPs) in the region.

The Council intends to leverage the Checklist and reach out to counterparts in government for consideration during discussions on APEC’s Multi Year Plan on Infrastructure Development and Investment (MYPIDI). ABAC proposes to incorporate the Checklist into related initiatives such as in APIP and FEWG, and where possible, to integrate the self-evaluation mechanism into the respective government’s official outcomes. Likewise endorsed is ABAC USA’s recommendation to table more concrete proposals for implementation during the first Senior Officials Meeting (SOM) in 2014 encouraging APEC economies to fill out the Checklist. ■

Emerging Best-Practice Model for SMMEs

(Bali, Indonesia) 3 October 2013 – ABAC China’s Diane Wang shared the All-in-One e-Commerce Platform as a best practice model for SMMEs in China. The results showed how leveraging e-Commerce offered significant benefits to SMMEs, and how it served as a catalyst of economic growth in the economy.

The Chinese e-Commerce platform hosts a 24/7 online store for international markets in 227 economies, lowering barriers for business start-ups and lowering the cost of operations. Online marketing allows for effective customer management and market analysis, while online payment and logistics offers shorter transaction periods, leading to a shorter business cycle and improved cash flow. With e-Commerce, profit margins leaped to as high as 54%, from 5% using traditional trading methods.

The model provides for a one-stop service including access to financing such as micro-loans based on credits,

orders, shipping, transactions, inventory, among others. Compared to traditional loans where guarantors and collateral are necessary, internet micro loans do away with time spent filling out forms, cross-referencing and personal visits. In the first quarter of 2013, over

250,000 Mainland SMMEs were granted about one million loans worth ¥11 billion (US\$1.8 billion).

China’s experience of an ICT-based value chain resulted in cross-border trade amounting to \$210 billion in online trans-

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actions with as high as \$4 billion sales in a single day from more than 58 million SMMEs and 9 million online merchants in 2012. The figure is expected to shoot to \$420 to \$650 billion by 2020. In terms of jobs generated, the e-Commerce platform created 1.8 million job oppor-

tunities and 16.5 million others in related industries.

Using China's success story, it was recommended to organize more APEC SME Summits and conduct training programs and promote ICT.

Priorities for SMMEs had been set both in APEC and in ABAC – entrepreneurship and innovation, access to international markets, and access to finance – and ICT are recognized as vital elements for the future sustainable growth of SMMEs. ■

ABAC Prioritises Food Security

(Bali, Indonesia) 2 October 2013 – Sustainable Development Working Group agreed that ABAC should continue to maintain involvement and oversight of the APEC Policy Partnership on Food Security (PPFS). Thus, SDWG co-chair Anna Buduls was appointed private sector representative to the PPFS Management Council.

PPFS has earlier adopted a strategic "Road Map to 2020 (version 2013)" which lists 81 areas that need to be addressed, prioritized and time-phased in order to reach the PPFS goal of "a food system structure by 2020 sufficient to provide lasting food security to the APEC member economies."

Looking forward for the PPFS, ABAC noted:

- There is a need to convene a private sector only PPFS meeting to facilitate a coherent private sector strategy for the PPFS.
- ABAC has strong interest in the PPFS's success and will continue to be involved.
- Setting the meeting dates at least six months prior will facilitate private sector attendance in PPFS meetings.
- Attending government officials should be at a senior level to ensure corresponding level of participation from the private sector.

Private sector input is needed on agenda development to keep meetings relevant.

With the appointment of Anna Buduls, ABAC will continue to advocate for

a private sector only meeting, in advance of the next plenary meeting as well as ensuring PPFS participation in the Food Security Ministerial flagged for 2014. ■



Photo credit: Makati Business Club