

# ABAC Meeting Overview

---

## Opening Plenary Session Overview

Date: Wednesday, October 2, 2013

Time: 1000-1200

Venue: Ayana Resort, Lobby Level – Salon 2 & 3

## Opening Remarks

ABAC Indonesia Chair Wishnu Wardhana will deliver his welcoming remarks and introduce newly appointed ABAC members and alternate members.

## Newly Appointed Members

### JAPAN

Mr. Hiroyuki Suzuki  
Director, Member of the Board  
Nomura Holdings, Inc.

### MEXICO

Mr. Moisés R. Kalach Balas  
President  
Cámara Nacional de la Industria Textil

### KOREA

Mr. Seung Jun Oh  
Chief Executive Officer  
SE Lab, Inc.

### RUSSIAN FEDERATION

Mr. Kirill A. Dmitriev  
Chief Executive Officer  
Russian Direct Investment Fund

## Important Agenda Items

### Report on SOM Activities

- Mr. Yuri O Thamrin, APEC 2013 SOM Chair, will present the outcomes of the Third APEC Senior Officials' Meeting (SOM III) held in Medan, Indonesia in June/July as well as the sectoral Ministerial Meetings to be held in September 2013, which included
  - Transportation Ministerial Meeting – September 4-6, Tokyo, Japan
  - SME Ministerial Meeting – September 7, Bali, Indonesia
  - Finance Ministerial Meeting – September 20, Bali, Indonesia
- He will also preview the Senior Officials' meetings taking place following the ABAC Meeting.

### Update on the ABAC Dialogue with Leaders

- Mr. Amin Subekti, ABAC Executive Director, will present the scenario for the ABAC Dialogue with Leaders. The Council will confirm the groupings for the Dialogue with Leaders.

### Themes and Priorities for APEC 2014

- The APEC 2014 SOM Chair/Senior Official of China will be invited to present the themes and priorities for APEC 2014.
- NCAPEC has been in close contact with USG on priorities that the U.S. private sector would like to see APEC address in 2014.

## ABAC Meeting Overview

### Presentation on the Themes and Priorities for ABAC 2014

- The ABAC Chair for 2014 will be invited to present the themes and priorities for ABAC 2014.
- NCAPEC has been engaged with ABAC China on priorities that the U.S. private sector would like to see addressed by ABAC in 2014.
- ABAC China Members have been invited to attend the NCAPEC Executive Roundtable being held in Seattle November 18-19. The Executive Roundtable is utilized to identify priorities for the upcoming APEC year.

### Update on the APEC 2013 CEO Summit

- ABAC Chair Wishnu Wardhana will provide an update on the APEC CEO Summit scheduled from 5-7 October 2013.
- NCAPEC's subsidiary Pacific Summit Resources, LLC, is a strategic partner of the Indonesian organizers in the development of the CEO Summit
- There are seven US Platinum sponsors of the Summit: FedEx, Chevron, Freeport, Johnson and Johnson, Microsoft, Underwriters Laboratories and Phillip Morris International)
- There are also six confirmed gold US sponsors (Caterpillar, General Electric, Wal-Mart, Moody's, Dow Chemical, Eastman Chemical).

# ABAC Meeting Overview

---

## Opening Plenary Session Agenda

### Opening Plenary

*Chair: Mr. Wishnu Wardhana, ABAC Chair 2013*

*Venue: Lobby Level – Salon 2 & 3*

*Attire: Business Casual*

### Agenda

- Opening and welcome remarks

*The ABAC Chair will formally open the ABAC meeting and deliver the welcome remarks.*

- Welcome of Newly-Appointed ABAC Members

*The ABAC Chair will welcome/introduce any new members/alternate members attending the meeting for the first time.*

- Approval of the Conference Report for the Third ABAC Meeting for 2013

*The Council will consider, for approval, the Conference Report for the Third ABAC Meeting held in Kyoto, Japan on 8-11 July 2013.*

- Report on SOM and Related Activities

*Mr. Yuri O Thamrin, APEC 2013 SOM Chair, will be invited to preview the APEC Ministerial and Leaders' meetings to be held in Bali, Indonesia on 4-5 October and 7-8 October 2013, respectively. tbc*

- Preparations for the ABAC Dialogue with Leaders

*Mr. Amin Subekti, ABAC Executive Director, will present the scenario for the ABAC Dialogue with Leaders. The Council will confirm the groupings for the Dialogue with Leaders.*

- Presentation on the Themes and Priorities for APEC 2014

*The APEC 2014 SOM Chair/Senior Official of China will be invited to present the themes and priorities for APEC 2014. tbc*

- Presentation on the Themes and Priorities for ABAC 2014

*The ABAC Chair for 2014 will be invited to present the themes and priorities for ABAC 2014.*

- Review of the Current Economic Outlook

*Ms. Cher Wang, FEWG Chair, will be invited to comment on the current economic outlook.*

