



Asia-Pacific
Economic Cooperation



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The official Newsletter of ABAC

ABAC BULLETIN

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



4-7 May
ABAC II
Santiago, Chile

7-10 July
ABAC III
Seattle, USA

4-7 November
ABAC IV
Beijing, China

8-10 November
APEC CEO Summit
Beijing, China

The 'Most Liveable City in the World' Hosts ABAC 1

(Auckland, New Zealand) 14 February 2014 – The highly-productive and focused first APEC Business Advisory Council (ABAC) meeting this year reflects a strong and promising start under ABAC China's chairmanship. Held in the largest urban area in New Zealand, and at the height of Auckland's city festivities, Rugby 'Nines' tournament and Valentines Day, ABAC 1 successfully mapped out its directions this year with guidance from the APEC Senior Officials.

The business representatives rolled up their sleeves and dove straight into proposals and issues tabled for discussion and study this year. They agreed to aim for tangible results on areas of regional economic integration, infrastructure development and connectivity, SMME growth, and sustainable development. Some issues were framed in a multi-year approach while some are designed to reach resolution before this APEC year ends.

Senior Official of China, Tan Jian, urged ABAC to continue working with APEC noting its significant contributions to the fora. "It was ABAC who first put forward the proposal of a Free Trade Area of the Asia Pacific, in year 2004. FTAAP was written into the Hanoi Leaders' Declaration in 2006." One of the noted pathways to FTAAP, the Pacific Alliance of Chile, Mexico, Peru and Colombia, has been concluded earlier this year, while negotiations for the Trans-Pacific Partnership (TPP) and the Regional Comprehensive Economic Partnership (RCEP) are reported to be progressing positively. Incidentally, the host, New Zealand is one of the four original economies that created the TPP and is one of the economies engaged in the RCEP negotiations.

With directions defined this year, ABAC will give focused attention on areas with the greatest impact and work on a productive agenda leading to an effective ABAC dialogue with the Leaders in November. One of them is strengthening comprehensive

connectivity and infrastructure development in the region, one of the three priorities of APEC in 2014.

Following a positive response from APEC Economic Leaders regarding the 2013 ABAC recommendation to "create opportunities for multi-disciplinary public-private discussions on infrastructure in relevant areas such as Financing, PPP structures and Foreign Direct Investments," ABAC agreed to commit its participation to see through the establishment and success of the newly developed APEC Multi-Year Plan on Infrastructure Development and Investment, as well as the pilot Public-Private Partnership (PPP) Centre in Indonesia. A number of ABAC members committed to work with the APEC and multilateral organizations through the APEC PPP Experts Advisory Panel.

However, the core agenda remains to be the advancement of regional economic integration of APEC econo-

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ABAC 2014 Chair, Ning Gaoning, welcomes delegates of ABAC 1 meeting in Auckland, New Zealand

“2014 is the 25th anniversary of APEC and the 20th anniversary of the Bogor Goals,” states Ning Gaoning, ABAC Chair for 2014. “Serious consideration should be given as to how to transform the ‘concerted bilateralism’ of the past two decades into an integrated Asia-Pacific pact and revive the Bogor vision of free trade.”

mies. Under this umbrella, ABAC shall continue pursuing its New Services Agenda, promoting Global Data Standards (GDS) to support supply chain connectivity, and investment liberalization and facilitation. Innovative solutions on these areas were put forward in Auckland including exploratory ideas on managing the movement of temporary skilled workers and starting a multi-year pilot project on GDS for the pharmaceutical sector.

. In this meeting, ABAC agreed to continue urging APEC economies to demonstrate

their commitment and push for the expansion of the WTO Information Technology Agreement, a WTO list of IT and ICT products eligible for tariff elimination. The list has not been updated since its creation more than 16 years ago despite several innovation and technology developments in the world market.

Stickier concerns were also tackled in this ABAC meeting including the structural challenges noted in the APEC Policy Partnership on Food Security (PPFS). The seeming lack of focus stems from the varying definitions and priorities of economies

on the food security issue which is hoped to be resolved in the upcoming PPFS meeting at SOM 1 in February.

Moving forward, ABAC has aligned its priority issues this year and is determined once again to bring forth useful recommendations and specific deliverables by ABAC 4 in Beijing, China. ■

ABAC Meets with APEC Senior Officials

(Auckland, New Zealand) 12 February 2014 – One of the highlights of the ABAC 1 meeting was the annual dialogue of the members with APEC Senior Officials. “This year we started this process by meeting with APEC Senior Officials here in Auckland and we will continue this engagement with the APEC official process at various levels through the year,” says Ning Gaoning, ABAC Chair for 2014.

