



ABAC BULLETIN

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Resolute Action Urged in Pursuing Bogor Goals

Ho Chi Minh City, Vietnam, 19 July 2012 – The members of the APEC Business Advisory Council (ABAC) convened in Ho Chi Minh City, Vietnam to finalize its recommendations and Report to APEC Leaders.

Viet Nam's State President Truong Tan Sang graced the meeting and addressed APEC business leaders, echoing the Council's sentiment regarding protectionism. "The world is still suffering from a sluggish economy, decreased trade and unstable finance and stalemate in the Doha round," said President Truong Tan Sang. "In that context, some economies tend to apply protectionist measures and commercial barriers. More than ever, APEC needs comprehensive, quick and determined actions, individually and regionally, to enhance alliance."

The business leaders representing the 21 APEC economies remain focused on emphasizing greater economic integration in the region while pursuing trade and investment liberalization and maintaining a robust growth trajectory toward achieving the Bogor goals. "ABAC calls for substantive progress to be made towards the 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," said Ziyavudin Magomedov, 2012 ABAC Chair.

With this year's theme, "From Aspirations to Reality", ABAC has undertaken significant studies and initiatives for and with APEC in the areas of regional economic integration, supply chain connectivity, infrastructure development, food and energy security, and innovative development including skills development and SME growth. One of these successful initiatives is the creation of the ABAC-proposed APEC Policy Partnership on Food Security (PPFS), a public-private sector body within APEC that has been created to tackle the core issues of food security in the region. ABAC Members welcomed the inaugural meeting of PPFS held in Kazan, Russia in May this year. Several attended the meeting, and expressed support for its working plans. The ultimate goal of the PPFS is to shape a food system structure by 2020 that will provide long lasting food security to APEC economies.

Another critical issue addressed in Ho Chi Minh City was the improvement of supply chains in the region. Picking up from the work ABAC started last year, ABAC is this year focusing primarily on

choke points in services, with the same aim – of achieving the APEC-wide target of ten percent improvement in supply chain performance by 2015. The Council also encouraged the greater use of global data standards and supply chain infrastructure technologies to help enhance competitiveness in the region through easier, cheaper and faster conduct of trade in goods and services across borders.

ABAC has given special attention in 2012 to innovative growth, with detailed work at the ABAC III meeting in Ho Chi Minh City. This work aims to promote effective technology dissemination covering SMME growth, energy and food security, and the development of eco-living cities and urban communities. Fostering innovative growth is, therefore, an overarching initiative that aims to identify and drive innovation and the sharing of innovative technologies, products and practices.

ABAC's 2012 Report and recommendations to APEC Leaders will be submitted and presented in Vladivostok, Russia in September. The Council will also be having a closed-door meeting with the Leaders on 08 September to discuss the key recommendations of ABAC this year. ■



Strengthening Food Security through Technology Dissemination and Infrastructure Development

Food security is one of the priority issues for the APEC Business Advisory Council this year. In the recently concluded meeting in Ho Chi Minh City, Vietnam, ABAC noted the great disparity between developed and developing APEC economies in terms of grain planting, handling, transportation, and port facilities. The Council believes that this divergence is primarily caused by current technological and infrastructure gaps between economies.

One major concern is that the advanced food production technologies possessed by the developed economies have not been effectively transferred to developing economies - thus causing great disparity in grain yield. Specifically, technological advances in grain yield contribute to only 50% in developing economies, which is 20% lower than that of the developed ones.

In terms of grain handling and transportation systems, developing economies have incomplete infrastructures, seriously limiting

efficient grain circulation. Furthermore, inadequate warehousing facilities, inappropriate models and layouts of grain depots, and insufficient grain transportation capacity and facilities contribute to great losses of grain and high cost. ABAC Members stressed the need for APEC member economies to collaborate in food related technologies and infrastructures.

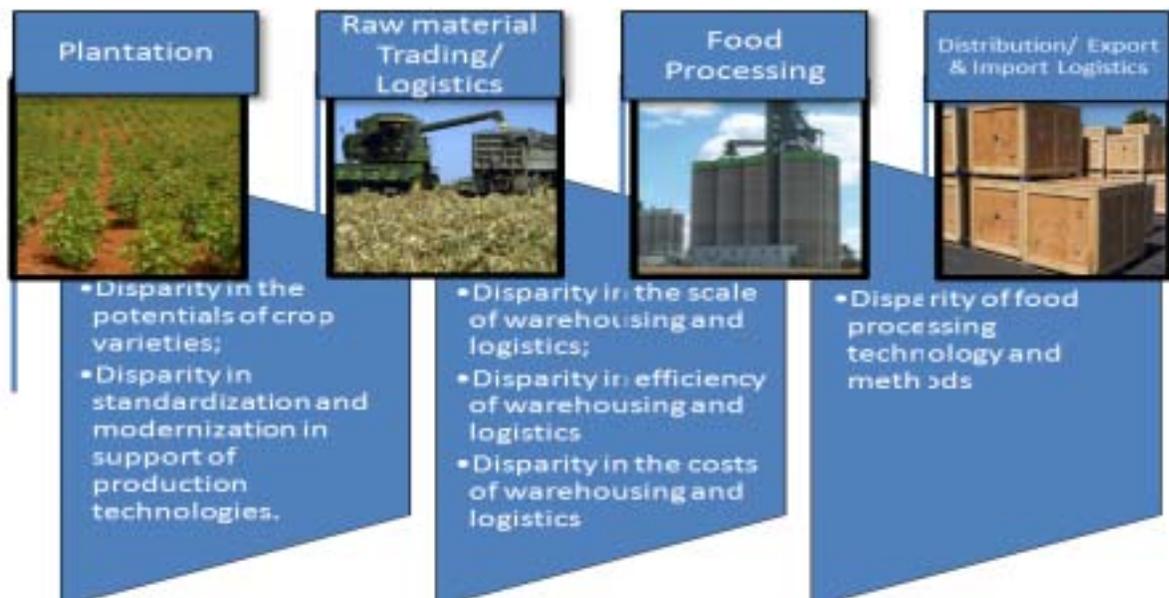
From a global perspective, the presentation by Mr. Bruce Blakeman, Vice President of Cargill (Asia Pacific) highlighted the worldwide challenge of addressing food security. He reaffirmed the critical role played by effective technology dissemination and infrastructure development in addressing the imbalanced geographical location of world food production and trade patterns.