## ABAC Meeting Overview

- Presentation by the USC Marshall School of Business

*The USC Marshall School of Business will be invited to present the findings and conclusions of their research project on foreign direct investment.*

- Presentation by PricewaterhouseCoopers

*PwC will be invited to present the findings and conclusions of their research project on infrastructure investment.*

- Presentation by the Center for Strategic and International Studies

*Mr. Yose Rizal Damuri of the Center for Strategic and International Studies (CSIS) will be invited to present the findings of their study on Global Value Chains, Multilateral Trading and Regionalization.*

- Update on the APEC CEO Summit 2013

*In his capacity as APEC CEO Summit Chair, Mr. Wishnu Wardhana will provide an update on the APEC CEO Summit which will be held in Bali, Indonesia 5-7 October 2013.*

- Other Matters

*The ABAC Chair will invite members to raise any other matters they wish to discuss.*

ABAC Member (Beginning March 2013)



**Kirill Dmitriev** is CEO of the Russian Direct Investment Fund, a \$10 billion fund established by the Russian government to make equity investments. In all of its investments, the fund is mandated to co-invest alongside leading and most sophisticated investors globally – thus acting as a catalyst for direct investment in Russia.

Prior to his appointment to lead RDIF, Mr. Dmitriev was President of Icon Private Equity, a major private equity fund with over \$1 billion under management. Prior to establishing Icon, Mr. Dmitriev was co-managing partner and CEO of Delta Private Equity Partners, a leading private equity fund in Russia with over \$500 million under management. Previously, he was an investment banker at Goldman Sachs in New York and a consultant at McKinsey & Co.

Mr. Dmitriev has completed a number of landmark investments and exits, including the sale of Delta Bank to General Electric, Delta Credit Bank to Societe Generale, CTC Media shares to Fidelity Investments, TV3 to Prof-media, National Cable Network to National Media Group.

Mr. Dmitriev is Chairman of the B20's Investments and Infrastructure Taskforce. He has been appointed as Deputy Chairman of the Investment Council under Chairman of the State Duma; Member of the Board and Vice-President of Russian Union of Industrialists and Entrepreneurs (RSPP); and Member of the BRICS Business Council. He is a Young Global Leader of the World Economic Forum and past Chairman of the Russian Venture Capital and Private Equity Association. In 2011, he was the only Russian national to be named one of 100 most influential private equity professionals of the decade by Private Equity International magazine.

Mr. Dmitriev holds a B.A. from Stanford University and an M.B.A. from Harvard Business School.

Document: Conf. Report 33-003 Draft: <b>FIRST</b> Date: 2 August 2013 Source: ABAC Secretariat Meeting: Kyoto, Japan
--

**CONFERENCE REPORT**  
**THIRD ABAC MEETING FOR 2013**  
8-11 July 2013  
**KYOTO, JAPAN**

---

The Third Meeting of the APEC Business Advisory Council for 2013 was held at the Kyoto Hotel Okura in Kyoto, Japan on 8-11 July 2013, with 37 members and 10 alternate members in attendance. The meeting was preceded by an APEC SME Summit on 8 July which, under the theme “Kizuna – Collaboration with Innovation”, brought together around 200 participants from around the region.

The meeting provided ABAC members an opportunity to interact and network with local business leaders and officials in Japan. Mr. Yasuhiro Okanishi, Vice Governor of the Kyoto Prefecture, delivered the keynote address during the welcome reception on 8 July. Mr. Daisaku Kadokawa, Mayor of the City of Kyoto, hosted the luncheon on 9 July; and Mr. Shunichi Suzuki, Parliamentary Senior Vice-Minister for Foreign Affairs, and Mr. Kazuyoshi Akaba, State Minister of Economy, Trade and Industry, graced the dinner hosted by the Japanese Government on 9 July. Mr. Hiromasa Yonekura, Chairman of KEIDANREN, and Mr. Yasuchika Hasegawa, Chairman of KEIZAI DOYUKAI (Japan Association of Corporate Executives), addressed ABAC members during the gala dinner hosted by the four major economic organizations supporting ABAC Japan on 10 July.

## **Opening Plenary**

### **1. *Call to Order***

The meeting was called to order at 8:10 a.m. on Tuesday, 9 July, by the ABAC Chair, Mr. Wishnu Wardhana (ABAC Indonesia). Mr. Ning Gaoning (ABAC China) sat as Co-Chair.

