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## **APEC Business Advisory Council (ABAC)**

### **First Meeting 2008 - Jakarta 21-23 January 2008**

#### **Report to New Zealand Business**

##### **Introduction**

1. The theme chosen by ABAC Peru to give direction for their year as ABAC Chair in 2008 is “Mind the Gap: making globalisation an opportunity for all”. There is to be specific attention to trade and investment liberalisation, facilitating business growth, and promotion of capacity building. These three sub-themes capture ABACs traditional areas of focus, so ABAC Peru had no problem getting its broad agenda endorsed. There were reassuring signs in Jakarta of the Peruvians determination to make a success of their year. They have a common approach to the New Zealand business community towards many aspects of trade reform.
2. With the return to a four meeting programme, building to the annual dialogue with APEC Leaders in Lima in November 2008, ABAC is less time-constrained this year than last. In Jakarta, early efforts were made to identify a range of practical measures to recommend to Leaders and relevant ministers that reflected current regional business concerns, that were consistent with Peru’s aspirations, and that were likely to gain collective support from the ABAC membership.
3. To that end, ABAC New Zealand contributed eight papers in Jakarta, across a range of subjects from ‘corporate social responsibility’ to ‘ease of doing business’ to ‘trade in environmental goods and services’. It is helpful to the New Zealand business profile and our ability to influence outcomes, that two of our members have taken key governance roles in 2008; John Blackham as a co-chair of the Technology and Information working group and Philip Lewin in a similar position in the Trade Liberalisation group.
4. The Jakarta meeting was preceded by a one day seminar on the implications for APEC of changing regional political and economic ‘architecture’ in Asia and the Americas. Philip Lewin chaired the concluding session of the seminar.
5. Senior officials from several APEC economies including New Zealand, and the chairs of some relevant APEC policy forums (notably the committee on trade and investment) attended the seminar and the early part of the formal ABAC meeting. Their presence and participation has become a feature of ABAC meetings. It allows for useful interaction between business leaders and those who recommend policy shifts.

## General Comment

6. In plenary discussion there was understandable unease on two counts. First, the negative effects being felt by some APEC economies of a slowdown in the global economy. Secondly, the impacts flowing from the disruption to the USA sub-prime mortgage market. Could their downsides be managed?
7. The consensus was Yes, despite some scary statistics made available on large company losses already incurred. The overall mood of the meeting was positive if hardly buoyant. It was generally accepted that the slowdown was not bordering on recession, at least not yet, and that the fundamentals underpinning the long period of global growth were still strong and in place. Also, that the rest of the developed world and the big emerging economies were now better positioned to withstand short to medium-term term slippage in the USA. The readiness of central banks to stay staunch under pressure, financial and perhaps political, was seen as a critical factor.

## Principal Outcomes

### (a) Trade Liberalisation

8. There was frustration that substantial progress at the **WTO Doha Round** negotiations remained out of reach. Without unrealistic expectations as to the impact it might have, it was agreed ABAC should again send a delegation to Geneva to demonstrate regional business support for a credible and comprehensive result. This visit will probably take place just before the May 2008 ABAC meeting in Moscow.
9. The limited advances able to be identified at the WTO brought renewed focus on the proposed **FTAAP** concept (Free Trade Area of the Asia-Pacific). At their Sydney meeting in September 2007 APEC Leaders had agreed that “practical and incremental steps” should be taken to examine the outlook for a FTAAP. As one part of that exercise, Prof Rob Scollay (Auckland University) has been commissioned by APEC to prepare an inventory of relevant issues that would need to be addressed.
10. In Jakarta, the concept was discussed at the seminar on ‘regional architecture’, in plenary and at working group sessions. From the interventions of their business representatives, it was apparent that by and large the bigger APEC economies are not yet convinced the FTAAP offers an early way forward to full-scale regional integration.
11. In that situation the proponents of FTAAP, including ABAC New Zealand, argued the merits of taking a ‘building block’ approach. With other ABAC members from the **P4 Economic Partnership** (Brunei, Chile, Singapore) we urged colleagues to familiarise themselves with the content and liberal accession provisions of the P4 Agreement. P4 ABAC members offered to hold an ‘information session’ on the Partnership at the Moscow meeting.
12. The welcome announcement by the **USA** after Jakarta that it planned to enter negotiations on financial services and investment with P4, will provide robust credibility to the further ABAC discussion that is planned in Moscow. ABAC New Zealand will report then on Rob Scollay’s progress.

