

Opening Plenary Session Overview

Opening Remarks

ABAC Chair Ziyavudin Magomedov of ABAC Russia will provide welcome remarks and introduce newly appointed ABAC members and alternate members.

Newly Appointed Members

ABAC New Zealand

Wayne Boyd

Chairman of Vulcan Steel

Important Agenda Items

- Preparations for ABAC Dialogue with Leaders

The ABAC Chair will review the work program for 2012. Working Group Chairs will be invited to present the agenda of their respective groups, highlighting issues requiring guidance from the Council.

- Presentation on the Themes and Priorities for APEC 2013

Mr. Yuri O. Thamrin, APEC Senior Official of Indonesia, will be invited to present the themes and priorities for APEC 2013.

ABAC USA staffers are working closely with ABAC Indonesia staffers to coordinate messaging and themes from 2011 and 2012. ABAC USA will be meeting with ABAC Indonesia and ABAC Russian on September 4th to discuss the ABAC 2013 agenda.

- Presentation by the USC Marshall School of Business

The USC Marshall school developed a presentation on Services in the APEC Region. ABAC USA is very supportive of the Marshall School's involvement with ABAC.

Document: Annotated Agenda 32-004
Draft: **SECOND**
Source: ABAC Secretariat
Date: 22 August 2012
Meeting: Vladivostok, Russian Federation

APEC BUSINESS ADVISORY COUNCIL
Fourth Meeting for 2012
Vladivostok, Russian Federation
3-6 September 2012

1330 – 1530

Opening Plenary

Chair: Mr. Ziyavudin Magomedov, ABAC Chair 2012

Venue: Anchor Aweigh Lounge, Deck 5

Attire: Business

Richard Lavin
Alex Parle
Rob Fiddick
David Boman
Joris Pollet
Lynn Turk

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 2012

The Council will consider, for approval, the Conference Report for the Third ABAC Meeting held in Ho Chi Minh City, Viet Nam on 16-19 July 2012.

- Report on SOM and Related Activities

Mr. Igor Morgulov, APEC 2012 SOM Chair, will be invited to preview the APEC Ministerial and Leaders' meetings to be held in Vladivostok on 5-9 September 2012.

- Preparations for the ABAC Dialogue with Leaders

Ms. Leyla Mamedzadeh, ABAC Executive Director 2012, 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 2013

Mr. Yuri O. Thamrin, APEC Senior Official of Indonesia, will be invited to present the themes and priorities for APEC 2013.

- Presentation on the Themes and Priorities for ABAC 2013

The incoming ABAC Chair for 2013 will be invited to present the themes and priorities for ABAC 2013.

- Review of the Current Economic Outlook

Mr. John Denton, FEWG Chair, will be invited to comment on the current economic outlook.

- 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 services.

- Update on the APEC CEO Summit 2012

Mr. Andrey Kostin, APEC CEO Summit 2012 Chairman, and Mr. Vladimir Androsik, APEC CEO Summit Host Committee Chairman, will provide an update on the APEC CEO Summit which will be held in Vladivostok, Russian Federation on 7-8 September 2012.

- Other Matters

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



ABAC Member (Beginning May 2012)

Wayne Boyd is currently the Chairman of Vulcan Steel. He is the former Chairman of New Zealand's largest telecommunications company Telecom where he presided over the de-merger of the company into separate businesses. He was also the Chairman of Auckland International Airport and of New Zealand's largest energy company, Meridian.

Previously, Mr. Boyd was an independent Director of Ngai Tahu Maori Trust for a period of ten years and Chairman of both Shotover Jet and the New Zealand Blood Service. He is a Fellow of the Institute of Directors in New Zealand and a Member of the Australian Institute of Company Directors.

Mr. Boyd has extensive experience in law and merchant banking having been a partner at Tompkins Wake, the largest law firm in the Waikato, and then as a mergers and acquisitions adviser at merchant bank Bancorp Holdings Ltd.

He also has a keen interest in the community and has been involved with a number of community organizations serving as a Director of Sports and Recreation New Zealand (SPARC) and as Chairman of both the New Zealand Blood Service and the New Zealand Hockey Federation.