### **2. *Welcome of Newly-Appointed Members***

The ABAC Chair welcomed the following new member and alternate members attending the meeting for the first time:

**Ms. Sung-Joo Kim**  
Chairperson  
SUNGJOO Group & MCM Holding AG  
Korea

**Mr. Erwin Aksa** (Alternate Member)  
CEO  
Bosowa Corp.  
Indonesia

**Mr. Konstantin Ryzhkov** (Alternate Member)  
Director, Member of the Management Board  
Limited Liability Company (RDIF  
Management Company)  
**Russian Federation**

### **3. *Approval of the Conference Report for the Second ABAC Meeting in 2013***

The Council approved the conference report for the Second ABAC Meeting held in Singapore on 3-6 April 2013. [Document: Conf. Report 33-002, *second draft*]

#### **Substantive Matters**

### **4. *Report on SOM and Related Activities***

Mr. Kamapradipta Isnomo, Deputy Director for Asia-Pacific and Africa Intra-regional Cooperation of the Indonesian Ministry of Foreign Affairs, briefed members on the outcomes of the Second APEC Senior Officials' Meeting (SOM II) and Meeting of APEC Ministers Responsible for Trade (MRT) held in Surabaya, Indonesia in April as well as SOM III in Medan, Indonesia in June/July. He also previewed the upcoming ministerials in Bali in September 2013. Noting the successful Public-Private Dialogue on Services in Surabaya in April, he encouraged ABAC's active involvement in formulating a strong and concrete paragraph for the APEC Ministerial Statement to be issued later in the year on how to take forward work on services in APEC in 2014 and beyond. He also thanked ABAC for actively supporting the APEC theme and development of deliverables for 2013.

### **5. *Regional Economic Integration Working Group***

Mr. Tony Nowell, REIWG Chair, reported on the outcomes of the REIWG meeting held on 9 July. [Document: REIWG 33-040, *first draft*]

The Council took note of recent developments relating to pathways towards a Free Trade Area of the Asia-Pacific (FTAAP), notably the Trans Pacific Partnership (TPP), the Regional Comprehensive Economic Partnership (RCEP) and the Pacific Alliance. Mention was made that Japan would be admitted to TPP in the course of the 18<sup>th</sup> round of TPP negotiations and that consideration is being given to deliverables from TPP to be announced at the APEC Leaders' Summit in October.

REIWG received a presentation from ABAC Peru on the Pacific Alliance, which a number of economies from within and outside of APEC were observing. Negotiations on the Alliance were targeted for completion in July, with the agreement coming into force in January 2014. There were no product exclusions and trade liberalization would be accompanied by a number of economic cooperation elements, including stock market integration, joint trade promotion, mutual recognition of qualifications, a roadmap to energy market integration and trade facilitation.

The Council took note of the report on the meeting of the ABAC for TPP group, the presentation by the Japan Chamber of Commerce and Industry on Japanese business ambitions for TPP and New Zealand's report on the positive impact of TPP on Japanese agriculture. The

ABAC for TPP group would meet again in Bali, possibly in association with a further seminar involving business leaders and negotiators.

The Council noted that REIWG had received a presentation from the Japan Business Federation, KEIDANREN, on business perspectives on Japanese trade policy. There was a difficult public debate about trade in Japan which had been cut through by the Prime Minister's decision to join TPP. While Japanese business welcomed the decision to join TPP, the Japanese agricultural sector remained opposed, although public support for TPP was growing.

The Council took note of the presentation from the Japan APEC Study Center on the role played by APEC Individual Action Plans (IAPs) in meeting the Bogor Goals. It was suggested that while the IAPs sought to outline unilateral actions taken by economies to meet the Bogor Goals, they were not 'easy reading'. The APEC Bogor Goals Dashboard initiative provided an excellent summary of economies' progress towards the Bogor Goals. To strengthen the IAP process, it was recommended to consider adopting a negative list approach to focus on remaining impediments and greater 'peer pressure' applied in the areas of non-tariff measures, services and competition. It was agreed that ABAC should continue to keep a close watch on APEC economies' progress towards the Bogor Goals on a collective as well as individual basis; and to encourage APEC economies to work towards the APEC Leaders' commitment of the achievement of the Bogor Goals by 2020.

The Council noted the progress made by the USC Marshall School of Business relating to their research project on foreign direct investment (FDI). The researchers are seeking to identify and quantify key impediments to FDI, and to understand the rationale given for FDI regulations. The full results of the study would be presented in Bali.

The Council took note of the update provided by ABAC Japan on the status of Authorized Economic Operator (AEO) programs within APEC as well as the presentation by the APEC Sub-Committee on Customs Procedures (SCCP) Chair on SCCP's work in the area of mutual recognition of AEO programs and trade recovery. The Council endorsed recommendations on AEOs as outlined in the Report to Leaders.

REIWG heard a report from GS1 on progress in securing APEC acceptance of ABAC's global data standards initiative. It was noted that various economies were already incorporating global data standards into their planning, with GS1 acting as an independent and neutral advisor. It appeared CTI had embraced the concept, but there was more work to do to ensure that SOM was fully on board. ABAC is now in a good position to begin work with APEC on a capacity building plan. It was agreed that ABAC, in association with GS1, should now begin to develop a more detailed action plan for further discussion and endorsement in Bali.

