

## 2012 THEME: ASPIRATIONS TO REALITY

# Focused but High-Impact Aspirations for All

*ABAC shifts to high gear in promoting a broader engagement towards free trade and innovative growth*

**(Hong Kong, China) 24 February** – The APEC Business Advisory Council (ABAC) convened February 21-24 at the Hong Kong Convention and Exhibition Centre, Hong Kong, China for the first of its four ABAC meetings in 2012, marking the successful start of the Russian year in ABAC under the leadership of the new ABAC Chair, Mr. Ziyavudin Magomedov of Russia,

“Central to our agenda this year is the goal of bringing economies closer together by tackling remaining barriers to the free flow of goods, services and investment and in developing collective responses to the shared challenge of the sustainability of economic growth,” said Magomedov.

ABAC urged the Asia-Pacific Economic Cooperation (APEC) leaders to avoid protectionist responses in light of the global economic challenges. It encouraged APEC to pursue policies and regulatory reforms that encourage trade and investment which will ultimately lead to a Free Trade Area of the Asia Pacific (FTAAP). It called for broader collaboration and negotiations among the economies in its pursuit of the FTAAP.

Under this year’s theme “Aspirations to Reality”, business leaders from the 21 APEC economies have agreed to prioritize key issues built on the work started last year in the areas of economic integration, food and energy security, infrastructure development, SMME growth, and fostering innovation.

ABAC discussed and identified barriers to technology transfer between APEC economies particularly in the issues of intellectual property, transfer pricing, and double taxation. Members agreed to adopt recommendations to address these concerns and include them in their letter to APEC Finance Ministers.

Strengthening food security is another topic widely discussed across ABAC working groups. Early this year, APEC created the



## Working Groups and Top Priorities for 2012

<p><b>1. Regional Economic Integration Working Group</b></p> <ul style="list-style-type: none"> <li>- Regional Economic Integration</li> <li>- Trade and Investment Liberalization</li> <li>- Services</li> </ul>	<p><b>4. Finance &amp; Economics Working Group</b></p> <ul style="list-style-type: none"> <li>- Stability of the Financial System</li> <li>- Regional Implications of G20 Developments</li> <li>- Financing, Longevity, Economic Inclusion for SMMEs</li> </ul>
<p><b>2. Sustainable Development Working Group</b></p> <ul style="list-style-type: none"> <li>- Food Security</li> <li>- Technology Transfer and Cutting Edge Technology Investment</li> <li>- Energy Security</li> </ul>	<p><b>5. SMME and Entrepreneurship Working Group</b></p> <ul style="list-style-type: none"> <li>- People Growth: HR Development in a Fast Changing World</li> <li>- Policies to Promote the Creation of New Businesses</li> <li>- Policies to Promote Longevity Growth of SMMEs</li> </ul>
<p><b>3. Infrastructure Development Working Group</b></p> <ul style="list-style-type: none"> <li>- Transportation and Supply Chains</li> <li>- Green Development, Water &amp; Eco Cities</li> <li>- Public Private Partnership Development</li> </ul>	<p><b>6. Action Plan &amp; Advocacy Working Group</b></p> <ul style="list-style-type: none"> <li>- Track Progress of ABAC Recommendations and Effectiveness</li> <li>- Develop Action and Advocacy Plan for ABAC 2012 Key Priorities</li> <li>- Identify and Enhance Linkages with APEC</li> </ul>

Policy Partnership on Food Security (PPFS), a public-private sector body tasked to develop policy recommendations and monitor progress in strengthening food security. ABAC is responsible for developing the framework and membership structure of PPFS and agreed in Hong Kong to turn over ABAC work on food security to the new committee, while continuing to manage and oversee its progress. The aim and expectation is that this dedicated stakeholders’ group from around the region will raise the priority of food security, and enable the timely development of more focused food security policies..

The meeting also launched discussion on securing financial stability in the APEC region, adopting a new services agenda, establishing reliable supply chains, and promoting economic inclusion. The Council

will focus on bottlenecks, threats and opportunities in these areas, developing concrete recommendations to submit to APEC Leaders in September.

In aligning the goals and initiatives of APEC and the region’s business community, APEC Senior Officials from 16 economies attended a highly productive ABAC-SOM dialogue on February 22. This strong collaboration with business in the development of the APEC work agenda is seen as a very positive development for business.

ABAC will hold its next meeting in Kuala Lumpur, Malaysia on May 21-24 to continue the discourse started in Hong Kong. ABAC aims to present to APEC leaders in Vladivostok in September a report detailing specific recommendations in which the APEC and ABAC’s shared goals might be achieved.