Document: Conf. Report 32-003 Draft: FIRST Date: 30 July 2012 Source: ABAC Secretariat Meeting: Vladivostok, Russian Federation
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CONFERENCE REPORT
THIRD ABAC MEETING FOR 2012
16-19 July 2012
HO CHI MINH CITY, VIET NAM

The Third Meeting of the APEC Business Advisory Council for 2012 was held at the Sheraton Saigon Hotel & Towers on 16-19 July 2012, with 39 members and 11 alternate members in attendance. The meeting was preceded by the “ABAC Dialogue on Investment: Reducing Risk and Expanding Opportunities through Reinvigorated APEC Investment” on 16 July and followed by a Women’s Forum on 19 July.

The meeting was formally opened by H. E. Mr. Truong Tan Sang, President of Viet Nam. Mr. Albert Ting, Director of Phu My Hung Corp., addressed members at the welcome reception on 16 July; Mr. Le Tien Truong, Deputy General Director of the Viet Nam National Textile and Garment Group, during the luncheon on 17 July; Dr. Nguyen Thanh Hung, President and Chairman of Sovico Holdings, during the dinner on 17 July; and Ms. Nguyen Thi Hong, Vice Chairwoman of the Ho Chi Minh People’s Committee, during the gala dinner on 18 July.

Opening Plenary

1. *Call to Order*

The meeting was called to order at 4:30 p.m. on Monday, 16 July, by the ABAC Chair, Mr. Ziyavudin Magomedov (ABAC Russia). Mr. John Prasetio (ABAC Indonesia) sat as Co-Chair

2. *Welcome of Newly-Appointed Alternate Member*

On behalf of the ABAC Chair, Ms. Leyla Mamedzadeh, ABAC Executive Director 2012, welcomed Ms. Monica Whaley, President of the US National Centre for APEC, as a new alternate member for ABAC USA.

3. *Approval of the Conference Report for the Second ABAC Meeting in 2012*

The Council approved the conference report for the Second ABAC Meeting held in Kuala Lumpur, Malaysia on 21-24 May 2012. [Document: Conf. Report 32-002, *first draft*]

Substantive Matters

4. *Report on SOM and Related Activities*

Mr. Gennady Ovechko, APEC Senior Official of the Russian Federation, brief members on the outcomes of the Second APEC Senior Officials' Meeting (SOM II), APEC Food Security Ministerial Meeting and the Meeting of APEC Ministers Responsible for Trade (MRT) held in Kazan, Russian Federation from 20 May – 5 June as well as the APEC Energy Ministerial Meeting held in St. Petersburg, Russian Federation on 24-25 June.

5. *Regional Economic Integration Working Group*

Mr. Tony Nowell, REIWG Chair, reported on the outcomes of the REIWG meeting held on 17 July. [Document: REIWG 32-033, *first draft*]

The Council was informed that, in line with the discussion at the Chairs' meeting and opening plenary, REIWG had agreed to amend language on the WTO in the draft Letter and Report to Leaders to reflect the value ABAC attaches to the primacy of the rules-based trading system.

The Council took note of recent developments on the Trans Pacific Partnership (TPP) negotiations, in particular the announcement that Mexico and Canada had been accepted as TPP members, subject to the completion of notification processes in some TPP economies. This showed that TPP was taking an inclusive approach to new members. Press reports suggest that "particularly significant" progress was made in the recent round of negotiations in San Diego from 2-10 July, on a number of issues such as customs, cross-border services, telecommunications and government procurement. Advances were also made on rules of origin, investment, financial services, temporary entry and other issues. Some of the main hurdles yet to be overcome included market access for goods and services and government procurement; investor-state dispute settlement; and intellectual property issues. It was noted that those issues may not be dealt with until after the US Presidential elections in November in which case the TPP will not be concluded in 2012 as envisaged by TPP Leaders when they met last November. It was agreed that the Pathways to FTAAP matrix will be updated for the next ABAC meeting, taking into account any further information received about how the TPP negotiations are tracking.

The Council noted that REIWG had received a briefing on the outcomes of the ABAC for TPP meeting held on 16 July. The ABAC for TPP group was established in the margins of the second ABAC meeting in Kuala Lumpur to seek to accelerate the TPP negotiations, support the inclusion of new economies and ensure that TPP addresses business needs and priorities. It is open to members from existing TPP member economies and also from economies that may be interested in joining in the future. The Council noted that the ABAC for TPP group would send a letter to the Leaders of the TPP economies outlining their views on the TPP negotiations. ABAC Russia will investigate the possibility of setting up a meeting in Vladivostok between the ABAC for TPP group and Trade Ministers from TPP economies, given that the group's first preference of meeting with TPP Leaders was highly unlikely to eventuate for scheduling reasons.