The Council endorsed a draft letter to APEC Health Ministers drawing attention to issues of concern to the life sciences industry. [Document: REIWG 33-032] Note was made of the relevance of the global data standards initiative to the issue of digital serialization of pharmaceuticals.

The Council also endorsed a draft letter to APEC Transportation Ministers drawing attention to the following messages: that APEC economies need to increase investment in infrastructure in order to maintain and improve existing rates of growth; that the need for infrastructure is too great for governments to fund all the projects on their own; and that, in addition to building new infrastructure, economies can maximize the efficiency of existing infrastructure by improving the regulatory environment for transport and logistics services. [Document: REIWG 33-036]



The Council welcomed the successful holding of the SOM-ABAC/PECC Dialogue on Services in Surabaya in April 2013. The key messages from the Dialogue were that there are big economic gains to be had from services reform and liberalization, the barriers are mostly regulatory, value chains increasingly rely on services, services sectors face skill shortages and governments face complexity and political issues. It was noted that SOM had committed to a further Services Dialogue in 2014 and APEC was keen to engage. The Council agreed to maintain advocacy of its services recommendations which related to capacity building, improving statistics, retaining a high-level focus, involving local service industry associations, sectoral reforms and behind-the-border regulations. The need for ABAC members to pay attention to the views of stakeholders in their own economies was highlighted.

The Council took note of the outcomes of the survey on the APEC Business Travel Card undertaken by ABAC Japan and endorsed the following recommendations for incorporation in the Report to Leaders: encouraging transitional economies towards complete membership in the system; extending the validity period from three to five years; linking the card to passport details to avoid the card expiring along with the passport; simplifying the renewal/re-application process; and considering additional benefits for cardholders.

Finally, the Council endorsed the recommendation to grant Colombia observer status at REIWG meetings.

## **6. Sustainable Development Working Group**

Mr. Ning Gaoning, SDWG Chair, presented the results of the SDWG meeting held on 9 July. [Document: SDWG 33-034, *first draft*]

SDWG received an update from ABAC Chinese Taipei on their research study aimed at investigating the feasibility of creating an APEC Open Innovation Platform to facilitate cutting-edge technology development and dissemination for SMMEs throughout the region. The second phase of the study – involving a survey and case studies examining the challenges in facilitating the development, dissemination and commercialization of agricultural technology within APEC – had been completed. To facilitate cutting-edge technology dissemination and development in APEC, it was recommended that APEC: develop the appropriate dissemination systems, mechanisms and policies to encourage technology innovation among SMMEs; facilitate cutting-edge technology development and dissemination throughout the APEC region by creating an Open Innovation Platform; and propagate leading models and best practices for intellectual property management and planning systems for SMMEs.

The Council took note of the report on the APEC Policy Partnership on Science, Technology and Innovation (PPSTI), following the meetings in Surabaya and Medan in April and June, respectively. It was noted that while the PPSTI had prepared a Strategic Action Plan for 2013-2015 and established three Sub-Groups focused on Capacity, Innovation and Connectivity, there were a number of concerns, including: the program established is more like a laundry list of projects than a clear strategy or policy vehicle; the position of the principal advisor is ambiguous because he cannot speak on behalf of ABAC; and the lack of support from the private sector. Noting the difficulty in generating support for/interest in the PPSTI because of the lack of a clear objective/mission and content, the Council agreed to withdraw its support for partnership.

The Council was informed that SDWG heard a report from ABAC USA on the outcomes of the APEC Policy Partnership on Food Security (PPFS) plenary meeting held in Medan on 22-24

June 2013. It was noted that PPFS had adopted a strategic “Road Map to 2020 (version 2013)” that lists 81 areas that need to be addressed to reach the PPFS goal of “a food system structure by 2020 sufficient to provide lasting food security to the APEC member economies.” With the strategic goals in place, PPFS agreed to develop a “business plan” that would prioritize and time-phase the 81 areas and delineate specifically who will do what, when, where and how -- and how those will be financed. Members highlighted the need to have a real dialogue between government and the private sector within PPFS and suggested that the current dialogue structure be reviewed to make it more effective. Following receipt of a letter from the PPFS Chair and discussion at the APAWG meeting the following day, the Council endorsed a draft letter to the PPFS Chair conveying ABAC’s views on the operation of PPFS. [Document: SDWG 33-035]

SDWG heard a report on the preliminary outcomes of the study by PricewaterhouseCoopers on infrastructure and investment in the Asia-Pacific. The study highlighted: the need for greenfield investment in infrastructure in emerging Asia; the need to upgrade ageing infrastructure in developed Asia; and the need to upgrade free trade agreements to reflect the way that globalization and technology are re-shaping business. It was recommended that APEC economies: double their efforts to build the infrastructure needed to drive future growth; improve the regulatory environment in order to eliminate/reduce barriers to infrastructure investment; and harmonize and upgrade the trading environment in the region.

