

ABAC Meeting Overview

0800 – 0915

Opening Plenary

Chair: Mr. Wisbnu Wardhana

ABAC Chair 2013

Venue: Rizal Ballroom AB, Level 2, Shangri-La Hotel

Attire: Business

ABAC Members &
Staffers

Agenda

- Opening

The ABAC Chair will formally open the First ABAC Meeting for 2013.

- Welcome Remarks by ABAC Philippines

Mr. Jaime Augusto Zobel de Ayala of ABAC Philippines will deliver the welcome remarks.

- Welcome of Newly-Appointed 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 Fourth ABAC Meeting in 2012

The Council will consider and approve the Conference Report for the Fourth ABAC Meeting held in Vladivostok, Russian Federation on 3-6 September 2012.

- Review of the Work Program for each Working Group and Confirmation of Chairs and Co-Chairs for 2013

The ABAC Chair will review the work program for 2013 and objectives for the Manila meeting.

The Council will confirm the list of Chairs and Co-Chairs for 2013.

- Preparations for the ABAC-SOM Dialogue

The Council will review the format, topics and points to be raised with Senior Officials during the ABAC-

ABAC Meeting Overview

SOM Dialogue.

- Review of the Current Economic Outlook

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

- Other matters

ABAC members will be invited to raise any other matter they wish to discuss.

- Adjournment

Document: Conf. Report 32-004 Draft: SECOND Date: 5 October 2012 Source: ABAC Secretariat Meeting: Manila, Philippines

CONFERENCE REPORT
FOURTH ABAC MEETING FOR 2012
3-6 September 2012
VLADIVOSTOK, RUSSIAN FEDERATION

The fourth meeting of the APEC Business Advisory Council for 2012 was held at the Legend of the Seas in Vladivostok, Russian Federation on 3-6 September, with 39 members and 13 alternate members in attendance. The meeting was followed by the ABAC SME Seminar on 6 September.

ABAC members attended the sessions of the APEC CEO Summit 2012 on 7-8 September. Under the theme “Addressing Challenges: Expanding Possibilities”, the CEO Summit gathered around 750 business executives from around the region. ABAC members had the opportunity to interact with local and regional business leaders and the First Deputy Prime Minister of the Russian Federation, Mr. Igor Shuvalov, during the nightcap conversation on 7 September.

The Dialogue between ABAC members and APEC Leaders took place at the Far Eastern Federal University Campus on 8 September.

Opening Plenary

1. *Call to Order*

The meeting was called to order at 1:30 p.m. on Monday, 3 September, by the ABAC Chair, Mr. Ziyavudin Magomedov (Russia). Mr. Wishnu Wardhana (Indonesia) sat as co-chair.

2. *Welcome Address by the Governor of Primorsky Krai*

Mr. Vladimir Miklushevsky, Governor of Primorsky Krai, welcomed all delegates to Vladivostok.

3. *Welcome of Newly-Appointed Member*

The ABAC Chair welcomed Mr. Wayne Boyd, Chairman of Vulcan Steel and newly-appointed member of New Zealand, who is attending the meeting for the first time.

4. *Approval of the Conference Report for the Third ABAC Meeting in 2012*

The Council approved the conference report for the Third ABAC Meeting in 2012 held in Ho Chi Minh City, Viet Nam on 16-19 July. [Document: Conf. Report 32-003, *first draft*].

Substantive Matters

5. *Report on SOM and Related Activities*

Mr. Igor Morgulov, APEC 2012 SOM Chair, reviewed the outcomes of the APEC ministerial meetings held since the last ABAC meeting in Ho Chi Minh City in July. These included: Meeting of Ministers Responsible for Environment (Khabarovsk, Russia: 16-18 July); Tourism Ministerial Meeting (Khabarovsk, Russia: 23-24 July); Transportation Ministerial Meeting (St. Petersburg, Russia: 3 August); SME Ministerial Meeting (St. Petersburg, Russia: 3 August); Telecommunications & Information Ministerial Meeting (St. Petersburg, Russia: 6-8 August); and Finance Ministers' Meeting (Moscow, Russia: 30 August). He noted that Russia had hosted over 100 APEC events during the year, including 12 sectoral ministerial meetings, all of which were designed to produce tangible and practical results to substantially support the work being done by APEC under the chairmanship of Russia.

6. *Presentation on the Priorities for APEC 2013*

Mr. Yuri O. Thamrin, APEC Senior Official of Indonesia, presented the overarching theme and priorities for Indonesia's chairmanship of APEC in 2013. The APEC 2013 theme is "Resilient Asia-Pacific: Engine of Global Growth" and will focus on attaining the Bogor Goals, sustainable growth with equity, and connectivity.

7. *SMME & Entrepreneurship Working Group*

Mr. Juan Raffo, SMMEEWG Chair, discussed the outcomes of the SMMEEWG Meeting held on 3 September. [Document: SMMEEWG 32-042, *first draft*]

The Council took note of the final report presented by ABAC Chinese Taipei on the 2012 ABAC Innovative Growth Initiative which continues the quest to identify policies to foster innovative growth by taking the study from a national to an international level, with extended research into how SMMEs can properly utilize the resources of cross-border innovative alliances. It was recommended that APEC: construct an Information Exchange Platform; encourage multilateral matchmaking activities for SMMEs; connect SMMEs with industrial standards organizations through the APEC Sub-Committee on Standards and Conformance and construct royalty fee payment consultative platform; and encourage regulatory coherence on work visas and tax issues, and promote information on regional talent opportunities.

The Council noted that ABAC China had delivered a presentation highlighting the importance of ICT and e-commerce platforms in helping SMEs access global markets. To promote the internationalization of SMEs, it was suggested that APEC economies: organize SME Summits which could serve as tools for policy decision making and SME education and best practice sharing; and initiate a pathfinder project, the objectives of which would be to introduce e-commerce with minimal barriers, serve as a demonstration project, gather and analyze data, and guide future policy making. Members stressed the importance of the financing component and capacity building in internationalizing SMEs. It was suggested that the SME Coordination Center could serve as a powerful tool for increasing information exchange, best practices and training programs for SMEs. The Council agreed to include the use of ICT to promote internationalization of SMEs in the 2013 work plan of SMMEEWG.