The Council took note of the presentation of Keidanren on the prospects and merits of Japan joining the TPP from the Japanese private sector perspective.

The Council noted that the Regional Comprehensive Economic Partnership (RCEP) is continuing to be developed by ASEAN with its six Dialogue Partners. RCEP remains on track

as discussed at the last meeting in Kuala Lumpur. It was agreed that ABAC will continue to monitor developments in the RCEP negotiations.

The Council took note of the presentation from the US National Centre for APEC on an inventory approach to supply chain chokepoints. It was noted that the APEC Supply Chain Connectivity Action Plan had identified eight chokepoints to the smooth flow of goods, services and business travelers throughout the region, and established initiatives to address each. The goal was for APEC to achieve a 10% improvement in supply chain performance (measured in terms of time, cost and certainty) by 2015. To ensure that APEC meets its objective, the work plans and initiatives being undertaken in each of the chokepoints should be commercially relevant and provide tangible improvements in supply chain performance. It was agreed that ABAC should continue to engage with APEC and provide the private sector perspective on additional initiatives that should be undertaken in each chokepoint of the SC Action Plan. ABAC members should give further thought to initiatives to suggest to APEC. It was further agreed that ABAC should promote a holistic and coordinated approach to implementing the SC Action Plan by encouraging a stocktake or inventory of policies and practices that economies should have in place to address the objectives of each chokepoint.

The Council was informed that REIWG had received a presentation from the GS1 Global Office in Brussels on global data standards, including what they are, how they work and how they assist companies and governments in managing and facilitating complex supply chains. It was noted that global data standards enable visibility and transparency in global supply chains by using universally recognized barcodes to identify, capture and share consistent data. The Council noted that the REIWG Chair will develop a proposal for discussion at ABAC IV regarding the development of data standards for supply chain facilitation in a regional APEC context.

The Council noted that REIWG had received a presentation from ABAC Japan highlighting the need to update the product coverage and expand membership in the WTO Information Technology Agreement (ITA). The Council endorsed an early and meaningful conclusion of WTO negotiations on the ITA. It likewise expressed support for the expansion of the ITA's product coverage and the number of participating members as well as the development of a mechanism to ensure that technological progress in ICT will be reflected in the ITA on an ongoing basis.

The Council noted that REIWG had deferred discussion of the APEC Travel Facilitation Initiative to the next meeting in the absence of a response from the CTI Chair on ABAC's request for more information on this initiative.

6. SMME & Entrepreneurship Working Group

Mr. Juan Raffo, SMMEEWG Chair, briefed the Council on the outcomes of the SMMEEWG meeting held on 17 July. [Document: SMMEEWG 32-034, *first draft*]

The Council took note of the update provided by Chinese Taipei on the 2012 ABAC Innovative Growth Initiative which sought to identify policies to foster innovative growth, in particular on how SMMEs can utilize the resources of cross-border innovative alliances. Case studies were examined on trade barriers in the areas of cross-border strategic alliances, cross-border human capital flows, common industry standards and cross-border emerging industry cluster in several economies. The Council endorsed recommendations urging APEC economies to: construct an information exchange platform within the APEC architecture; hold bilateral matching activities to assist SMMEs searching for collaboration parties; connect SMMEs and industrial standards

organizations through the APEC Su-Committee on Standards and Conformance and construct a royalty fee payment consultative platform under the APEC architecture to eliminate royalty fee payment issues; and collaborate in implementing measures to promote international human capital flow within APEC.

The Council noted that SMMEEWG had received a presentation from ABAC China on the importance of ICT and how utilizing e-commerce platforms can serve as a springboard for SMMEs to access global markets. It was suggested that APEC economies promote the internationalization of SMEs by taking advantage of such e-commerce platforms.

The Council was informed that SMMEEWG had received an update on the study that ABAC Korea is undertaking which seeks to compile the Korean SMEs' and large companies' collaboration experience with their foreign counterparts as well as the policies implemented by the government to promote large firms (LE)-SME cooperation. The research project will identify possibilities for promoting SMEs' competitiveness through cooperation with large enterprises, compare LE-SME cooperation policies among economies, develop best practices of such cooperation, and provide policy implications for stronger government involvement. The final results of the study will be presented in Vladivostok, with the possibility of developing some projects in 2013.

The Council noted that SMMEEWG had discussed the importance of defining SMMEs and monitoring their activities in the APEC region. Following an analysis of the characterization of SMMEs in Australia, Malaysia and Peru, their contribution to the economy and the differences in classifications among economies, it was agreed that the 2013 work program would be tailored so that it is relevant to the defined target population.