The Council took note of the update provided by ABAC USA on the ABAC Enablers of Infrastructure Investment Checklist and the complementary report that it is preparing. The Checklist will serve as a self-evaluation tool that economies could use to assess the extent to which existing policies promote the participation of the private sector in infrastructure investment. The content of the Checklist is based on existing infrastructure recommendations as well as input from other experts and references existing work on institutions such as the World Bank and Asian Development Bank. Members were requested to provide their inputs on the Checklist and Report intersessionally. A final version of the Checklist and Report will be circulated for endorsement at the end of July for onward transmittal to APEC Senior Officials and other stakeholders in time to provide feedback for their discussions in Bali in October.

The Council noted the presentation from ABAC Japan which focused on the solution of water issues through the use of smart communities. The Council endorsed recommendations on water security as outlined in the Report to Leaders.

The Council took note of the presentation from ABAC Australia on the blue economy and the grand marine challenges facing Australia, namely: sovereignty, security and natural hazards; dealing with climate change; energy security; food security; biodiversity conservation and ecosystem health; and optimal resource allocation. The presentation provided examples of collaborative opportunities and strategies to optimize the blue economy and recommended that APEC economies commence and further participate in marine data gathering and sharing, closely involving the private sector, particularly with regard to food security issues.

Finally, the Council noted that SDWG received an update from ABAC Indonesia on its proposal to leverage APEC’s connectivity agenda to promote energy market integration in the Asia-Pacific. It was agreed to recommend to APEC Leaders to: develop a framework to consider relevant issues from the energy market integration perspective instead of creating new work streams; develop a mechanism to track APEC economies’ progress towards energy market integration; and promote capacity building and technical cooperation in the area of clean energy.

## 7. *SMME & Entrepreneurship Working Group*

Ms. Maxine Simmons, SMMEEWG Co-Chair, briefed the Council on the outcomes of the SMMEEWG meeting held on 9 July on behalf of Dr. Yang Yunsong who chaired the meeting. [Document: SMMEEWG 33-038, *first draft*]

The Council took note of the outcomes of the APEC SME Summit held in Kyoto on 8 July as part of the continuing efforts to promote the development of SMEs. The Summit, which included topics such as road to success, access to new markets and access to innovative technologies, provided an opportunity to share best practices and experiences on the development of new technologies by SMEs. It also included an exhibition which allowed 19 Japanese SMEs to showcase their innovative technologies and products.

The Council noted that SMMEEWG had received a presentation from Japan's Ministry of Economy, Trade and Industry on their SME promotion programs. While various measures are being implemented by Japan to assist and support SMEs (including consulting, subsidies, back-up guarantees for credit and trade financing and guarantees), there are still emerging new legal frameworks that facilitate collaboration and synergetic arrangements between SMEs that are resulting in very positive achievements. It was recommended that: economies pick the most suitable examples of measures or frameworks for the development of SMEs in their own economies; ABAC monitor the development of SMEs in Japan and see the correlation between policy measures and legal frameworks and SME development; and members in economies not implementing measures to promote SME development should draw their governments' attention to the potentially damaging impact of this and seek a commitment to action.

The Council took note of the report from ABAC USA highlighting major barriers that interfere in SMME access to finance such as: (a) lack of simple, transparent systems for filing security interests; (b) credit information systems that are often limited to negative information and segmented, not reflecting a borrower's full credit file; (c) common accounting standards; and (d) G20 and Basel III regulations. The Council agreed to call on APEC SME Ministers and APEC Leaders to reaffirm their commitment to improving SMME access to financing and to incorporate these recommendations in the APEC Framework for SMME Financing.

The Council was informed that SMMEEWG had received an update from ABAC Canada on the proposed APEC Framework for SMME Financing that would make the case for adequate government attention and policies to improve SMME access to finance and make specific recommendations. The report – the proposed outline and next steps of which were endorsed by SMMEEWG – will build on existing and notable reports on SMME financing in the Asia-Pacific region and consolidate and expand on ABAC's work and recommendations on this issue over the past five years.

The Council took note of the first draft of the ABAC Report on Women and the Economy which seeks to raise the profile/awareness as well as contribute to policy directions for women in business in the APEC region and urged members to provide comments and suggestions. It welcomed the case studies presented which highlighted diversity as key factor of management strategy and the business case for the gender balance agenda in business.

On business ethics for APEC SMEs, SMMEEWG was briefed on the Multi-Year Project proposal submitted by the US to make three sets of principles (Kuala Lumpur, Hanoi and Mexico City) functional and operational for SMEs. Implementation of the principles will be achieved through a three step process: technical assistance to help national associations write

codes of ethics for their SME members using the voluntary principles as the foundation; 2013 train-the-trainer workshops to geometrically increase the number of sector-based ethics trainers throughout APEC economies; and workshops to raise awareness by the unique stakeholders in each sector who are critical to ensuring support for and compliance with the voluntary codes. The Council agreed to continue to support the implementation of these principles and endorsed language for inclusion in the Report to Leaders.