The Council took note of the final report presented by ABAC Korea on a study that seeks to compile the Korean SMEs' and large companies' collaboration experience with their foreign

counterparts and explains the Korean government's policies and conditions that promoted large firms-SME cooperation. Recommendations for cooperation from three perspectives were presented, to wit: economic crisis and term cooperative relationships between large enterprises and SMEs; new approach for promoting local business ecosystem; and SMEs' participation in the global value chain.

The Council noted that ABAC Chinese Taipei had provided SMMEEWG a recap of the ABAC Women's Forum (AWF) progress and achievements in 2012 and outlined the plan for 2013 and beyond. The plans for 2013 include: research initiatives in women's education, including e-education, STEM education and work flexibility; continued outreach programs; expansion of online AWF engagement; and development of a five-year action plan.

The Council took note of the update provided on the APEC SME Summit to be held in Hainan, China on 28-30 November 2012 as well as the report on the APEC SME Summit held in Lima, Peru on 23 August. The former will cover, among others, innovation, transformation, branding, logistics and mobile internet while the latter was focused on ICT and e-commerce.

The Council was informed that SMMEEWG had agreed on the following messages for the Dialogue with Leaders: promote the development of ICT and e-commerce to reduce transactions costs and connect SMEs to global markets; promote cross-border strategic alliances to facilitate innovative growth (for example, research and development alliances, information exchange and cross-border human capital flows); and the need for government support in encouraging access to angel and venture capital by entrepreneurs.

8. *Regional Economic Integration Working Group*

Mr. Tony Nowell, REIWG Chair, presented the outcomes of the REIWG Meeting held on 4 September. [Document: REIWG 32-046, *second draft*]

The Council was informed that REIWG had reviewed recent developments in two of the leading pathways towards a Free Trade Area of the Asia-Pacific (FTAAP), namely: the Trans Pacific Partnership (TPP) and the Regional Comprehensive Economic Partnership (RCEP). It was noted that, at the ASEAN+3 Economic Ministers' Meeting in Cambodia in late August, a decision was taken to recommend to Leaders at their Summit in November that RCEP be progressed to the negotiating stage. On TPP, 13 rounds of negotiations had been completed with the 14th scheduled later in the week. The Trade Ministers of Canada and Mexico will be welcomed formally to the TPP Ministers' Meeting on 6 September.

REIWG received a presentation from Professor Peter Petri of Brandeis University on the economic benefits of TPP and RCEP. It was noted that the RCEP and TPP negotiations are a big positive sum game with a huge prize in terms of regional GDP growth. The modeling shows that TPP and RCEP offer roughly similar gains of around US\$250-300 billion per annum until 2020. Small and medium economies would benefit the most. The two tracks of RCEP and TPP would stimulate mutual progress and eventually could be consolidated into an FTAAP. The greatest benefits would come from an FTAAP-style agreement as proposed by ABAC. New dialogues will be needed to connect the tracks to ensure convergence to an FTAAP.

The Council took note of the update provided on the activities of the informal ABAC for TPP group, which was established in the margins of ABAC II in May 2012 with the aim of seeking to promote a successful outcome of the TPP negotiations, support the inclusion of new economies and ensure that TPP addresses business needs and priorities. The Group has written to TPP

Leaders in August setting out some key messages regarding TPP and proposing a meeting with Ministers to discuss TPP in the margins of the Vladivostok meeting. The two co-chairs of the ABAC for TPP were to meet briefly with TPP Trade Ministers on 6 September.

The Council endorsed the proposed work plan on investment for 2013, including recommendations to: continue to advocate for the reinvigoration of the Investment Facilitation Action Plan (IFAP) to identify critical barriers and priority areas to attract greater foreign direct investment (FDI) inflows; develop an additional report on APEC FDI to reflect current trends in the region, account for progress on the IFAP and other APEC projects on investment; finalize and publish an infrastructure framework; endorse and help facilitate the third annual Public-Private Dialogue with the APEC Investment Experts' Group (IEG) on the margins of the next IEG meeting in Jakarta; and identify projects and initiatives that will complement the Asia-Pacific Infrastructure Partnership's (APIP) efforts. It was agreed that ABAC should write to the IEG about the delay in the implementation of IFAP.

The Council took note of the update provided on the APEC Skills Mapping project, delivery of which remains on track in late 2013. Eight APEC economies are taking part in the project and five ABAC members are in the Business Advisory Group. Note was made that the skills mapping project should take into account the different perspectives of the public and private sectors on skills mapping issues. REIWG discussed ABAC's overall objectives on the movement of labor issue, and the need to address ongoing concerns about employment practices and immigration issues involving foreign labor. It was agreed that, while the skills mapping project is proceeding as it needs to do, ABAC should not lose sight of its broader concerns about labor mobility and should seek to get these back onto the APEC agenda in 2013. Labor mobility is a key aspect of the services sector, and ABAC's work on services should continue to take this into account.

The Council heard a report from the CTI Chair on the APEC Travel Facilitation Initiative (ATFI). It was noted that five working groups are working on different aspects of ATFI and that a Steering Council has been established to provide oversight for the initiative. The working groups are underway, exchanging information, identifying best practices and developing protocols. Noting ABAC support for the project, it was suggested that ABAC should seek a role on the Steering Council given that many aspects of regional travel depend on the private sector. The Council agreed to liaise with the CTI Chair to further explore the possibility of ABAC having a role on the ATFI Steering Council. It also agreed to draw problems relating to the APEC Business Travel Card (ABTC) to the attention of Senior Officials.

The Council took note of the presentation from the USC Marshall School of Business on their research project on "Trade in Services in the APEC Region: Opportunities and Challenges for Improvement". Key findings of the study included that "behind the border" barriers are a bigger constraint on trade in services than barriers "at the border"; growth in services trade has lagged behind growth in goods trade; and the services provisions of FTAs are incorrectly focused. The report outlined a number of recommendations to address these constraints, among others: re-declare a commitment to enabling trade in services; create mechanisms to ensure coordination of trade in services efforts across government agencies; seek commitments from economies to adopt common definitions and measurement approaches and collaborate in the collection of trade in services data; and expand and accelerate efforts on regulatory coherence to include services to a greater extent.