(left) Mr. Gennady Ovechko, APEC Senior Official from Russia, at the SOM 1 Meeting in Moscow. Photo courtesy of APEC

# The 2012 APEC Work Plan

In this Russian year, APEC is prioritizing trade and investment liberalization, food security, reliable supply chains and innovation

and investment in the region – remains the core APEC mission this year. Ongoing APEC focus on the Supply Chain Connectivity Framework aims to cut supply chain costs by 10 per cent by 2015, reducing time, cost and uncertainty of moving goods and services, said Ovechko. They are also aiming to set *de minimis* values that will exempt low-value shipments from custom duties and streamline entry documentation requirements.

APEC Leaders also committed to advancing **green growth** by targeting a new APEC-wide regional goal of reducing energy intensity by at least 45% by 2035, using 2005 as base year. Both ABAC and APEC are looking into models of energy-smart, low-carbon communities as best practices, and studying how energy efficiency can be incorporated in transportation, buildings, power grids, jobs, knowledge sharing, and education.

Mr. Ovechko also announced that this year APEC shall release a list of environmental goods and services (EGS) that will, by the end of 2015, be subject to tariff rates to 5% or less.

In its 2011 report to APEC, ABAC submitted a list of top barriers that **small, micro and medium enterprises (SMME)** face in trading in the region. Mr. Ovechko reported that the APEC SME Working Group is currently detailing specific actions to address the identified barriers. In addition, the Leaders have agreed on areas of cooperation that could be added in trade agreements to enhance SMME participation in global production chains.

Meanwhile, providing SMMEs access to finance remains a primary means of promoting inclusive and sustainable growth. This includes the possible development of a pilot Asia Region Funds Management Passport.

More work is being done in APEC's more than 20 working groups. The updates presented were some of the latest results of the First APEC Senior Officials' Meeting held in Moscow and Yaroslavl, Russia from January 30 to February 19 this year. ■

(Hong Kong, China) 22 February – The first ABAC meeting of the year is distinctive in bringing business leaders and the region's Senior Officials (SOs) together to compare policy priorities. This year's meeting was particularly timely, since the 16 SOs who came to Hong Kong flew in directly from Moscow, and the year's first full cluster of Senior Official meetings. The Senior Officials, led by Mr. Gennady Ovechko, APEC SO from the Russian Federation, focused on regional economic integration, sustainable growth, SMME & entrepreneurship development, and financial inclusion.

According to Mr. Ovechko, **regional economic integration** – in particular by expanding trade

## The New Services Agenda

*Services reform takes the global stage in APEC, WTO*



Photo source: Makati Business Club

24 February – Three months ago at the APEC Leaders' Week in Honolulu, ABAC submitted a comprehensive services trade study to APEC entitled "Services at the Heart of a Competitive Economy". It highlights the fact that the services sector, as a whole, has come to dominate the industry value-added in APEC economies. However, there exist some basic barriers that prevent trade in services and services reform such as market access, national treatment measures,

and most favoured nation barriers.

The ABAC paper proposes that APEC take three initial steps towards liberalizing services trade. It suggests that APEC launch a new and dedicated initiative specifically aimed at liberalizing and facilitating regional services trade and investment such as a "Services Only" round to supersede the Doha Round. It also advised APEC to create a tripartite "Services Liberalisation Expert Group" which will look at ways to improve the global governance of services trade and investment. Lastly, ABAC points out the need to improve the region's official statistics in services to reflect its real contribution to the region.

In response to the ABAC proposal, APEC has elevated its discussion on services trade in its working committees. The Policy Support Unit of APEC has also embarked on a project identifying chokepoints in services trade. This is expected to be completed by June 2012 and will be plugged into the ongoing ABAC-commissioned study of mapping out skills trade flows and in

highlighting the foreign direct investments (FDI) component in the growth of services.

Meanwhile, APEC Australia has incorporated ABAC suggestions in its Skills Mapping Initiative project proposal. It recognizes the need to address labour skills shortages as well as the importance of effective regional skills mobility. In the end, Australia's project aims to create a common methodology in skills mapping for individual economies and also provide region-wide signals for deepening skills shortages.

APEC is not the only international body that sees the need to reform services trade. However, with the DDA negotiations coming to a standstill, a number of ambassadors within the World Trade Organization (WTO) are pitching the need for a "Services Plurilateral" negotiation to expedite services liberalisation.

At least 16 WTO members, led by USA and Australia, are moving to craft an agreement within the WTO's General Agreement on Trade in Services but outside DDA on how various services commitments could be merged into a broader agreement acceptable to a "Friends of Services" group, which also includes the European Union, Japan, Canada, New Zealand, Switzerland, Norway, South Korea, Singapore, Hong Kong, Chile, Columbia, Mexico, Pakistan and Taiwan.