The Council took note of the update provided on the ABAC Women's Forum and its activities, including the outreach event held alongside ABAC II, as well as the report on the APEC Women and the Economy Forum held in St. Petersburg at the end of June. Note was made that ABAC had undertaken to include diversity and inclusion as key priorities in its Report to Leaders.

The Council also took note of the report on the Second APEC Young Entrepreneurs' Summit held in Beijing, China on 5-6 June as well as the update on the APEC SME Summit to be held in Lima, Peru on 23 August. The latter would be transmitted live to other Peruvian cities with the support of chambers of commerce.

The Council endorsed the draft letter to APEC SME Ministers outlining ABAC's recommendations relating to SMMEs and entrepreneurship. [Document: SMMEEWG 32-026]

7. *Infrastructure Development Working Group*

Mr. Yoshinori Komamura, IDWG Co-Chair, reported on the outcomes of the IDWG Meeting held on 17 July on behalf of Dr. Yang Yunsong who chaired the meeting. [Document: IDWG 32-022, *first draft*]

Following a presentation from ABAC China on disaster resilience, IDWG endorsed recommendation urging APEC economies to: improve the investment environment for public safety technology; promote cooperation between government and private sector in the field of public safety to facilitate emergency response platform construction and emergency facilities research; and foster ongoing technical collaboration between the private sector to improve disaster prevention and response.

The Council noted that ABAC USA had put forward a proposal for a joint project between ABAC and the APEC Transportation Working Group (TPTWG) to collaborate on the development of a framework to define the important aspects of resilient supply chains and enhance understanding of the process that help strengthen supply chain resilience through sharing of experiences and case studies as well as developing a report and action plan for future collaboration. Members endorsed the proposal for submission to TPTWG in St. Petersburg in August.

The Council was informed that ABAC Russia had briefed IDWG on the results of a joint study conducted by PWC and the National Business Center for APEC of Russia to estimate quantitative benefits from “integral improvements” of the APEC logistics systems as an interconnected network and to model the effect of implementation of strategic logistics initiatives on supply chains of APEC, focusing on transportation cost, time and inventory reduction impacts. IDWG endorsed recommendations to: accelerate harmonization efforts in customs requirements and the clearance procedures across APEC based on the single window and paperless approaches and standardized codes for marking and tracking of goods; and 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 domestic and international transportation infrastructure improvement projects. However, it was agreed that further consideration was needed for the recommendation to “develop and update lists of transportation infrastructure improvement projects in each economy that might be open to the involvement of foreign investment and technology partners from APEC economies, including through the establishment of international public-private partnerships.”

The Council noted that ABAC Russia had delivered a presentation on best practices in the field of incentives to encourage business to adopt living cities standards and criteria in city planning and development. The presentation included several examples of cities that had successfully encouraged green development through financing mechanisms, subsidies, regulation and tax measures. Members contributed several useful examples of green development and discussed a number of viable approaches to incentivize businesses to undertake green development. There was some concern regarding incentives that could be considered interventionist. IDWG agreed that ABAC Russia would revisit the incentives portion of the recommendations and develop a consensus on language that would be included in the Report to Leaders.

The Council took note of the report of ABAC USA on the outcomes and recommendations of the dialogue and Anti-Corruption and Transparency Task Force Meeting held in Kazan, Russian Federation in May. It was noted that the dialogue had reaffirmed that business and government leaders have made fighting corruption and bribery a priority in APEC and that business representatives have stressed the importance of strengthening anti-corruption efforts as part of government procurement efforts. IDWG endorsed the inclusion of recommendations on anti-corruption and transparency in government procurement in the Report to Leaders.

The Council noted the update provided on the development of a publication entitled “Strategic Framework for Infrastructure Development”. The framework which will encompass all ABAC’s recommendations related to infrastructure will be finalized by the Fourth ABAC meeting in Vladivostok.

The Council endorsed the draft letter to APEC Transportation Ministers on supply chain connectivity. [Document: IDWG 32-016]

8. Sustainable Development Working Group

Ms. Isabelle Courville, Acting SDWG Chair, presented the results of the SDWG meeting held on 17 July. [Document: SDWG 32-039, *first draft*]

The Council took note of the presentation delivered by ABAC China on the project “Strengthening food security through technology dissemination and infrastructure development”, which highlighted the big divergence in terms of grain plantation, handling, transportation system and port facilities among APEC member economies resulting in great losses and high cost of grain. The presentation included a proposed work plan for APEC on dissemination of technology and development of infrastructure.