The Council endorsed a draft letter to the APEC 2012 SOM Chair and APEC Senior Official of Indonesia recommending that APEC join ABAC in initiating a project to develop a

comprehensive global data standards framework which can be applied to promote more efficient supply chain connectivity. [Documents: REIWG 32-047 and 32-037]

The Council took note of the presentation from ABAC Russia on the deployment of integrated solutions for automation of cargo carriage tracking and data flows at all stages of the transportation and logistics chain. ABAC Russia proposes to work with the Russian Navigation Technologies on a pilot project based in the Vladivostok sea port and will report back to ABAC in due course with a view to considering whether the project could be scaled more widely.

The Council was informed that REIWG had prepared some questions relating to regional economic integration to help the small groups prepare for the Dialogue with Leaders.

Finally, the Council noted that REIWG had agreed on the following priorities for 2013: trade and investment liberalization; pursuing the new services agenda, informed by the Marshall School of Business report on trade and investment in services; and continuing to encourage supply chain connectivity, in particular promoting global data standards and associated supply chain infrastructure technologies in the APEC region.

9. Sustainable Development Working Group

Mr. Ning Gaoning, SDWG Chair, reported on the outcomes of the SDWG Meeting held on 4 September. [Document: SDWG 32-046, *first draft*]

The Council noted that ABAC Japan had shared with SDWG Japan's experience in reducing post-harvest losses in rice production, notably through mechanization or the introduction of multifunctional machines. The presentation highlighted the importance of sharing good practice to assist developing economies to develop food market infrastructure to minimize food losses.

The Council heard a report from the APEC Policy Partnership on Food Security (PPFS) Chair on the outcomes of PPFS Management Council Meeting held in Vladivostok on 3 September, the main agenda item of which was the draft PPFS Action Plan for 2012-2013. PPFS agreed that, in lieu of a specific definition of food security, it would focus on achieving three goals: sufficient, nutritious and safe. It was agreed that PPFS will: serve as the primary advisory mechanism to APEC on food security policy; operate on business planning principles; emphasize what business can do for food security; recognize the work of APEC fora; and avoid duplication.

The Council was informed that SDWG had reviewed the work plan on food security for 2012 and previewed the proposed priorities for 2013. In 2012, SDWG had identified technological and facility gap between developed economies and developing economies in the agri-food sector; provided examples of best practices; provided guidance and assistance for the inauguration of the PPFS; and developed recommendations to Leaders for strengthening food security. Going into 2013, it was proposed that the working group develop a strategic framework for APEC technology dissemination and facilities development in the food sector; develop demonstration projects for food technology dissemination within PPFS; and advance initiatives listed in the PPFS Action Plan for 2013.

The Council noted that SDWG had also reviewed the work plan on energy security and the proposed priorities for 2013. In 2012, the energy security agenda focused on many of the issues listed in the updated APEC Strategic Framework for Energy Security, with special attention to: the APEC Leaders' and Ministers' commitment to develop a list of environmental goods and services (EGS) and reduce, by 2015, applied tariffs to 5% or less; and developing new ideas and

recommendations to encourage greater private sector investment in clean and renewable energy. SDWG produced recommendations which touched on: financial mechanisms; investment treaties to secure a predictable and non-discriminatory legal environment; and public-private sector dialogues to resolve barriers to cross-border supply and demand concerns. Energy security topics for consideration in 2013 include: APEC Framework on Energy Security, public-private sector dialogue on energy security and fossil fuel reform; diversification of energy sources (policy environments for transition fuels and renewable energy projects; financing for clean and renewable energy projects; and trade in electricity); and EGS and the dissemination of energy efficient technologies.

The Council took note of the key findings and recommendations of the final report of the ABAC Chinese Taipei Research Initiative on Technology Transfer and Cutting-Edge Technology Investment. The study recommended: the elimination of barriers and creation of a business environment conducive to foreign direct investment; the establishment of a Technology Information Exchange Platform under APEC; and assistance to developing economies to reform their domestic Technology Transfer system through Official Development Assistance. The Council endorsed ABAC Chinese Taipei's proposal for further research on Cutting-Edge Technology Development and Dissemination in 2013.

The Council endorsed ABAC Russia's proposal on the nomination procedure for private sector representatives to the newly-established APEC Policy Partnership on Science, Technology and Innovation (PPSTI) as well as the nomination and election of a principal advisor to the PPSTI Governing Board, subject to ABAC Russia taking on a leadership role and circulation, by the same and for review by members, of a detailed plan on how ABAC should engage with PPSTI. The nomination procedure calls for the submission of nominations by 1 October, the circulation of the resulting list of self-nominees to the position of vice chair by 5 October, and the selection of the preferred candidate for the position of vice chair by 15 October.

The Council noted that SDWG had reviewed the work plan for 2012 on Technology Transfer and Cutting-Edge Technology Investment as well as the priorities for 2013. Discussions in 2012 included the Technology Transfer Partnership which is aimed at creating a framework for technology dissemination within APEC; research initiative on technology transfer and cutting-edge technology investment; and development of a framework for technology dissemination that emphasizes APEC's core work on trade and investment. Key priorities and proposed initiatives for 2013 include: INTECHTERMS initiative by ABAC Russia; a quantitative study that investigates different channels of technology diffusion and supplemental technology diffusion workshop by ABAC USA; and research initiative on cutting-edge technology development and dissemination by ABAC Chinese Taipei.

The Council took note of key message for the Dialogue with Leaders proposed by SDWG which was to emphasize that fundamental to the world food security issue is the imbalanced food production and to highlight the importance of technology dissemination and investment and infrastructure development to assist developing economies to enhance their capacity for food supply as well as facilitate grain trade. It was also suggested that the establishment of the PPF be welcomed as the focal point for developing and implementing food security policy in the APEC region.