The first brainstorming session of the group was held in Geneva on January 18, so negotiations are still in their infancy. Under the GATS Article 5, select members of the WTO can enter into an agreement to liberalize services trade on the condition that parties notify the WTO and that it encompasses substantial sectoral coverage.

The movement for services reform is clearly a hot topic among businesses and governments, not just in Asia-Pacific but around the globe. Various initiatives are being pursued but each shares the same goal of making services a key factor in improving industry productivity and economies in this highly globalized and connected world. ■



# Strengthening Food Security through Technology Dissemination

## Balancing food production, consumption and distribution

**22 February-** Technological gaps among APEC member economies, in terms of food production, storage, logistics and transportation, processing, and inspection, cause food supply and distribution imbalances within the region.

Strong and proper technology dissemination from developed economies to developing economies is the key to ensure stable food supply, according to ABAC Sustainable Development Working Group chairman, Ning Gaoning.. Promoting technology dissemination in the APEC food sector will achieve the two-fold purpose of providing accessibility to consumers of the food they desire at affordable prices, and improving productivity of the food sector through region-wide availability of food-related technological advances, and efficient resource use.

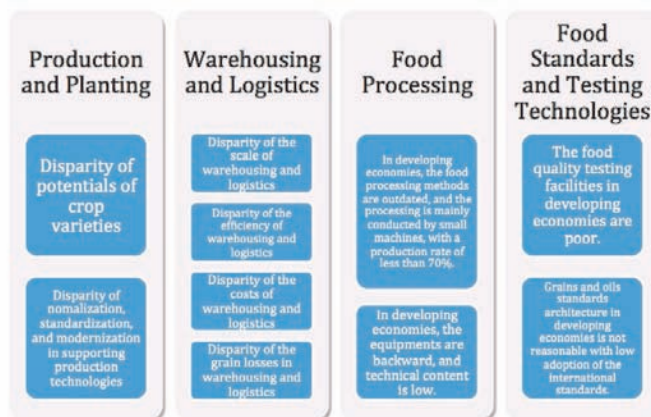
Having access to advanced tools in food production will help improve the comprehensive food production and processing capacity of developing nations. Furthermore, technological advancement translates to an effective use of food resources, increased product value added, and reduced waste of food resources. Advancement in all stages of food production results in increased food output and a stable food supply.

To speed up the transfer of technology, ABAC recommends a public-private cooperative mechanism that will specifically raise farmers' knowledge of grain production, processing, transport and storage technologies.

Specific initiatives regarding technology dissemination were suggested, including the development of a website for sharing information on agriculture technology, organizing workshops as platforms for agricultural technology transfer, and implementing a monitoring and management system to support investment on agricultural technology.

The APEC Food System, established in 1998, is a comprehensive approach to action in the food sector. Besides disseminating technological advances in food production and processing, it also tries to

### Technology gaps between Developed and Developing Economies in different stages of food production



address rural infrastructure development and trade promotion in food products.

This year, APEC created a Policy Partnership on Food Security (PPFS). Its long term goal is "the attainment of a food system structure by 2020 sufficient to provide lasting food security to APEC member economies." PPFS is the sole forum in APEC that "organically integrates" the private sector into its decision-making. This inclusive structure is designed to infuse business planning into the food security plan and to ensure Governments can mobilize the private sector's expertise.

The PPFS' first plenary meeting is scheduled to take place in late May in Kazan, Russia. The meeting will focus in organizational details, selective a private sector vice chair, selecting first areas of focus and preparing an initial statement from PPFS to the APEC Ministerial Meeting on Food Security. ■

## ABAC 2012



21-24 May  
**2nd ABAC Meeting for 2012**  
Kuala Lumpur, Malaysia

16-19 July  
**3rd ABAC Meeting for 2012**  
Ho Chi Minh, Vietnam

3-6 September  
**4th ABAC Meeting for 2012**  
Vladivostok, Russia

7-8 September  
**APEC CEO Summit 2012**  
Vladivostok, Russia

8 September  
**ABAC Dialogue with APEC Leaders**  
Vladivostok, Russia

# Entrepreneurship in Asia-Pacific

SMEs in the region gather at the APEC SME Summit 2012 in Hong Kong

**21 February** - The Asia-Pacific Economic Cooperation (APEC) held its 6th APEC Small and Medium Enterprise (SME) Summit at the Hong Kong Convention and Exhibition Center, Hong Kong today. Jointly organized by the Hong Kong Trade and Development Council and ABAC, the summit featured distinguished speakers such as Cher Wang, Chairman of HTC; Wang Shi, Chairman of China Vanke Company Ltd.; and William Fung, Executive Deputy Chairman of Li & Fung Ltd.