SDWG heard a report on the outcomes of the inaugural meeting of the APEC Policy Partnership on Food Security (PPFS) held in Kazan, Russian Federation on 28-29 May. It was noted that PPFS members were asked to provide suggestions and the PPFS Management Council to draft an action plan, containing short and long-term goals, and to consult with members prior to finalizing the action plan. PPFS members could then identify which activities they would like to participate in. A draft action plan had been formulated by the PPFS Chair and circulated at the SDWG meeting, with a request for feedback from ABAC members. The Council agreed that ABAC should keep a guardian role on PPFS and be kept informed of the content. It endorsed a draft letter to the PPFS Chair urging the PPFS to “organize and operate based on disciplined business planning methodologies in order to be able to deal with the set of complex issues surrounding food security in a time-phased, resource-effective, results-oriented manner”. [Document: SDWG 32-038]

The Council took note of the outcomes of the APEC public-private roundtable on energy and APEC Energy Ministerial in St. Petersburg on 24-25 June. It was noted that ABAC was invited and involved in both these events and that both the recommendations of the roundtable and content of the Energy Ministers’ Statement were similar to the themes and key points made in the ABAC Letter to Energy Ministers.

The Council took note of the presentation from the Asian Development Bank (ADB) which touched on the bank’s experience in renewable energy investments and in the programs and mechanisms they employ to support renewable energy projects in Asia. It was noted that the barriers to renewable energy development in Southeast Asia are a lack of policy, laws and regulations; cost of technology; and access to financing. As such, catalyzing renewable energy development will require: policy, laws and regulations; market aggregation for economies of scale; low-carbon technology transfers and deployment; and new market-based instruments, which may include competitive bidding, tax incentives, carbon taxes, renewable energy certificates. The importance of an appropriate, region-specific approach to renewable energy development was stressed. It was noted that while subsidies were important to encourage greater investments in renewable projects, these projects must later become self-sustaining. The Council endorsed recommendations on renewable energy development as listed in Document: SDWG 32-031.

Following a presentation from ABAC Japan on how energy efficient goods and technologies can help APEC reach its energy intensity goals, the Council endorsed recommendations urging APEC economies to implement the Honolulu Declaration where Leaders agreed to work to develop in 2012 an APEC list of environmental goods and services in which to reduce, by the end of 2015, applied tariffs to 5% or less.

Finally, the Council noted that the proposals from ABAC Chinese Taipei on Research Initiative on Technology Transfer and Cutting-edge Technology Investment; ABAC Russia on the Technology Partnership Initiative: Basic Terms for Technology Transfer Agreements between Companies of APEC Economies; and ABAC USA on Closing the Technology Gap: Developing a Framework for Discussing Technology Diffusion in ABAC were consolidated in order to come up with recommendations for the Report to Leaders.

9. Finance & Economics Working Group

Mr. Wayne Golding, Acting FEWG Chair, reported on the outcomes of the FEWG meeting held on 18 July. [Document: FEWG 32-044, *first draft*]

The Council took note of the report on the outcomes of the Dialogue on International Financial Reporting Standards (IFRS) held in Kazan in May. The Dialogue was fruitful and allowed an exchange of views between APEC and ABAC on aspects of IFRS. It also clarified the current situation and the challenges faced in implementing IFRS. The Council endorsed recommendations to support the implementation of IFRS, with further impact analysis to be undertaken on certain provisions and suitable adjustments made to ensure the standards track the economic reality of underlying transactions, and thus avoid negative business and economic impacts. The Council also endorsed the recommendations to establish a task force to study smooth implementation of IFRS to ensure appropriate communication among IASB, FASB, APEC and ABAC, and to undertake further dialogues between business groups and IASB/FASB on ways that would align IFRS principles with the interests of SMEs and other business groups, such as insurance companies, that would be affected.

The Council was informed that FEWG had discussed the internationalization of emerging economies' currencies. It was noted that the internationalization of such currencies could bring advantages such as faster development of regional financial markets/economies and foreign exchange risks. The Council endorsed recommendations urging APEC to: closely monitor the growing role of emerging economies' currencies in trade and investments, which are expected to become anchors in times of turmoil/crisis in the global financial markets and economies; enhance the stability of financial markets in the region by promoting expanded use of emerging economies' currencies for daily ordinary settlement for trade and investment through bilateral swap agreements as liquidity support by relevant authorities; and lead further development of Asian capital markets by promoting cross-border bond issuance denominated in emerging market currencies across APEC and reviewing how the Asian Bond Market Initiative can be developed further by emerging market currencies bond issuance across the region. It was agreed that the issue of emerging currencies should be an ongoing topic for 2013.