10. Finance & Economics Working Group

Mr. John Denton, FEWG Chair, briefed the Council on the results of the FEWG meeting held on 4 September. [Document: FEWG 32-049, *first draft*]

The Council was informed that FEWG had discussed, over the past three ABAC meetings, the issue of creating a regulatory environment in APEC that supports cross-border data flows. It was noted that the matter was still not fully understood nor have all the issues been fully ventilated prior to any decision being made as to whether or not ABAC could support progress on this issue. It was agreed that a working group of concerned and interested economies be formed at the margins of the Vladivostok meeting with the view to developing a brief/paper outlining the issues to be resolved for consideration at ABAC I in Manila.

The Council noted that FEWG had received a presentation from ABAC Russia which examined ways of strengthening financial markets through improvements in regulatory policy, supervisory arrangements and financial infrastructure to help avoid a repeat of the 2007-2009 crisis. It was suggested that strengthening financial markets is part of the process of increasing the resilience of financial institutions and the financial system generally to adverse shocks rather than necessarily increasing the size of financial sectors relative to GDP to levels where it results in a misallocation of resources and an undesirable concentration of risk. The need for a coordinated international effort to restore and strengthen financial stability was stressed.

The Council took note of the outcomes of the Dialogue with APEC Finance Ministers held in Moscow in late August. It was noted that APEC Finance Ministers had supported the Asia-Pacific Financial Forum (APFF), with a symposium to be held in Australia in early 2013, followed by a second forum in Indonesia. The Council agreed that the Advisory Group should remain as the key ABAC vehicle to advance APFF given its history, knowledge and linkages with the finance industry and institutions within the region. The Advisory Group would work over the next few months on the vision, strategy and priorities of the Forum, leading to the establishment of a platform for consideration and development of relevant issues.

The Council noted that FEWG had discussed its input to the ABAC Dialogue with Leaders and agreed on the following topics: financial market stability; Asia-Pacific Financial Forum; and SMME finance. It was agreed that the question to be raised to the Russian President would be on APFF.

The Council took note of the update provided on the activities of the Advisory Group and the outlook for 2013. The Advisory Group meeting had addressed issues relating to the 2012 work program, APFF, the scheduling of an Asia-Pacific Infrastructure Partnership (APIP) meeting in Indonesia in October this year and the possibility of Thailand also scheduling a dialogue, financial inclusion (including SMME finance), and angel and venture capital. The Advisory Group also agreed to consider further work on credit ratings and cross-border insolvency, focusing on informal workouts, in 2013.

The Council noted that FEWG had identified the following issues for inclusion in the 2013 FEWG agenda: credit rating systems; data flows; health and pension systems; and APFF. Other topics suggested included: monitoring of macro-economic developments; financial stability; credit risks to financial markets; International Financial Reporting Standards; and SMME finance. The importance of ABAC/APEC having a strong voice in the G20, particularly on financial stability, was stressed.

11. Infrastructure Development Working Group

Mr. Richard Lavin, IDWG Chair, reported on the outcomes of the IDWG Meeting held on 5 September. [Document: IDWG 32-029, *first draft*]

The Council was informed that IDWG had received a presentation from ABAC Russia that reviewed the progress of its living cities initiative and proposed a survey that ABAC Russia and Ernst and Young will undertake together with a view to obtaining feedback on the living cities concept and find common grounds for developing and implementing living cities standards. The outcomes of the survey will be presented at ABAC I in 2013. Members were encouraged to nominate three representatives from government, business and NGOs to participate in the survey by 1 October 2012.

The Council took note of the presentation from ABAC Japan containing a policy roadmap which outlines further work on water security in 2013. It was proposed that the main theme for 2013 be “securing efficient use of water resources”, as was recommended to APEC Leaders in 2011, and to focus on controlling wasteful use and conservation of water. The Council noted that IDWG had agreed to include water security in the agenda for 2013.

The Council noted that PricewaterhouseCoopers had conducted a survey of 376 CEOs and industry leaders in 40 countries, including the 21 APEC economies. The survey reinforced the appropriateness of the APEC CEO Summit theme “Addressing Challenges: Expanding Possibilities”. While recognizing the pressing immediate and long term challenges they face, the CEOs participating in the survey voiced confidence in the resilience and dynamism of the APEC economies over the long term. It was felt that the survey provided the very important context for IDWG with regard to prioritizing work going forward.

The Council noted that IDWG was briefed by the head of the Russian delegation to the APEC Transportation Working Group (TPTWG) on the activities of the Russian transport authorities in TPTWG and how cooperation with the private sector and ABAC can be enhanced. He highlighted a number of recent workshops that have successfully addressed issues such as supply chain visibility and trans-border logistics. It was recommended that ABAC and the private sector investigate additional opportunities to increase cooperation with TPTWG. IDWG committed to continue to work closely with TPTWG in 2013 after its merger with SDWG.

The Council took note of the update provided on ABAC’s joint proposal with TPTWG for a joint project on supply chain resiliency. The proposal was endorsed by ABAC at its meeting in Ho Chi Minh City in July and by TPTWG at its meeting in St. Petersburg in August. If APEC funding is allocated for the project, it will bring public and private stakeholders together for an event on supply chain resilience that will be followed by a study with ABAC input.

The Council noted that IDWG had discussed the issues that should be included in the ABAC Dialogue with Leaders. The key topics that were highlighted included: private sector financing of infrastructure, including public-private sector partnerships; the creation of an attractive investment environment; and the need for infrastructure development in Russia’s Far East.

The Council was informed that ABAC USA is currently finalizing an ABAC publication on infrastructure development which is designed to gather all the recommendations that ABAC had discussed into a single document. Members were encouraged to submit inputs on infrastructure execution areas such as eco cities, transportation and supply chain and broadband by 30 September.

Finally, the Council noted that IDWG had reviewed its 2012 outcomes and 2013 next steps to identify which issues should be considered complete, which should be taken up by other working groups and which should be carried forward by the Infrastructure and Sustainable Development

Working Group (ISDWG) in 2013. It was agreed that the issues of infrastructure planning, eco cities, water security and the project on supply chain resiliency be carried forward in the ISDWG in 2013. Investment and transport supply chain-related issues will be taken up in the REIWG, while infrastructure finance will be addressed in the Advisory Group. The issues of broadband infrastructure and infrastructure maintenance were deemed to be complete.