The Council noted the report on the Second Young Entrepreneurs' Summit held in China on 3-5 May 2013 which, under the theme "Care, Share, Inspire", sought to provide young entrepreneurs with tools for business development and share successful testimonies. It also noted the report from the APEC Secretariat on the APEC SME Working Group Meeting held in Manila Philippines on 14-15 March 2013 and information relating to the upcoming SME Ministerial Meeting in Bali, Indonesia in September 2013. The Council endorsed the draft letter to APEC SME Ministers which addressed the SMMEEWG priorities for 2013 and other relevant issues for SMME development and sustained growth. [Document: SMMEEWG 33-029]

## **8. *Finance & Economics Working Group***

Mr. John Denton, Acting FEWG Chair, reported on the outcomes of the FEWG meeting held on 10 July. [Document: FEWG 33-034, *first draft*]

FEWG heard a report from ABAC Russia on the B20 Summit held in St. Petersburg on 20 June 2013. In addition to a review of the actions taken by international financial institutions to improve global and multilateral financial regulation within the framework of the G20, the summit paid particular attention to: optimizing financial market regulation to achieve the right balance between stability and growth; enhancing transparency through anti-corruption measures in areas such as public procurement; enhancing returns on infrastructure, cross-border investments, and the green economy; facilitating SMME access to funding; securing innovation-oriented economic development; promoting financial market development in emerging economies; accelerating trans regional trade and investment; and increasing employment through high-quality education and entrepreneurship.

The Council noted that letters have been issued to the G20 Chair, the Basel Committee on Banking Supervision, and the Chair of the APEC Finance Ministers Meeting voicing ABAC's concerns about the potential unintended consequences of the new financial regulations on global financial markets and the real economy. In particular, given the high level of linkage among global markets, the extraterritorial impact of financial regulations could spread quickly and extensively across multiple financial markets; and the high cost of new regulations which ends up being transferred to consumers of financial products. It was agreed to bring ABAC's concerns about this issue to the forefront by sending letters to individual members of the Basel Committee representing APEC economies. A proposal from SWIFT to arrange a roundtable on the subject at the Sibos conference in Dubai was welcomed.

The Council noted that FEWG had received three presentations on RMB cross-border usage trends suggesting that: RMB internationalization and cross-border usage has grown rapidly, with the RMB now ranking 13<sup>th</sup> in the list of world payment currencies and expected to surpass the HKD in 2014; the number of participants in the RMB bond market has greatly increased and the market has diversified in terms of usage and risk; and the Chinese government is taking pragmatic, market-driven steps to further expand RMB cross-border usage and provides an excellent model for other emerging economies. It was agreed that ABAC China will present another paper on the subject at the next meeting in Bali.

The Council took note of the report from ABAC Papua New Guinea and ABAC Australia on the initiative for mobilizing long-term savings. To enhance investment flows across the region, ABAC is supporting an initiative involving a three-year program to encourage greater predictability and transparency in investment decision-making. An aspect of the program is to encourage institutional savings held in sovereign wealth funds (SWFs), superannuation, insurance and other vehicles to be invested in domestic and cross-border long-term infrastructure projects, subject to prudent investment principles. Research is presently being undertaken on the project and a dialogue involving officials, business, academia and representatives of SWFs and state-owned enterprises (SOEs) will be convened in Beijing in September, 2013. The outcomes and recommendations from the Beijing dialogue will be reported back to the Finance Ministers.

The Council was advised that FEWG had considered a draft letter to be sent to the IASB/FASB Chairs supporting: (a) convergence to IFRS standards of reporting; and (b) a dialogue between business groups and the IASB/FASB on ways to align IFRS principles with the interests of business, particularly of SMMEs. The letter needs to be issued by September 13 and will be finalized intersessionally. It was agreed that ABAC should: ensure that the revised Exposure Draft addresses concerns raised by ABAC in 2011; continue to encourage a dialogue between business groups and IASB/FASB on ways that would align IFRS principles with the interests of SMMEs and other business groups that will be affected; and stress that the adoption of IFRS should take into account ways of satisfactorily dealing with the concerns raised by business groups.

The Council noted the presentations from the Asian Development Bank and the National Business Association of Colombia (ANDI) on Asia-Latin America South-South Cooperation, including an analysis of the ADB's Trade Finance Program and the benefits this has brought in promoting south-south cooperation, and the Pacific Alliance, respectively. ANDI urged for the Pacific Alliance and Asia-Pacific to move toward greater integration for facilitating access to productive chains, human and technological resources and good business practices. FEWG expressed its commitment to support the promotion of increased trade flows between Asia and economies in the Pacific Alliance.