Key recommendations from the ABAC 2013 report and related actions from APEC were discussed, as well as possible areas for ABAC-SOM cooperation to pursue common objectives and plans. The business representatives took this opportunity to encourage the Senior Officials to complete the “Enablers of Infrastructure Investment Checklist” presented by ABAC last year. This is a self-evaluation tool that economies can use to assess the extent in which existing policies promote the participation of the private sector in infrastructure development.

Further on regional connectivity, the officials point out the need to evaluate where the region is and what strategies are needed to facilitate three levels of connectivity: people, institutions and physical connectivity – of which a detailed action plan was laid out by the APEC Leaders in Bali, Indonesia last year.

Among many issues discussed, the SMME development resonates as a point of strong agreement between business and government. The officials recognize that access to finance remains a major barrier to SMME growth. They suggested that ABAC explore ways to bring micro, small and medium enterprises to participate in the global supply chain for APEC’s support.

The Auckland ABAC 1 meeting also provided ABAC opportunity to meet with New Zealand Prime Minister John Key and Trade Minister Tim Grosner who both addressed ABAC members during the closing dinner. ■



ABAC Supports APEC's Multi-year Plan on Connectivity and Infrastructure Development

12 February 2014 – At the 20th Annual APEC Finance Ministers' Meeting held in Nusa Dua, Bali last 19-20 September 2013, the finance ministers announced the establishment of a pilot PPP Centre in Indonesia to be supported by a voluntary-based APEC PPP Experts Advisory Panel.

"We recognize that having clear processes in relation to the planning, prioritization, preparation, and financing of infrastructure projects is critical," states the Ministers at their 2013 Joint Ministerial Statement. "We welcome the active participation of ABAC and the Asia Pacific Infrastructure Partnership (APIP) in the Panel."

These twin-initiatives support the APEC Multi-year Plan on Infrastructure Development and Investment endorsed at the APEC Economic Leaders Meeting in Bali last year. The Plan shall improve the investment climate, promote public-private partnerships, and enhance government capacity in planning and executing infrastructure projects. Through the Panel and the PPP Centre, APEC plans to mobilize government, private sector and even multilat-

eral organizations to promote the efficient allocation of global capital for infrastructure financing.

Meanwhile, ABAC endorsed its participation in the APEC PPP Experts Advisory Panel, attracting volunteers for panel membership from Australia, Canada, China, Japan, New Zealand, South Korea and Russia.

"For ABAC, connectivity and infrastructure development are key undertakings (as the world is now dominated by global value chains," says ABAC Chair Ning Gaoning. "Physical infrastructure including ICT infrastructure for emergency and disaster preparedness and services like transportation are key, but domestic regulations and standards are also equally important."

At the ABAC 1 meeting, the Council explored initial ideas to assist the Pilot PPP Centre in Indonesia and discussed the draft Terms of Reference of the APEC PPP Experts Advisory Panel as drawn from the initial talks held in Jakarta, Indonesia on 2 December 2013. ■

APEC Commitments on Promoting Connectivity

On Physical Connectivity:

1. Develop and implement a Multi-year Plan on Infrastructure Development and Investment;
2. Establish an APEC Experts Advisory Panel (on infrastructure development); and
3. Create a pilot Public-Private Partnership (PPP) Centre in Indonesia

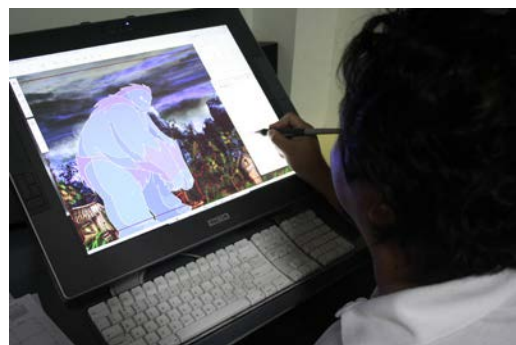
On Institutional Connectivity:

1. Advance the 2010 APEC New Strategy for Structural Reform that promotes fiscal transparency and public accountability;
2. Take specific actions to develop, use or strengthen the implementation of the three Good Regulatory Practice identified in 2011;
3. Progress the 2012 commitment to promote cross-border education that creates (education and productivity) opportunities for people; and
4. Promote global value chain development and cooperation in APEC region.