With this year's theme, "Entrepreneurship in Asia-Pacific", the program ranged from the characteristics of being an entrepreneur to taking advantage of financial support opportunities provided for by banks, venture capitalists and governments. The event also featured best practices on how big corporations promote entrepreneurship within their companies.

The summit emphasized the importance of SMEs in terms of employment and contribution to gross domestic product. Based on the latest data, SMEs are structurally important to APEC as they make up over 98% of businesses in the

region and provide around 60% of jobs in the private sector.

Cher Wang, ABAC Chinese Taipei member, described SMEs as "engines of the economy", saying that Asia is poised for strong SME development due to the "innovative, dynamic, big markets and local competition it provides". She also mentioned APEC's collective effort to help SME development. Because of the large contribution of SMEs, there is a firm commitment from APEC member economies to provide financial, training and technological support to budding entrepreneurs, as well as undertake initiatives to make them more globally competitive.

Banks, venture capitalists and governments provide different means of offering assistance to SMEs. Benjamin Hung, executive director and CEO of Standard Chartered Bank (Hong Kong) Ltd., said, "SMEs comprise a large portion of a bank's portfolio". Amidst the global financial crisis that began in 2008 continuing today, the support that the bank extended to SMEs doubled. Further, the crisis paved the way for the creation of SME insurance.



V Paul Lee, managing partner of Vanedge Capital, said that equity or venture financial is more of a partnership than simple financing. They invest in people and not just on the business idea. He said that venture capitalists are more interested in acquiring shares of the company and being involved in the decision making process. This is because venture capitalists are exposed to high risks but in return, high growth rates.

Michael Enright, business professor at the Hong Kong University, provided a regional insight regarding effective measures the government can take in support of SME growth. The effective modes, he said, includes access to information, financial technology transfer and human resource.

SME growth and development is one of the ABAC's key priority issues for 2012. ■

## APEC Travel Facilitation Initiative *More efficient and secure travel in the APEC region*



**24 February**- According to the International Air Transport Association (IATA), airlines moved 647 million people across the APEC region in 2009 and this number is expected to increase to one billion by 2014. The association forecasts that much of the worldwide growth of travellers, from 2.4 billion in 2012 to 16 billion by 2050, would occur in the Asia-Pacific region.

With this in mind, APEC has launched an ambitious travel facilitation initiative with the main goal of making international air travel easier and less stressful for the increasing numbers of passengers within the region.

A multi-year action plan, the APEC Travel Facilitation Initiative gives attention to streamlining passenger security screening, and immigration and customs processing upon arrival. It also aims to improve the movement of passengers through airports, and to speed delivery of check-in baggage – essentially making travel faster, easier and more secure.

Three stakeholders will benefit through this travel facilitation initiative. For the **travellers**, it would equate to an easier, more efficient and less stressful travel experience. For the **private sector**, it would mean operational and cost efficiencies, streamlined procedures, efficient utilization of infrastructures and a better environment for providing travellers an enjoyable experience. For **governments**, this translates to enhance ability to manage the flow of travellers while simultaneously ensuring high levels of security and border integrity. Implementation for this initiative will happen in six work streams:

### **APEC Airport Partnership program**

Government experts and private sector stakeholders working together with individual airports throughout the APEC region to share best practices and

build capacity on efficient and secure processing of travellers for international departures and arrivals.

### **Reaffirm support for efforts to enhance the APEC Business Travel Card**

APEC emphasizing its support for the ongoing efforts of the Business Mobility Group to enhance APEC Business Travel Card program as means of facilitating business travel.

### **Foster Network of Trusted Traveller Programs for Ports of Entry**

Exploring and supporting development of trusted travel programs for use at ports of entry across the Asia-Pacific region, as part of next generation efforts at travel facilitation.

### **Facilitation of Air Passenger Security Screening**

Exploring and addressing travel facilitation issues related to passenger security screening with the goal of fostering technologies and approaches that will increase travel efficiency and security in the region.

### **Advance Passenger Information**

With information in advance of travel, APEC economies could expedite the processing of legitimate travellers through ports of entry and focus on those requiring additional scrutiny.

### **Checked Baggage Facilitation**

Developing a public-private effort to explore ways to facilitate delivery of checked baggage to passengers when they arrive at their destination.

All five working groups expressed their support for this initiative. The first consolidated progress report on APEC-wide travel facilitation efforts will be reported during the concluding Senior Officials Meeting in September in Russia. ■