The Council endorsed the draft letter and report to APEC Finance Ministers, including the Report of the Advisory Group on APEC Financial System Capacity Building and its recommendations. These include the recommendations to launch the APFF, wider engagement of market participants in the Asia Region Funds Passport, a regional framework to coordinate capacity building and sharing of best practices in infrastructure finance, enhance the potential of credit rating agencies to facilitate cross-border investment in bond markets and government-encouraged funds of funds for seeding and growing an angel and venture capital ecosystem led by the private sector. The Council also endorsed as proposed by the Advisory Group the outcomes and recommendations of the 2013 Asia-Pacific Financial Inclusion Forum held in Batam, Indonesia on 11-12 June and the Workshop on Legal Architecture Reforms to Facilitate Finance held in Kyoto on 9 July, including the Elements of a Model Code of Security Interest Creation, Perfection and Enforcement and the Asia-Pacific Informal Workout Guidelines for Promoting Corporate Restructuring in the Asia-Pacific Region and Model Agreement to Promote Company Restructuring. [Documents: FEWG 33-027, 33-027A and 33-027B]

## ***9. Action Plan & Advocacy Working Group***

Mr. Anthony Nightingale, APAWG Chair, briefed the Council on the outcomes of the APAWG meeting held on 10 July. [Document: APAWG 33-020, *first draft*]

The Council took note of the report tabled by the APEC Secretariat on ABAC input to APEC Working Groups over 2012 and in drafting input to ministerial statements over the course of the year. Members agreed to consider how to more effectively use this APEC report and matrix.

APAWG received reports on developments at SOM II and SOM III on issues of key priority. On global data standards, it was agreed that ABAC and GS1 should engage APEC officials to prepare a program of capacity building activity on prioritized items. On services, it was agreed that members would begin preparing ideas for the Public-Private Dialogue in 2014, engaging China as 2014 host. On the Investment Experts' Group, members were advised that officials would likely approach them for specific input to 2014 agendas. On food security, members noted that advocacy priorities would now shift to initiatives in the PPFS's four working groups.

The Council took note of the updated Working Group (WG) Action Plans for 2013 which remain as living documents for the year. It was agreed that the WG Chairs would keep the Action Plans updated as work progressed to and through the ABAC4 in Bali in October.

The Council noted that APAWG had discussed at great length ABAC's current working practices and how it can improve the efficiency with which it works. It was agreed that WG agenda be structured, lightened and prioritized more effectively to enable robust discussion by members and that duplicative discussions occurring across several working groups be removed or reduced. While acknowledging that WG meetings need to be more "businesslike", it was recognized that ABAC's necessary interface with Senior Officials required them to pay more attention to "process" issues than would be the case in corporate board discussions. It was agreed that WG Chairs should consider using Co-Chairs more effectively as a resource in pursuit of priorities and that no initiative would be prioritized in the future without a clear designated "Champion" drawn from among ABAC members. While ABAC's brief is to advise Leaders, it was acknowledged that to achieve this, members and staffers needed also to devote focused attention on briefing officials at a working level in APEC. The Council took note of a proposal to ask WG Chairs to participate at the annual APEC Symposium held back-to-back with the ISOM to ensure clear focus on WG agenda at ABAC1. It was agreed that the ABAC Australia, the APAWG Chair and the ABAC Co-Chair from China would prepare proposals on how to improve the efficiency of ABAC for discussion at ABAC4 in Bali.

APAWG discussed the challenges of improving business participation and ensuring a region-wide business view in the policy partnerships. Following completion of the detailed work streams for the Policy Partnership on Food Security (PPFS)'s four working groups, it was agreed to maintain full engagement, with a view to making the group more business-like. This would involve aiming to clarify deliverables, with timetables set for the achievement of these deliverables, and rigorous metrics put in place to measure progress towards the goal of food security by 2020. It was agreed that private sector members of PPFS should meet separately to discuss business positioning, preferably ahead of PPFS plenary meetings and that members approach APEC officials to discover the scope for future changes in the structure of PPFS.

#### ***10. Approval of the Draft Letter and ABAC 2013 Report to APEC Economic Leaders***

The Council approved the draft letter, executive summary and main text of the ABAC 2013 Report to APEC Economic Leaders, subject to the comments made at the meeting. [Documents: Program 33-019, 33-019A, and 33-019B, *final draft*]

### **11. *Approval of the Press Statement***

The Council approved the draft press statement for the meeting, subject to the comments made at the meeting. [Document: MR 33-003]

### **12. *Preparations for the ABAC Dialogue with Leaders***

The Council took note of the groupings for the ABAC Dialogue with Leaders as contained in Document: Program 33-023. The group assignments of members were based on the draw held on 9 July. Discussions during the Dialogue will be based on the Letter to Leaders.