On People-to-People Connectivity:

1. Endorse the target of 1 million intra-APEC university-level students per year by 2020;
2. Progress work on the Travel Facilitation Initiative as was to promote tourism and facilitate business; and
3. Develop programs that will encourage greater and regular involvement of youth in APEC.

ABAC's Fresh Approach on the Efficient Management of Mobile Skilled Workers



The animation industry is a sub-sector of Services that continues to flourish in international trade and investment

13 February 2014 – ABAC has created a new ad hoc Services Group tasked to drive an ambitious five point Services Action Plan in 2014.

This will include studies on services-linked groups, on services in value chains, and on FDI in services, as well as preparation for a Services Dialogue with APEC officials mid-year.

The group will also be driving new ABAC proposals for improved management of the movement of international workers, which will be targeted at APEC Human Resources Ministers when they meet for the first time in four years in Danang in September.

"The new ABAC initiative we are proposing is a rational framework for the management of internationally mobile temporary workers as well as international regulatory convergence of standards of training and mutual recognition of training outcomes," says ABAC Philippines mem-

ber, Doris Ho. "This is important as ABAC embarks on an agenda for trade on services where people are key contributors to the value chain."

Starting this year, the main focus of the Services Group is to generate new and practical services-related initiatives that are of practical value for business while keeping the momentum on existing initiatives. Apart from the proposed framework and the convergence of standards for training, the idea of an APEC Overseas Worker Travel Card was discussed in the meeting, inspired by the successful APEC Business Travel Card which now effectively facilitates the easier movement of business executives in the region. This discussion was to be

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continued by officials when they met in Ningbo, China for the year's first senior officials meetings.

To build regional cooperation on services issues, the Services group is also listing all services organizations operating in APEC economies and identifying how each group stands on services liberalization. The next step would include surveying the active services or-

ganizations to engage them effectively in the discussion on trade in services.

As far back as a decade ago, ABAC introduced the need to address issues surrounding trade in services outside of immigration to fulfil human resource and skills gaps in the region. In the pipeline this year is a ground-breaking study of the role of services in manufacturing supply chains, while the USC Marshall

School research team will be focusing on barriers to foreign direct investment in the Services sector, tentatively covering financial services, telecommunications and IT, retail and restaurants, transportation and logistics, and accounting services. The findings will be presented at the ABAC 4 meeting in Beijing, China. ■

PSU Study urges Greater Role of SMEs in Global Production Chains

13 February 2014 – In most APEC economies small and medium-sized enterprises (SMEs) account for over 50% of employment and has at least one-third of their GDP contributed by SMEs. ABAC recognizes significant contributions of SMEs in sustaining economic growth in the region but just as important it recognizes the many challenges these establishments face in this highly integrated world.

Presenting in ABAC 1, the APEC Policy Support Unit (PSU) notes the growing engagement of SMEs with multinational cor-

and organizational capacity to meet international standards,” states the PSU report entitled “SME’s Participation in Global Production Chains.”

According to PSU, the challenge of access to finance is interlocked with the other barriers to SMME participation in the value chain, including accessing and maintaining high-calibre human resources, meeting complex global standards, and adapting to emerging international business practices.

The study suggests possible interventions by APEC governments to reduce the individual and collective impacts of these barriers to SME internationalization. One proposed manner is to increase the knowledge and awareness of SMEs on the opportunities and benefits from existing trade agreements which would significantly reduce cost as well as open new markets for thriving enterprises. Similarly, PSU suggests linking SMEs with MNCs and other SMEs in the region to strengthen business networks and promote global cooperation. And finally, improving access to finance is said to be key to jumpstart SME growth and to facilitate their entry into the world market.

ABAC, through its SMME and entrepreneurship working group, is currently participating in the development of an APEC Framework for SMME Financing. One of the presentations, on the New Zealand-Chinese Taipei

Venture Capital co-Fund program that sets aside US\$160 million for venture capital investments in both economies for the next five years, inspired the ABAC members into proposing a similar multilateral APEC agreement on SME financing. “(We should) support cross-border initiative in venture capital development as an effective way to assist SMEs access finance and markets,” says ABAC Canada Member, Paul Lee.

