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

### **Second Meeting 2008 - Moscow 12-14 May 2008**

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

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1. The main agenda focus for ABAC at its second meeting in 2008 was to finalise the text of its letter to the APEC Ministers Responsible for Trade (MRT) who were scheduled to meet in early June. The Moscow meeting was also the occasion to begin to refine to a manageable number the list of key topics on which regional business wanted to focus its comments and recommendations in the end-of-year report to APEC Leaders.
2. There were three large items of immediate concern, on all of which ABAC conveyed its views and recommendations to the relevant APEC ministers. One was the global credit crisis precipitated by the sub-prime mortgage meltdown in the USA; a notable aspect being the stimulus given to the growth of Sovereign Wealth Funds in certain developing economies. The second was the regional and worldwide impact of the rise in food shortages and the surge in food prices. In the latter discussion, by invitation, ABAC New Zealand was a leading participant. The third key item was the pervasive unease that, in the absence of meaningful concessions by major players, the WTO Doha Round of multilateral negotiations might shortly pass the point of no return with a comprehensive outcome still out of reach.
3. It was an especially interesting time to be in the Russian capital. The new President, Dimitry Medvedev was inaugurated on the eve of the ABAC meeting in succession to Vladimir Putin, and the latter was confirmed in his new role as Prime Minister. In central Moscow at least, there was abundant evidence of the relish with which the “new” assertive Russia has embraced the market economy.
4. Through the courtesy of the New Zealand Ambassador to Russia, Chris Elder, ABAC New Zealand members had an opportunity to meet with a selection of New Zealand businessmen resident in Moscow. They provided a sense of what the Russian market may have to offer as a place of opportunity for New Zealand exporters.

## Report to Ministers Responsible for Trade

5. Aware of the risks in appearing to ‘protest too much’, ABAC’s advice to Trade Ministers was to the point and grouped under six headings. Still as first priority, was the painfully slow progress of the **Doha Round**. DDA has featured on the ABAC agenda for the past five years. A representative ABAC group visited the Geneva WTO headquarters ahead of the Moscow meeting, calling on trade officials and members of the APEC ‘caucus’ there. The purpose was to again reinforce ABAC’s unease.
6. To that end, in its letter to Ministers ABAC cited the current pressures on the global economy (credit crisis, food prices, energy issues, rising inflation and unemployment) as compelling reasons for a determined push to conclude the negotiations in 2008. New WTO draft texts on Agriculture and Non-Agriculture market access issues were made public the week following the ABAC Moscow meeting. The mixed reception they’ve had does not give confidence the DDA will draw to a successful conclusion this year.
7. **Regional Economic Integration** was ABAC’s second point of focus in Moscow. At its core is the concept of a Free Trade Area of the Asia- Pacific. FTAAP’S attraction as a single trade entity for ABAC is the promise it holds of a means of mitigating the problems that regional business has in coping with the demands of a diverse mix of sub-regional trading agreements, in areas such as rules of origin.
8. Due in no small way to ABAC’s determination, the FTAAP is now firmly lodged on the APEC work programme. The concept is unlikely to come into being in a single “big bang” approach. It is important to identify what possible ‘building blocks’ might contribute to that objective. For that purpose in Moscow, ABAC New Zealand (Tony Nowell) and ABAC Singapore made presentations on the merits of the “P4” Trans-Pacific Strategic Partnership Agreement, and will do so again at the August ABAC meeting.
9. Finding ways from a business perspective that could work to facilitate regional **trade and investment flows**, is at the heart of ABAC’s mandate. In Moscow attention was on practical measures to assess improved performance by regulatory authorities towards reducing business transaction expenses, principally through time and cost savings. On the sensitive subject of **trade security**, ABAC limited its advice to a request that regional business be consulted before any potentially costly new regime were set in place.
10. On general facilitation matters ABAC New Zealand took a prominent lead in three areas. One was giving strong support for the early use across the region of the “**single window**” approach to the submission of import and export data. The other, also endorsed, was a call for ABAC to engage more actively in the APEC ‘**behind the border**’ work programme which is dealing with time-consuming and costly regulatory requirements that hinder productive operations in overseas markets and frustrate the ease of doing business. To complement the latter was a recommendation, agreed too, that ABAC weigh-in behind APEC **structural reform** efforts, designed to overhaul institutional and governance frameworks that also add unnecessary compliance costs.
11. **Investment facilitation** is a relatively new area of focus for the APEC system. ABAC has highlighted to Trade Ministers and their Finance counterparts, the need to remove impediments to foreign direct investment (FDI), and to encourage the promotion of private pension schemes and private health coverage.