The Council took note of the report from ABAC Japan on the Senior Finance Officials' Meeting (SFOM) held in St. Petersburg in June, where ABAC's work on infrastructure and financial inclusion was discussed as well as its proposal for an Asia-Pacific Financial Forum (APFF). Note was made that, in the absence of objections from any participant, the SFOM Chair had concluded that ABAC's proposal to make APFF as the main topic of the ABAC dialogue with Finance Ministers in Moscow this August was approved.

The Council noted that FEWG had discussed the regional financial architecture project, in particular the proposal for APFF. Concerns were raised that it would be a duplication of other forums and that it required a clear set of objectives and agenda. Accordingly, it was proposed that a symposium be held to identify all of the issues and present back to Finance Ministers in

Indonesia in 2013. To support the Finance Ministers' endorsement of APFF, the Council agreed that a brief be developed and given to Finance Ministers prior to their meeting in Moscow in August.

The Council took note of the update provided on the research project relating to the promotion of health and retirement funds within APEC. The proposal seeks to support the implementation in regional policy and regulatory agencies of sustainable sound private pension funds and health systems while recognizing the capacities of individual developing regional economies. Two readiness indexes – for pensions and health – will be developed to help regional economies identify and remedy gaps and weaknesses in pension and health systems, commensurate with their economic development and financial capacities. Unfortunately, funding for the research project was not approved and hence alternative sources will now be identified.

The Council noted that FEWG had discussed the proposal from ABAC USA on the facilitation of business-related cross-border data flows. Some economies expressed concern and questioned what the problem being addressed was, raised issues of confidentiality, were not convinced it promoted trade, noted legal restrictions domestically on the transfer of data and the need to identify the economic benefits and the number of regulators involved. Some economies supported harmonization of data but were concerned about what actually was included in the definition of data. FEWG agreed to revisit the issue in Vladivostok and requested ABAC USA to provide a more neutral approach and identify a clear end game to this issue.

The Council was informed that the ABAC dialogue with APEC Finance Minister will be held in Moscow on 30 August. It was noted that the SFOM Chair agreed on the proposals from ABAC relating to the format of dialogue, subject to final approval by the Russian Finance Minister – informal and interactive; co-chaired by the Russian Finance Minister and the FEWG Chair; and focus on public and private collaboration in developing the region's financial systems, with APFF as the main topic.

Finally, the Council endorsed the Letter and Report to APEC Finance Ministers and the Advisory Group Report which will be annexed to the Report to APEC Finance Ministers, particularly recommendations on the APFF, financial inclusion, Asia-Pacific Infrastructure Partnership and the financing of innovation through angel and venture capital. [Documents: FEWG 32-036 and AGFSCB 32-037] The Council also endorsed the three research papers on infrastructure PPP, including payment to the consultant which authored the papers, namely: (a) Comparative study of legal frameworks to protect the long-term interests of pension funds investing in PPPs; (b) Comparative study of contractual clauses to provide for the smooth adjustment of physical infrastructure and services through the lifecycle of a PPP project; and (c) Best practice in design of PPPs for social infrastructure, particularly in health care and education.

10. Action Plan & Advocacy Working Group

Mr. Anthony Nightingale, APAWG Chair, briefed the Council on the outcomes of the APAWG meeting held on 18 July. [Document: APAWG 32-027, *first draft*]

The Council noted that APAWG had discussed the issue of how ABAC can optimize its leverage in APEC – in particular, how it can best tailor its input to APEC, what the resource implications would be, and how ABAC should address these challenges. It was noted that, while the ABAC Secretariat currently prepares papers/talking points for members attending meetings and presents on behalf of ABAC on some occasions upon the ABAC Chair's instructions, provides reports back and administratively supports the activities of ABAC members, there was an

absence of anyone to “follow” emerging and ongoing issues – aside from the ABTC – as was envisioned when the ABAC Liaison Representative System was created in 2008. It was suggested that a “chief advocate” assume responsibility for anchoring links into APEC, its secretariat, and into key APEC working groups. The “chief advocate” would also prepare papers supporting the input of members/staffers attending and presenting at APEC meetings, as well as advocating when required. The need to develop clarity on who ABAC targets in APEC was stressed as was setting clear priorities on which meetings/working groups/workshops/ministerials should be attended and presented to. It was noted that advocacy in APEC was facilitated by the practice of clustering large numbers of APEC meetings at one time in one city and that advocacy into ministerials would also be facilitated if these coincide with SOM clusters. It was agreed that a small task force be created to draft a formal proposal to be tabled at ABAC IV in Vladivostok.