Progress on the APEC Framework for SMME Financing will be reported by in ABAC II meeting in Santiago, Chile. ■

“Before entry into global production chains (GPC), SMEs need a sound financial base to make upfront investment so that they could establish productive and organizational capacity to meet international standards,”

porations in terms of providing intermediate goods and services to the production of goods but highlights the limitations SMEs continue to face for their own growth. “Before entry into global production chains (GPC), SMEs need a sound financial base to make upfront investment so that they could establish productive

The inter-locking nature of key barriers to SMEs participation in GPCs aggravates the negative effects





More Push on APEC Food Security Agenda



13 February 2014 – Food security remains among the top priority issues for ABAC and most especially for APEC. According to APEC PSU report, about a quarter of the hungry in the world is in the region, while APEC account for over half of the global cereal production and almost 70% of fish production.

In 2013, ABAC urged APEC Leaders to develop policies and to take concrete actions to ensure the effective implementation of the “Road Map to 2020,” which the APEC Policy Partnership on Food Security (PPFS) has earlier adopted.

The PPFS Action Plan identified 81 priority areas that need to be addressed and time-phased in order to achieve a food system structure by 2020 sufficient to provide lasting food security in the region. ABAC also focused on overseeing the implementation of the food security roadmap.

As a welcome response, the APEC Ministers in their 2013 joint statement in Bali have asked their respective officials to act on this operational business plan. The ministers stressed that, “the operational business plan should reflect close collaboration among relevant APEC fora and private sector, and not duplicate existing APEC initiatives.”

For this year, the ABAC food security 2014 agenda is aligned with the PPFS roadmap with this year’s theme, “Strengthening Partnership for Food Security.” Key topics include:

- Technological cooperation and transfer in food production
- Technological communication and cooperation in food storage and supply chain
- Food trade cooperation and facilitation
- Cooperation and development in food investment and infrastructure construction
- Food standardization and quality control

For this APEC year, we can expect the Council’s efforts to focus on land-based food, particularly on grain. In Auckland, ABAC endorsed ABAC China’s proposal to allocate PPFS resources and expertise to the conduct of a comprehensive research on facilitating investment and infrastructure to sup-

port supply chain connectivity in the grain sector.

While challenges on targeting specific focus on the broad-range of food security issues remain, there was an overall consensus that the issue of varying definition of food security across APEC member economies must be resolved. Buduls emphasized the key role that the Council plays in getting the momentum going, saying “ABAC should continue to participate actively and make the most out of its engagement with PPFS.”

Noting ABAC’s call for more and wider engagement between APEC governments and the business sector with regards to the issue, PPFS is set to meet three times this year. There is also an increase in the number of public-private sector dialogues and activities to help establish avenues for bilateral and multilateral trading driven by the government and collaborations among businesses.

The first will be the PPFS 2014 Government-Business Dialogue on food Security and Trade on 21-22 February, which will be followed by the 1st PPFS Management Council Meeting for 2014 on 23 February, in Ningbo, China. ■

Prospects for ABAC: Extracting worth from waste

13 February 2014 – At the Sustainable Development Working Group meeting in Auckland, ABAC Hong Kong invited Douglas Woodring, co-founder of Ocean Recovery Alliance, to present how APEC can look at waste as an economically viable opportunity by creating broad based waste-to-worth industry.

Woodring cited a business model called the Waste 2 Worth Project in the Philippines. Out of 200T/day of municipal solid and commercial wastes, it is projected to generate 26T/day of high value recyclate, approximately 7MW electricity and less than 1T/day of inert ash. The project’s overall objective is to create an industry in which all waste is viewed as a resource to be recovered and used to stimulate economic development.

This issue is relevant to the region as an APEC study estimates savings of over US\$1.2 billion in damages or losses to fishing, tourism and shipping operations if marine litter pollution within the Pacific Rim is addressed. Meanwhile, the World Bank projects that the municipal solid waste could double worldwide by 2025 if left unmanaged.

Technologies to improve waste management are emerging. In 2000, the United States’ recycling and reuse industry employed over 1.1 million and grossed over \$236 billion in annual revenues. Another report showed that for every job at a landfill, there are ten jobs in recycling processing and 25 in recycling-based manufacturing. The challenge however, is how to aggregate separated waste and build the critical mass necessary for commercially viable recycling.

The presentation laid out specific initiatives for APEC to consider:

- Drive scale and standards across the recycling industry across the region
- Create cross-regional technological and regulatory standards
- Drive strategic replication of the industry
- Focus on economic considerations which leads to sustainable infrastructure

This highlights the role of technology in allowing waste conversion business models and investment grade economics, then encouraging private investment. While the study is being pioneered in the Philippines, several economies expressed interest in the study realizing the economic potential of waste management. ■