### **13. *Review of the Current Economic Outlook***

Mr. Wayne Golding, FEWG Co-Chair, commented on the economic outlook facing the region. He noted that the global economy is entering into a slower but less volatile phase of growth. Tail risks have been reduced meaningfully but new challenges have become more pronounced. Policy attention is appropriately returning to simplifying regulations, opening up to trade and foreign investments, investing in infrastructure and human capital. It is only through continued reform and progress in these policies that strong productivity growth can be sustained. The external risks facing emerging APEC have also evolved: the recent declines commodity prices might signal an end to the upward phase of the commodity cycle so policy makers need to take a look at the potential consequences for growth. For East Asian economies, the intensification of quantitative easing in Japan could prompt strong disruptive capital inflows, adding to existing inflation and currency pressures. As quantitative easing begins to taper, interest rates will continue to rise and may generate difficult adjustments for economies where public debt is on the upswing. Over the longer-term, higher rates will translate into higher capital costs, potentially slowing growth.

### **14. *Briefing on Japan's New Economic Policy***

Mr. Yoshihiro Watanabe of ABAC Japan briefed members on “Abenomics” – the new economic policy being pursued by Prime Minister Shinzo Abe of Japan – focusing on the monetary and fiscal policy and the growth strategy as well as the risks.

## **Organizational Matters**

### **15. *Presentation of the Financial Performance for January-June 2013***

The Council took note of the report on the financial performance of the ABAC Secretariat for the period ended June 2013. [Document: Financials 33-003]

### **16. *Update on the APEC CEO Summit 2013***

In his capacity as APEC CEO Summit Chair, Mr. Wishnu Wardhana provided members an update on preparations for the APEC CEO Summit 2013, which will be held in Bali, Indonesia on 5-7 October 2013.

**17. *Invitation to the Fourth ABAC Meeting for 2013***

On behalf of ABAC Indonesia, the ABAC Chair presented the formal invitation to the Fourth ABAC Meeting to be held in Bali, Indonesia, on 1-4 October 2013. An APEC SME Summit will be held back-to-back with the meeting on 5 October 2013.

**Closing Plenary**

**18. *Recognition of Retiring Members***

The ABAC Chair paid tribute to the contributions made by Mr. Yoshihiro Watanabe of ABAC Japan and Dr. Savaraj Sachchamarga of ABAC Thailand who were retiring from ABAC after the Kyoto meeting.

**19. *Expression of Thanks to ABAC Japan***

On behalf of the Council, the ABAC Chair expressed his sincere thanks and appreciation to ABAC Japan for their warm hospitality and the excellent arrangements made for the meeting.

**20. *Closing Remarks by ABAC Japan***

Mr. Hidetoshi Kamezaki (ABAC Japan) thanked all ABAC members and staffers for coming to Kyoto.

**21. *Adjournment***

There being no other matters to discuss, the meeting was adjourned at 10:30 a.m. on Thursday, 11 July 2013, by the ABAC Chair, with the concurrence of the Council.



## **ATTENDANCE**

### **Chair**

Mr. Wishnu Wardhana, Indonesia

### **Co-Chair**

Mr. Ning Gaoning, China

### **Members in Attendance:**

Australia – Ms. Anna Buduls, Mr. John Denton, Mr. Mark Johnson

Brunei Darussalam – Mr. Javed Ahmad, Ms. Hafimi bte Abdul Haadii

Canada – Ms. Isabelle Courville, Mr. V. Paul Lee, Mr. Philip Leong

Chile – Mr. Francisco Garces\*

China – Ms. Wang Lili, Dr. Yang Yunsong

Hong Kong, China – Mr. Anthony Nightingale, Mr. Vincent Lo

Indonesia – Mr. Erwin Aksa\*

Japan – Mr. Hidetoshi Kamezaki, Mr. Yoshinori Komamura, Mr. Yoshihiro Watanabe

Korea – Ms. Sung-Joo Kim, Mr. Jin Roy Ryu, Mr. Shin-Myung Son\*

Malaysia – Tan Sri Azman Hashim, Tan Sri Dato' Ir. Md. Radzi Mansor

Mexico –

New Zealand – Mr. Wayne Boyd, Mr. Tony Nowell, Ms. Maxine Simmons, Mr. Stephen Jacobi\*

Papua New Guinea – Mr. Wayne Golding

Peru –

Philippines – Mr. Tony Tan Caktiong, Mr. Guillermo Luz\*

Russia – Mr. Konstantin Ryzhkov\*, Mr. Georgy Oganov\*

Singapore – Mr. Ho Meng Kit, Mr. Jackson Yap

Chinese Taipei – Mr. Matthew Miao, Dr. Steven Lee\*, Mr. David Paul Sun\*

Thailand – Dr. Savaraj Sachchamarga, Mr. Vichit Tantianunanont, Dr. Twatchai Yongkittikul

United States – Mr. Bart Peterson, Mr. Ed Rapp

Viet Nam – Mr. Hoang Van Dung, Dr. Nguyen Thanh Hung, Mr. Tam Dang Thanh, Mr. Tran Quang Son\*

\* Alternate Member