12. Action Plan & Advocacy Working Group

Mr. Anthony Nightingale, APAWG Chair, reported on the outcomes of the APAWG Meeting held on 5 September. [Document: APAWG 32-033, *first draft*]

The Council noted that APAWG had heard a report from the APEC Secretariat on ABAC input to APEC Working Groups over the course of 2012, and in drafting inputs to ministerial statements over the year. Highlights included REIWG input on APEC's Supply Chain Connectivity Initiative, including from GS1, and from the Marshall School of Business; FEWG input on APFF, APIP and funds passporting, all of which were supported by Ministers; SDWG on the milestone launch of the PPFS in Kazan; and SMMEEWG on SME summits, the development of the ABAC Women's Forum and innovation. The role of APAWG and the ABAC Secretariat in aiding coordination with APEC officials, and in helping to build trust and credibility between APEC and ABAC was acknowledged. The APEC Secretariat noted that ABAC's support was greatly appreciated by APEC.

The Council was informed that APAWG had discussed at length a report and recommendations on how to optimize ABAC leverage in APEC. There was broad support for the proposal for an Advocacy Coordinator, with questions remaining on whether this function should be lodged with the ABAC Secretariat or whether to appoint another person as such and what the terms of reference should be. Some members suggested that role of the Advocacy Coordinator be taken up by the APAWG Lead Staffer, noting that ABAC Hong Kong, China is in a position to dedicate resources into ABAC advocacy efforts; others felt that the ABAC Secretariat should be strengthened and empowered to take on this role to ensure continuity; and still others felt it should be a Chief Advocate who should be based at the APEC Secretariat in Singapore, working alongside the APEC Secretariat Executive Director and Program Director for ABAC. It was agreed that a formal Advocacy Plan be drawn up in APAWG.

While members saw merit in holding ABAC II and SOM2 together, there was a concern expressed that this would unduly increase costs for the chair economy given that they now have to host two meetings within the year. It was agreed that input on all Ministerials would not be possible, but priorities should be set to ensure that key Ministerials are attended, with carefully tailored materials for presentation. On "auditing" uptake in APEC of ABAC recommendations, it was agreed that the matrix prepared by the APEC Secretariat be further developed, with progress tracked in terms of each specific ABAC Working Group and with each Working Group Chair reliably able to trace progress on issues of priority concern. On "institutional memory", it was noted that the ABAC Portal being championed by ABAC Brunei will provide support, along with the ABAC Secretariat. There was a lot of support for the suggestion to strengthen advocacy within home economies, noting in particular the success achieved with Finance Ministers on the APFF. It was agreed that the small staffer group, along with interested members, continue to work on the issue of optimizing ABAC leverage in APEC with a view to recommendations being made at ABAC I in Manila.

The Council welcomed the achievements made by ABAC in 2012. Key tangible outcomes included: convening the first meeting of PPFS in Kazan in May; winning Ministerial support for

APFF; holding a sequence of APIP briefings; and securing endorsement for PPSTI. The Council noted that the marketing document for PPSTI will be circulated in September, with private sector nominations for PPSTI membership sought by October 1.

APAWG discussed the outcomes of the dialogue with APEC Finance Ministers on APFF where the urgency of the need to deepen and strengthen Asia's capital markets was stressed. The large amount of work on this important initiative was noted, including a meeting and documents to be circulated in October, aimed at a symposium in Sydney, Australia in March 2013, and agreement on the new institution by end 2013. It was agreed that interested members would be briefed in October on materials, and that a working group be created to prepare arrangements for the March 2013 Symposium in Sydney.

The Council noted that the USC Marshall School of Business report on Services would provide an essential resource for advocacy work on services liberalization in 2013. The report will be presented to GOS1 in February 2013 and to Senior Officials at ABAC I in Manila in January 2013. Consideration is also being given to having the report findings disseminated to business communities in member economies, including a possible funded speaker tour by Marshall School around ABAC I.

The Council took note of the progress made on the Knowledge Portal where efforts are currently focused on building content. It was suggested that some specific initiatives – like the SME initiative on use of ICT to build capacity to trade goods and services internationally – should be recruited to test the use of the portal as an interactive ABAC platform. It was agreed that the ABAC Brunei team will visit Manila in October to “upload” ABAC archive materials into the portal. Intersessional discussion was agreed with China on using the portal for the SME/ICT Initiative.

The Council welcomed the tremendous success achieved by members in securing meetings/briefings with relevant officials in their home economies. Support was extended for the ABAC Newsletter, with ABAC Philippines seeking inputs from members on how to improve the newsletter. The need for more work to be done in home economies in building wider business recognition of the work being done by ABAC and APEC was stressed. It was agreed that a discussion paper would be prepared by ABAC Hong Kong, China for ABAC I in 2013 on outreach into local business communities.

13. Approval of the Press Statement

The Council approved the Press Statement for the meeting, subject to the comments made at the meeting. [Document: MR 32-004]

14. Review of the Current Economic Outlook

Mr. Wayne Golding, FEWG Co-Chair, commented on the European crisis and its impact on the Asia-Pacific region. He noted that the global economy is expected to grow by 3.5% this year and by 3.9% in 2013. The Eurozone is expected to contract by 0.7% in 2012. The European crisis has weakened activity across the Asia-Pacific region through a decline in external exports and has exposed the region to severe downside risks. The impact of the European crisis is likely to have spill-over effects through the following channels: sovereign debt financing for Asia-Pacific economies; trade channel driven by declining import demand by some European countries; and impact of the debt crisis on the global financial sector and the corresponding effect on the provision of credit to regional and private sectors. The biggest risk posed for the Asia-Pacific

region is renewed escalation of the EU debt crisis as this would prompt large spikes in bank deleveraging. Trade finance in the Asia-Pacific region also appears to be vulnerable as the sensitivity of Asian financial markets to external shocks has increased over the past decade. The biggest challenge for policymakers in the Asia-Pacific region is balancing these risks by providing the appropriate level of support whilst achieving non-inflationary growth.