13. ABAC endorsed a proposal by ABAC New Zealand that closer attention be given to the ongoing WTO discussions on liberalising trade in **environmental goods and services**. There was support for the argument that encouraging this particular trade was highly relevant to calls for APEC economies to address global climate change challenges. On the initiative of Australia and Singapore, ABAC is to take a more active role in setting priorities for **investment liberalisation** with a special focus on FDI promotion.
14. A draft '**model measure**' on **Customs procedures** prepared by ABAC New Zealand and submitted jointly with Chile, was approved for forwarding to officials.
15. The annual USC **Marshall Business School** project for ABAC in 2008 will look at non-tariff barriers affecting agricultural trade in the region. ABAC New Zealand was asked to be a 'mentor' for this exercise.

#### (b) Trade Facilitation

16. In discussion with APEC officials ABAC pressed for the introduction of reliable performance indicators to evaluate success with implementation of the second APEC **Trade Facilitation Plan**. For example, to enable business to monitor progress towards the goal of a further 5 per cent reduction in regional transaction costs. ABAC Australia is leading this exercise. In the specific field of customs procedures a paper from ABAC New Zealand put the business case for region-wide adoption of the **Single Window** concept.
17. In another Facilitation context, ABAC New Zealand warned that ABAC was at risk of slipping off the pace in pursuing APEC work on tackling onerous '**behind the border**' regulatory requirements that companies have to deal with on entering and endeavouring to establish a presence in offshore markets. In areas such as gaining licences, obtaining credit, paying taxes, employing and releasing staff. It was agreed there had to be renewed engagement with the relevant APEC agencies. ABAC New Zealand supplied a paper on early experience with the New Zealand Recognised Seasonal Employer scheme, to the discussion on regional **Labour Mobility**.

#### (c) Finance and Economics Liberalisation

18. ABACs Finance agenda in 2008 will again highlight **pensions and social security** with two main themes: government retirement programmes need to be funded rather than pay as you go schemes that are a burden on national budgets ,and retirement provisions should involve multiple sources of funds. In this area ABAC is giving increasing attention to emerging challenges faced by developing APEC economies.
19. ABAC USA has taken over the chair of this working group and continued the active role ABAC Australia had previously displayed. USA gave preliminary notice of material on the concept of **consumer finance** assisting economic growth, and the **development of capital markets**, which they will submit in Moscow. The latter paper will include work by Canada on ways to increase public-private partnerships in infrastructure financing. During the year ABAC will consolidate its position on investment measures relevant to capital markets, especially domestic bond markets.

#### (d) Technology and Information

20. There was considerable discussion of the actions that ABAC might usefully take to support the ‘aspirational goals’ adopted by APEC Leaders last year to help address **climate change** and **energy security** concerns. For example, to reduce energy intensity by 25 per cent by 2030. It was agreed ABAC’s role was to identify practical measures to improve energy efficiency. ABAC Japan made a strong plea for ABAC to advocate a **post-Kyoto** framework that would encourage participation by all large emitters and set credible targets for greenhouse gas reductions. While this approach presented no problems for ABAC New Zealand, it was not so readily accepted by some others and will be a lively topic in Moscow. We pressed for and it was agreed, that the APEC **Energy Business Network** chaired by New Zealander Dr David Natusch, should continue to be the primary liaison contact for ABAC on energy-related issues.
21. John Blackham introduced two papers submitted by ABAC New Zealand which he had authored. One paper proposed a review of current **patenting procedures** to better support the contribution of intellectual property rights protection to economic growth, with special attention to the interests of small and medium enterprises (SMEs). We were asked to develop specific recommendations for consideration in Moscow; this will be done jointly with US and Japanese ABAC colleagues.
22. The second paper related to ICT-enabled growth and proposed the establishment of an APEC **Digital Economy Pathway**. Again, this is a subject of close interest to Japan and USA and a collaborative effort will be made with them ahead of the Moscow meeting to prepare a set of joint recommendations. This will take in ideas from a presentation ABAC Malaysia gave on what they termed the ‘digital dividend’ accessible through ICT.

#### (e) APEC Action Plans and Resources

23. APAR Working Group in 2008 is led by **Jack Ma**, Chairman of the Alibaba Group. He is the first ABAC member from China to chair a working group. His expertise is in e-commerce, but on the experience of the first meeting he can be expected to bring uncommon energy and precision to the diverse agenda of the APARWG. Plus an engaging determination to promote within ABAC and to APEC Leaders the special concerns of SMEs. The latter he identified as IT support, access to financing and to management training.
24. There was solid support for a proposal from ABAC New Zealand that ABAC assert an interest in **corporate social responsibility** rather than leave the field solely to officials. It was agreed to advise APEC senior officials, through their 2008 Chair, that ABAC recognised that regional business should take steps to shape the discussion given that at its roots CSR is a *corporate* responsibility. Before the Moscow meeting ABAC USA is to gather examples of CSR related activities from a range of sectors and economies. ABAC New Zealand will compile examples of existing codes, principles and CSR definitions.
25. For further information on the Jakarta meeting contact Brian Lynch, 04 463 6545

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