12. ***Harmonisation of Standards*** has been a regular ABAC item of interest. ABAC agreed in Moscow to draw to Ministers attention the work it has initiated in the specific field of standards for security of critical infrastructure.
13. The subject of ***International Labour Mobility*** has become a major preoccupation for some ABAC members, notably in the Americas and Southeast Asia. It is of course of close interest also to New Zealand and Australia. A substantial study is underway which ABAC has commissioned, jointly with PECC, to evaluate the benefits to “receiving” and “sending” economies. A report with preliminary recommendations was submitted in Moscow; ABAC New Zealand is represented on the joint ABAC/PECC task force. The final report will be forwarded to APEC Leaders at their Summit in November 2008.
14. In the broad field of ***information technology (ICT)*** ABAC’s focus in 2008 is on patents, piracy and counterfeiting, and protection of digital content. A strong recommendation was addressed to Ministers that high quality patents require faster approval than is customary among APEC economies, they should be rigorously enforced, and more energy applied to harmonise patent formats. As with patents, ABAC called for better liaison among regional enforcement agencies to crackdown on counterfeiting and piracy. Last year APEC spoke out against theft of satellite and cable broadcast signals; ABAC has asked that this declaration be followed-up with a credible action plan to address poor practices and inadequate monitoring of the problem.
15. On the specific aspect of ***ICT’s contribution to regional economic growth***, ABAC has again urged APEC economies that have not yet adhered to the WTO IT Agreement to do so, in order to accelerate the removal of tariffs on IT products. ABAC identified this area as a key one in the WTO negotiations on non-agricultural market access. The proposal ABAC New Zealand (John Blackham) submitted at the first 2008 meeting for establishment of an ***APEC Digital Economy Pathway*** was further developed at Moscow and will return on the third meeting agenda.
16. Discussion of ***Energy Security and Climate Change*** in ABAC has confronted the same challenge that other forums have wrestled with on the same subject; how to reconcile the objective of economic growth with the goal of cutting greenhouse gas emissions. And to do so in a fair and equitable manner. An important sub-set of the topic for large and small developing APEC economies, China and the ASEAN countries for example, is the relentless expansion of their energy needs which in most cases has already gone beyond what their diminishing domestic supplies can meet. ABAC USA tabled an early draft of a proposed “APEC Declaration on Energy” which ABAC will come back to at its next meeting.
17. There was general agreement in Moscow that a new “***Post-Kyoto***” climate change framework will have to include all big gas emitters and establish “rational” targets for lowering emissions. There was also acceptance that a uniform pan-regional approach is too much to expect, and that individual economies must be left to find the solution that fits best. That being said, there was common consent that much more could be done in the region to spread energy data, and transfer market-based technology to developing economies. Consistent with that position is ABAC’s firm support based on an ABAC New Zealand proposal, for moves to liberalise trade in ***environmental goods and services***.

## Corporate Social Responsibility

18. A substantial volume of activity is underway within the APEC system on the subject of *corporate social responsibility (CSR)*. There is some unease in ABAC that officials work could culminate in moves to regulate or ‘mandate’ a set of CSR principles and practices. It was agreed at the first 2008 meeting, on an ABAC New Zealand proposal, that ABAC had no option but to actively engage in this area in order to register regional business interest. At Moscow ABAC New Zealand presented examples of current codes and definitions gathered from around the region. ABAC USA had compiled examples of specific sector and company CSR texts. These two papers will provide the basis for a business-driven CSR statement to be submitted to APEC Leaders, and discussed with them in the annual dialogue.

## Global Credit Crisis

19. In Plenary and Finance Working Group meetings considerable time was given to analysing the causes of the current credit market contraction and the courses open to governments and regulatory agencies. There was ready agreement that regional business concern should be conveyed to finance ministers. For a start, this included acknowledgement that self-regulation among private sector financial institutions was less effective than it should have been and had contributed to the market turmoil.
20. ABAC’s main recommendations were three-fold. One was to increase confidence in credit and capital markets through more consistent monetary policies and liquidity mechanisms. A second was for finance ministries and market regulatory agencies to change emphasis from entity-based to activity-based regulation. This would take time but a useful start could be made through informal collaboration within and across APEC economies. The third key recommendation was for action to address the counterparty risk in the credit derivatives markets. In the interests of achieving an early return to stability and liquidity in regional capital markets, ABACs overriding theme was an appeal for coordinated, forceful action among central banks and financial regulators.

## Global Food Situation

21. There was equally pressing concern in discussion initiated by ABAC New Zealand (Tony Nowell) over the impacts of world-wide food shortages and the steep price rises driven by those shortages. While some debate took place over the extent to which the situation could be attributed to different factors (increased demand for agricultural products, energy-related issues) there was no dispute over the size of the problem. It was recognised that some economies had no choice other than short-term remedial action. However, in a message to Trade Ministers, ABAC cautioned against a defensive over-reaction. This was already apparent in some economies in the imposition of export restrictions designed to retain supplies for domestic markets. ABAC pointed out the adverse consequences such measures could have for other economies.
22. Adopting a long-term perspective, ABAC recommended that APEC renew the commitment to the concept of an *APEC Food System (AFS)* which Leaders had endorsed at the Auckland APEC Summit in 1999 but has yet to be brought into effect. ABAC noted that the AFS includes specific programmes intended to tackle the type of problems now rampant in the

region. This will be an on-going priority area for ABAC through the remainder of 2008 and in the November dialogue with Leaders.

- 23. APEC CEO Summit 2008 - For New Zealand business people considering possible attendance at this year's CEO Summit in Lima, 17-23 November 2008, advice on the programme, registration, accommodation, etc can be found on [www.apecceosummit2008.org](http://www.apecceosummit2008.org)**

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