15. *Approval of the Proposed Work Program for 2013*

The Council approved the proposed work program for 2013 outlined by Mr. Wishnu Wardhana, the incoming ABAC Chair, including the list of Chairs and Co-Chairs and the proposed meeting dates and venues for next year. Under the theme “Partnership, Resilience & Bridges to Growth” and sub-themes “Strengthening regional resilience and integration with new areas of growth” and “Strengthening economic foundations and financial structures for balanced, inclusive and sustainable growth”, the 2013 work program will focus on deepening regional economic integration, promoting infrastructure and sustainable development, fostering SMME development & entrepreneurship, and promoting the development and integration of financial markets. [Document: Program 32-031]

Organizational Matters

16. *Presentation of the Financial Performance for January-August 2012 and Approval of the Proposed Budget and Schedule of Dues for 2013*

Mr. Antonio I. Basilio, Director of the ABAC International Secretariat, presented the financial performance for January-August 2012. Total expenses for the first eight months of the current year amounted to \$365,941 (representing 71% of the budget) while total receipts amounted to \$251,850. This brought the net fund balance from \$323,411 at the end of 2011 to \$210,828 as of August 2012. Only 49% of ABAC contributions for 2012 have been paid as of August 2012. [Document: Financials 32-004]

The Council approved the proposed budget and schedule of dues for 2013 amounting to US\$517,500. [Document: Budget 32-001 and Budget 32-002].

17. *Preparations for the ABAC Dialogue with Leaders*

Ms. Leyla Mamedzadeh, ABAC Executive Director 2012, briefed members on the scenario and arrangements for the ABAC Dialogue with Leaders to be held at the Far Eastern Federal University campus on 8 September. Members were divided into five small groups with four Leaders each. Group facilitators were identified who would run the discussions during the Dialogue. Members were encouraged to attend the debriefing session to be held after the Dialogue with Leaders on 8 September.

18. *Announcement of Chairs and Co-Chairs for 2013*

The incoming ABAC Chair announced the Chairs and Co-Chairs for 2013 as follows:

ABAC Chair : Mr. Wishnu Wardhana (ABAC Indonesia)
Co-Chairs : Mr. Ziyavudin Magomedov (ABAC Russia)
Mr. Ning Gaoning (ABAC China)

Regional Economic Integration Working Group (REIWG)

Chair : Mr. Tony Nowell (ABAC New Zealand)
Lead Co-Chair : Mr. Enrique Gubbins (ABAC Peru)
Co-Chairs : Mr. Anindya Bakrie (ABAC Indonesia)
Mr. Hidetoshi Kamezaki (ABAC Japan)
Mr. Richard Lavin (ABAC USA)

Finance & Economics Working Group (FEWG)

Chair : Ms. Cher Wang (ABAC Chinese Taipei)
Lead Co-Chair : Mr. John Denton (ABAC Australia)
Co-Chairs : Ms. Wang Lili (ABAC China)
Mr. Yoshihiro Watanabe (ABAC Japan)
Tan Sri Azman Hashim (ABAC Malaysia)
Mr. Wayne Golding (ABAC Papua New Guinea)

SMME & Entrepreneurship Working Group (SMMEEWG)

Chair : Mr. Juan Francisco Raffo (ABAC Peru)
Lead Co-Chair : Dr. Yang Yunsong (ABAC China)
Co-Chairs : Mr. V. Paul Lee (ABAC Canada)
Tan Sri Dato' Ir. Md. Radzi Mansor (ABAC Malaysia)
Mr. Mauricio Millan (ABAC Mexico)
Ms. Maxine Simmons (ABAC New Zealand)
Mr. Tony Tan Caktiong (ABAC Philippines)

Infrastructure & Sustainable Development Working Group (ISDWG)

Chair : Mr. Ning Gaoning (ABAC China)
Lead Co-Chair : Ms. Isabelle Courville (ABAC Canada)
Co-Chairs : Ms. Anna Buduls (ABAC Australia)
Mr. Yoshinori Komamura (ABAC Japan)
Mr. Ziyavudin Magomedov (ABAC Russia)
Dr. Savaraj Sachchamarga (ABAC Thailand)

Action Plan & Advocacy Working Group (APAWG)

Chair : Mr. Anthony Nightingale (ABAC Hong Kong, China)
Lead Co-Chair : Mr. Ho Meng Kit (ABAC Singapore)
Co-Chairs : Ms. Haslina Talib (ABAC Brunei Darussalam)
Mr. Philip Leong (ABAC Canada)
Ms. Doris Ho (ABAC Philippines)
Mr. Hoang Van Dung (ABAC Viet Nam)

19. *Announcement of Meeting Dates and Venues for 2013*

The incoming ABAC Chair announced the meeting dates and venues for 2013 as follows:

First ABAC Meeting – Manila, Philippines (20-23 January)

Second ABAC Meeting – Singapore (1-4 April)¹ - tbc
Third ABAC Meeting – Japan (8-11 July)
Fourth ABAC Meeting – Bali, Indonesia (2-5 October)

20. *Update on the APEC CEO Summit 2012*

Mr. Andrey Kostin, APEC CEO Summit Chairman, provided members an update on the APEC CEO Summit scheduled in Vladivostok, Russian Federation on 7-8 September 2012.

21. *Invitation to the First ABAC Meeting in 2013*

On behalf of ABAC Philippines, Ms. Doris Ho invited ABAC members and staffers to attend the First ABAC Meeting in 2013 to be held in Manila, Philippines on 20-23 January. An APEC SME Summit will be held back-to-back with the ABAC meeting on 20 January.

22. *Recognition of Retiring Members*

The Council paid tribute to the contributions made by Ms. Deb Henretta, ABAC Co-Chair from the United States, who will be leaving ABAC at the end of 2012.

Closing Plenary

23. *Expression of Thanks to ABAC Russia*

On behalf of the Council, the incoming ABAC Chair expressed his sincere thanks and appreciation to ABAC Russia for hosting the fourth ABAC meeting. He thanked the ABAC Chair for his leadership during the current year.