On advocacy priorities leading to the Leaders’ Meeting in Vladivostok, the Council noted that aside from the four priority issues for 2012, ABAC Russia would be leading advocacy into a number of key ministerials including Transportation, SME and Finance Ministers. Materials being prepared for input to Ministers would be circulated to members on a timely basis and outcomes from the ministerials reported back to members, in particular if the outcomes had a bearing on discussions with APEC Leaders in Vladivostok.

The Council took note of the report from ABAC New Zealand on progress made in the PPFS and on exchanges with APEC officials, and outcomes, during the Workshops on Services liberalization and on Supply Chain Connectivity in Kazan, Russian Federation in May. On PPFS, this included discussion on how the PPFS agenda should be structured and prioritized going forward, and how ABAC should structure its “guardianship” role. It was agreed that detailed plans would be prepared to facilitate business input to PPFS, which in ABAC would be coordinated by the Sustainable Development Working Group. Advocacy on services liberalization would remain a priority. Work on supply chain connectivity would continue, with the immediate priority being completion and presentation of the findings of the Marshall School of Business research project in Vladivostok.

The Council was informed that APAWG had discussed how ABAC could win endorsement of its proposal for an Asia-Pacific Financial Forum to facilitate the integration and deepening of the region’s capital markets. It was noted that following the circulation and direct advocacy of ABAC’s letter/proposal on this subject to APEC Finance Ministers and Senior Finance Officials in June, there appeared to be in-principle endorsement of the proposal. It was agreed that ABAC would present the proposal at the dialogue with APEC Finance Ministers in Moscow at the end of August. To facilitate this, ABAC Japan would prepare a briefing paper for discussion and endorsement on the role, structure and operation of APFF and circulation, through the SFOM Chair, to APEC Finance Ministers by the end of July. The Council agreed that members, where possible, would meet with the senior finance officials and finance ministers in their home economies during the coming six weeks to emphasize ABAC’s strong endorsement of the proposal and to deal with any questions/concerns raised. The ABAC Secretariat would keep a record of ABAC member interactions with home officials for report back at ABAC IV.

The Council noted that APAWG had discussed advocacy into the APEC ministerials being held over the July-August period, which has been hampered by the dispersed location and timing of the ministerials. It was agreed that ABAC Russia would ensure that letters to ministers on key issues were effectively delivered, with the ABAC Chair and ABAC Executive Director assuming responsibility for delivery. It was further agreed that reports back to ABAC members on ministerial outcomes would be organized, in particular where these outcomes were material to

discussions planned in Vladivostok. Further consideration would be given to calling for ministerials to be held, where possible, during SOM clusters, and to the potential for ABAC to hold one of its meetings on the margins of a SOM cluster.

The Council took note of the advocacy priorities of ABAC's workings groups in the lead up to the Vladivostok meetings. Specifically, these include:

REIWG – services, Marshall School of Business report, supply chain connectivity (priority on data standards) and FTAAP (focus on TPP)

SMMEEWG – ICT for SMEs initiative and exploration of how the new ABAC Portal might be used to develop a detailed ABAC plan, and holding of SME Summits

SDWG – food security (outline ABAC's views on how PPFS work plan should be developed and role of ABAC Secretariat in managing secretariat responsibilities for PPFS) energy security, (focus on renewables, natural gas and energy efficiency), and achieving stronger focus on technology transfer

FEWG – APFF and internationalization of emerging markets' currencies

IDWG – forceful tabling of ABAC Letter to APEC Transport Ministers, including the letter being sent to relevant officials by members in home economies.

The Council noted that the ABAC portal developed by ABAC Brunei is now up and running in beta form. Members and staffers were encouraged to enter the portal, www.abaconline.net, to review how it currently operates in areas of interest and concern to them, both to alert the Brunei technical team to bugs or problems and to explore how the portal can be developed, focused, and optimally structured to serve the needs of ABAC members and staffers.