24. *Closing Remarks by the ABAC Chair*

The ABAC Chair thanked everyone for their support and contributions and for making 2012 a successful year for ABAC.

25. *Adjournment*

There being no other matters to discuss, the meeting was adjourned on Wednesday, 5 September, at 5:20 p.m. by Mr. Ziyavudin Magomedov, the ABAC Chair, with the concurrence of the Council.

¹ Subsequently rescheduled to 3-6 April (tbc).

ATTENDANCE

Chair

Mr. Ziyavudin Magomedov, Russia

Co-Chair

Mr. Wishnu Wardhana, Indonesia

Members in Attendance:

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

Brunei Darussalam – Mr. Javed Ahmad, Ms. Hafimi Abdul Haadi, Ms. Haslina Taib

Canada – Mr. V. Paul Lee, Mr. Philip Leong

Chile – Mr. Rafael Guilisasti, Mr. Francisco Garces*, Mr. Gerardo Jofre*

China – Mr. Ning Gaoning, Ms. Wang Lili, Ms. Diane Wang*

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

Indonesia – Mr. Anindya Bakrie

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

Korea – Mr. John Koo, Mr. Jin-Ho Lee*, Mr. Shin-Myung Son*

Malaysia – Tan Sri Azman Hashim

Mexico – Mr. Mauricio Millan

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

Papua New Guinea – Mr. Wayne Golding

Peru – Mr. Enrique Gubbins, Mr. Juan Francisco Raffo, Mr. Jose Luis Noriega*

Philippines – Ms. Doris Ho, Mr. Tony Tan Caktiong

Russia – Mr. Andrey Kostin, Mr. Vladimir Androsik*, Mr. Vasily Titov*

Singapore – Mr. Ho Meng Kit

Chinese Taipei – Mr. Matthew Miao, Mr. Hong-Tu Tsai, Ms. Cher Wang, Mr. Steven Lee*, Mr. David Sun*

Thailand – Dr. Twatchai Yongkittikul

United States – Mr. Richard Lavin, Mr. Kevin Thieneman*, Ms. Monica Whaley*

Vietnam – Mr. Hoang Van Dung, Mr. Tam Dang Thanh

* Alternate Member

ABAC 2012 Report to APEC Economic Leaders Executive Summary

The following is a summary of the key messages contained in this report:

- **Accelerate trade and investment liberalization.** ABAC has been concerned by the lack of progress in the WTO Doha Round. We recognize the immense value of the WTO to the global rules-based trading system. ABAC is committed to the goal of establishing a Free Trade Area of the Asia-Pacific (FTAAP) and urges that all pathways to FTAAP should reflect the key principles of inclusiveness, transparency and comprehensiveness. It calls for substantive progress to be made towards an FTAAP, including through the broadest possible participation in FTAAP initiatives. ABAC also urges APEC economies to continue to identify, investigate and incorporate “next generation” trade and investment issues into free trade agreements. APEC economies should improve the business environment for foreign direct investment, including by providing transparent, fair and predictable guidelines on taxation and transfer pricing.
- **Promote regional financial market integration.** ABAC recommends that APEC economies support and endorse the establishment of an Asia-Pacific Financial Forum (APFF) to promote the emergence of integrated and diverse funding markets, the development of market infrastructure, regulatory frameworks and financial institutions that are vital for the recycling of savings, and sustained growth of markets for long-term securities and infrastructure finance. The proposed APFF is envisioned to be a platform for enhanced public-private collaboration to help develop regionally consistent regulatory frameworks and market infrastructure, as well as common approaches in shaping global financial regulatory reforms in support of region’s financial development goals. As a first step, ABAC recommends that discussions be held in 2013 to develop an agenda that will complement other ongoing regional initiatives promoting the development, convergence and connectivity of financial markets in the region.
- **Enhance supply chain connectivity.** ABAC applauds APEC’s efforts to enhance competitiveness in the region by making it easier, cheaper and faster to conduct trade in goods and services across borders. APEC should support a holistic and coordinated approach to implementing APEC’s Supply Chain Connectivity Framework. There is much more to be done to improve regional supply chains, in particular: expanding APEC’s role in coordinating the sharing of supply chain best practice information; better data collection; harmonization of customs requirements and procedures, including the single window concept and standardized codes for marking and tracking goods. A wider use of integrated satellite navigation systems like Glonass/GPS might be beneficial in this regard, and we intend to take stock of the related world best practice to report thereon at our meeting in Vladivostok. ABAC also sees a greater APEC role in the leadership, governance and oversight of standardization initiatives within supply chains; capacity building and developing APEC-wide “model measures/protocols” for information and communication technology systems as well as information platforms for logistics for small, medium and micro-enterprises (SMMEs); and addressing non-tariff barriers. ABAC notes the need to take full account of growing opportunities and long-term benefits offered by a wider use of alternative transportation routes between the Asia-Pacific region and the rest of the world, as a result of implementation of national and international transportation infrastructure improvement projects.
- **Promote investment in infrastructure.** ABAC urges APEC economies to work to improve the investment environment through the adoption of strong investment principles and implementation of measures to facilitate investment. It recommends an integrated infrastructure planning approach in the development and implementation of infrastructure projects and the development of “APEC High-Level Planning Principles for Infrastructure Investment” to guide government agencies. ABAC invites APEC economies to collaborate in developing concrete measures to provide conducive environments for infrastructure finance through the Asia-Pacific Infrastructure Partnership (APIP) dialogues with the private sector and multilateral agencies.

- **Strengthen food security.** ABAC applauds the creation of the APEC Policy Partnership on Food Security (PPFS) and the Kazan Declaration adopted at the Second APEC Ministerial Meeting on Food Security this year. ABAC envisions PPFS to be the focal point for developing and implementing food security policy for the APEC region. ABAC's recommendations on food security include: establishment of technology dissemination centers in APEC economies in the agri-food sector; development of a regional strategic investment plan to promote investment in the sector; collaboration with the APEC Food Safety Forum in standard-setting for food safety; development of a unified methodology for assessing post-harvest losses; designing a framework for the development of food market infrastructure to minimize food losses during storage and transportation; and improvement of global food market transparency through cooperation with the G20.
- **Promote trade in environmental goods and services.** ABAC urges APEC economies to implement the Honolulu Declaration where Leaders agreed to work to develop in 2012 an APEC list of environmental goods and services (EGS) for which to reduce, by the end of 2015, applied tariff rates to 5% or less.
- **Address energy security.** ABAC supports a multi-pronged approach to energy security, including the expansion of energy conservation efforts, promotion of clean and renewable energy sources, wider use of natural gas, increased energy productivity and cooperation on nuclear safety. To promote conservation and energy productivity, APEC should expand the exchange of best practices, harmonize standards of measurements and evaluation, support voluntary market-driven technology dissemination that maximize benefits for all parties involved, and facilitate trade in EGS for energy efficiency. Investment in renewable energy resources can be facilitated by appropriate policy, laws and regulations; market aggregation for economies of scale; low-carbon technology deployment; and new market-based instruments as well as innovative research which have the potential to reduce the production cost of clean and renewable energy.
- APEC should also reduce barriers to cross-border energy investment and trade, invest in new transportation infrastructure and technology to maximize the availability of lower-carbon natural gas, and create economic frameworks that encourage the phasing out or upgrading of antiquated and inefficient power generation and industrial plants. For the longer term, more attention must be directed to the creation of open and fair markets based on a transparent and predictable environment of laws and regulations, so as to support efficient regional trade of energy through integrated transmission infrastructure and national power grids.
- **Promote living cities.** Substantial actions are needed from APEC economies on altering the present environmentally harmful ways of living, by introducing new principles and innovative solutions into city planning and infrastructure development, and by following harmonized criteria for *living cities* in APEC. ABAC recommends adoption of a livable, low-carbon community and eco-city/living city approach based on the integration of social, environmental and economic principles when building and re-developing cities. Priority should also be given to the introduction of effective incentives for the business community in APEC economies to respect the living city principles, so that living cities criteria are included in cities' construction plans; and support is given for "green" industries, financial and tariff incentives, corporate social responsibility programs, as well as new regulations targeting waste reduction and recycling and the reduction of carbon footprints.
- **Facilitate technology dissemination, innovation, and cutting-edge technology investment.** APEC economies can enhance their prosperity by improving their capacity to adopt technologies from abroad and taking steps to enhance their capacity for innovation. ABAC recognizes the importance of voluntary, market-driven dissemination of technology and supports measures to create a legal and regulatory environment that encourages and facilitates this process. To expand the spread of technology, ABAC encourages economies to address barriers to trade and foreign investment. Additionally, economies should take steps to enhance absorptive capacity as well as promote innovative growth. To facilitate technology dissemination, ABAC also advocates coherent regulation and the strengthening of mutually beneficial partnerships among stakeholders in the APEC technology community.

- **Support SMME development.** SMMEs are the backbone of the modern economy based on innovative growth. Yet, SMMEs face numerous challenges, top of which is access to financing. For many SMMEs, there are barriers to access to international supply chains which include lack of knowledge and resources to do business abroad. ABAC strongly supports the development of the APEC Next Generation Interactive Tariff Database and the APEC Services Trade Access Requirements (STAR) Database as tools to address these barriers. We encourage APEC to coordinate efforts to enhance continuity, address funding, and ensure that the databases are commercially relevant. ABAC encourages capacity building initiatives for SMMEs, including the APEC SME and Young Entrepreneurs' Summits and the use of information and communication technology (ICT) tools such as e-commerce platforms and online portals. ABAC calls on APEC economies to address barriers which hinder SMMEs from taking advantage of cross-border strategic alliances that can facilitate innovative growth.
- **Promote the participation of women in the economy.** ABAC urges APEC economies to continue to address barriers that prevent women from participating more fully in the economy. Specifically, governments could implement policies that encourage diversity and inclusion in the workplace. Following the San Francisco Declaration, each APEC government should consider appointing at least one woman to ABAC.
- **Financing innovation.** Overcoming existing challenges to financing of innovation is important for maintaining the region's continued rapid economic growth. Governments play crucial roles in this process from the birth of an innovative idea to full commercialization and the sale of the company or product. ABAC recommends that APEC economies support angel and venture capital through effective programs, such as tax credits, matching funds or optional buy-out programs and by identifying, developing and mobilizing angel investor networks across different sectors. APEC economies should provide an enabling legal and regulatory environment for the entire chain of financial activities that support companies across various stages of innovation, including angel investors in the early stages, venture capital in the middle, and private equity, commercial and investment banks, and institutional investors such as pension funds in the latter stages, as well as exit mechanisms. ABAC urges support in creating, maintaining and enhancing the fundamental conditions that encourage entrepreneurship and innovation, particularly at the incubation stage.
- **Initiate a new services agenda.** Building on our 2011 report entitled "Understanding Services at the Heart of a Competitive Economy", ABAC calls for the formation of a group of services experts drawn from the public and private sectors and academia to look at how to improve the global governance of services trade and investment; the launching of a new and dedicated initiative specifically aimed at liberalizing regional services trade and investment; and the improvement of the region's official statistics on services. ABAC urges APEC economies to complete the skills mapping and labor market signaling projects being undertaken by APEC's Human Resource Development Working Group, with input from the business sector, as speedily as possible in order to create a pool of more readily available information on skills and labor shortages across the region.
- **Resolve APEC Business Travel Card issues.** The APEC Business Travel Card is one of the most significant business facilitation initiatives in the region. However, business travelers are encountering increasing difficulties when applying for or renewing their cards, thereby undermining the value of this scheme. We call for APEC Leaders' support to resolve these problems as a matter of priority.
- **Optimize policy exchange between business and APEC.** Over the past two years, ABAC has stepped up its engagement with APEC and has devoted considerable attention to how its members can optimize information exchange between APEC policymakers and the region's business community. ABAC has broadened exchanges beyond the annual letters and reports to Leaders, to include focused input to senior officials' meetings, and into specific ministerials. ABAC is keen to develop these dialogues further, and looks forward to being able to augment our input on business concerns and priorities in response to initiatives being considered or developed in APEC.