The Council was informed that APAWG had discussed advocacy at home and confirmed the value of the ABAC Newsletter and of briefings with relevant government officials. ABAC outreach into local business organizations and forums was encouraged, in particular through regular SME Summits and policy briefings on key priorities like the APFF, PPFS, services liberalization and supply chain connectivity. It was noted that a record of 20 out of 21 economies had met with home officials since the last meeting. Members agreed in principle on the need to reinforce advocacy activity in home economies, both into key areas of government and into business organizations.

11. Approval of the Draft Letter and ABAC 2012 Report to APEC Economic Leaders

The Council approved the draft letter, executive summary and main text of the ABAC 2012 Report to APEC Economic Leaders. [Documents: Program 32-021, 31-021A, and 31-021B, *final draft*]

12. 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 32-003]

13. *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 32-024. The group assignments of Leaders have been endorsed by the Russian Government while the group assignments of members were based on the draw held on 16 July. Discussions during the Dialogue will be based on the Letter to Leaders.

14. *Review of the Current Economic Outlook*

Mr. Wayne Golding, Acting FEWG Chair, commented on the economic outlook facing the region. He noted that while the World Bank forecast for global GDP growth for 2012 was at 2.5 per cent for 2012, the East Asian and Pacific developing economies were expected to grow at 7.6 per cent suggesting that latter will continue to hold up the rest of the global economy. Tensions emanating from the Euro zone represent the most serious downside risk to growth for these economies. Despite this, he noted that there is room for optimism with respect to Europe, with the Euro zone leaders endorsing far-reaching measures, including the creation of a single bank supervisor. On the trade front, he noted that global trade imbalances appeared to have stabilized at new, lower levels.

Organizational Matters

15. *Presentation of the Financial Performance for January-June 2012*

The Council took note of the report on the financial performance of the ABAC Secretariat for the period ended June 2012. [Document: Financials 32-003]

16. *Update on the APEC CEO Summit 2012*

Mr. Vladimir Androsik (ABAC Russia) provided members an update on preparations for the APEC CEO Summit 2012, which will be held in Vladivostok, Russian Federation on 7-8 September.

17. *Invitation to the Fourth ABAC Meeting for 2012*

Mr. Vladimir Androsik (ABAC Russia) invited members and staffers to the Fourth ABAC Meeting to be held in Vladivostok, Russian Federation, on 3-6 September 2012. An ABAC SME Symposium will be held back-to-back with the meeting on 3 September 2012.

Closing Plenary

18. *Expression of Thanks to ABAC Viet Nam*

On behalf of the Council and the ABAC Chair, Ms. Leyla Mamedzadeh, ABAC Executive Director 2012, expressed her sincere thanks and appreciation to ABAC Viet Nam for their warm hospitality and the excellent arrangements made for the meeting.

19. Closing Remarks by ABAC Viet Nam

Mr. Hoang Van Dung (ABAC Viet Nam) thanked all ABAC members and staffers for coming to Ho Chi Minh City.

20. Adjournment

There being no other matters to discuss, the meeting was adjourned on Thursday, 19 July 2012, at 10:30 a.m. by Ms. Leyla Mamedzadeh, on behalf of the ABAC Chair, with the concurrence of the Council.

ATTENDANCE

Chair

Mr. Ziyavudin Magomedov, Russia

Co-Chairs

Mr. John Prasetio, Indonesia

Members in Attendance:

Australia – Ms. Anna Buduls

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

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

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

China – Ms. Wang Lili, Dr. Yang Yunsong, Ms. Diane Wang*

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

Indonesia – Mr. Wishnu Wardhana

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

Korea – Mr. Ho-Gap Kang, Mr. John Koo, Mr. Jin Roy Ryu, Dr. Joon-Ho Lee*, Mr. Shin-Myung Son*

Malaysia – Tan Sri Azman Hashim, Tan Sri Dato' Ir. Md. Radzi Mansor, Tan Sri Dr. Ahmad Tajuddin Ali

Mexico –

New Zealand – Mr. Tony Nowell, Ms. Maxine Simmons

Papua New Guinea – Mr. Wayne Golding

Peru – Mr. Enrique Gubbins, Mr. Juan Raffo

Philippines – Ms. Doris Ho

Russia – Mr. Vladimir Androsik*, Mr. Georgy Oganov*

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

Chinese Taipei – Mr. Hong-Tu Tsai, Mr. Sidney Chow*, Dr. Steven Lee*, Mr. David Paul Sun*

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

United States – Ms. Monica Whaley*

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

* Alternate Member