In the 2010 Declaration on APEC Food Security adopted in Niigata, Japan called for acceleration in the processes of disseminating technology and developing infrastructure to strengthen food

security in the region. As a concrete APEC response to ABAC's calls, the APEC Policy Partnership on Food Security has been created, and had its inaugural meeting in Kazan last 28-29 May, 2012. The body aims to establish a food system structure by 2020 and provide lasting food security to APEC member economies. It plans to establish technology dissemination centers, as well as to design a framework for the development of food market infrastructure to minimize losses in the different stages in the production, consumption and distribution chain.

The PPFs will collaborate closely with international bodies such as the G20, G8, United Nations, World Economic Forum, and APEC Food Safety Forum on all food security matters.

| Policy Partnership on Food Security (PPFS) | | | |
|---|--|--|--|
| 2010 Declaration on Food Security (2010) | 2010 Policy Priority | 2010 Action Plan/Initiative | 2010 Outcome |
| <ul style="list-style-type: none"> Food Security/Policy Priority Enhanced cooperation in food and agriculture Strengthened food and agriculture trade and investment Strengthened food and agriculture trade and investment Strengthened food and agriculture trade and investment | <ul style="list-style-type: none"> Policy Priority: Food Security | <ul style="list-style-type: none"> Policy Priority: Food Security | <ul style="list-style-type: none"> Policy Priority: Food Security |



Source: Presentation by ABAC China (Ho Chi Minh City, 17 July 2012)



Public-Private Partnership in Developing the Region's Capital markets

As North America and Europe struggle to contain and recover from the impacts of the global economic downturn, the rest of the Asia Pacific's capital markets, especially in the emerging economies, are poised for rapid growth if further developed.

In its 3rd 2012 Meeting held in Ho Chi Minh City, ABAC noted that the region's capital market infrastructure is currently inadequate in supporting the region's growth potential. In particular, it is insufficient in developing Asia's urban infrastructure and facilities needed for health, education, and the retirement of ageing populations. To address this, the Council has agreed to stress to APEC Leaders the importance of developing, strengthening and integrating the region's capital markets, and to allow these to fully support the financing of the region's economic and social needs.

In building stronger capital markets in Asia Pacific, the Council

proposes APEC economies to focus on the three undertakings. First is to accelerate the development of most of the region's financial market needs such as debt securities and derivatives markets. In the Council's view, this will address the fundamental problem of over-reliance on bank funding in the region. It also suggests the further development of regulatory frameworks for credit rating agencies, pension funds and insurance industries which are all vital for the effective deployment of capital.

Second, in the area of efficiency, ABAC believes that operating simultaneously in multiple markets can still be made easier and less costly through convergence in standards and regulations. Such collaboration should aim to facilitate integration among the region's markets and to set common standards and practices in shaping global financial regulatory reforms. To strengthen this, ABAC believes that APEC should extend part-

nerships with the G20, in collaboration with international financing institutions and key organizations such as the Basel Committee and the Financial Stability Board, among others.

Lastly, ABAC stressed the need to develop regulations and market infrastructure to facilitate cross-border transactions.

In taking up these challenges, ABAC proposes a collaborative framework named the **Asia-Pacific Financial Forum (APFF)** which is envisioned to serve as a platform for public-private sector collaboration on developing robust financial markets across the region, and in shaping global financial regulatory reforms.

The Council has submitted to APEC Finance Ministers and Leaders its detailed proposals to develop and create APFF. This has won initial support of several Finance Ministers. The ABAC proposals are tabled for discussion at the APEC Senior Finance Officials Meeting (SFOM) in Moscow at the end of August and decision at the APEC Leaders' Week in Vladivostok, Russia early in September. ■

Facilitating Innovative Growth across Borders: Creating New Business and Business Models

ABAC recognizes the contribution and importance of micro, small and medium enterprises (SMMEs) in the region's economy. In terms of employment, SMMEs contribute around 60 to 65% of total employment in the Asia Pacific region, generate about 40 to 45% of the region's GDP, and make up a quarter of the region's total exports.

Due to the significant composition of SMMEs in the economy, several initiatives are aggressively pursued to foster the growth and development of the SMME sector. One of the major thrusts is to develop policies that would encourage the creation of new businesses and business models.

In tackling barriers that may hamper SMMEs from taking advantage of cross-border strategic alliances, ABAC hopes to facilitate innovative growth in the sector through expanded access to financing and

information technology. Concretely speaking, this can be done by enhancing industry and business information exchange, enabling growing enterprises to become more competitive. The Council seeks to foster awareness through the creation of International R&D and Innovation Strategic Alliances.

In addition, there should be support for policies that facilitate cross-border human capital flows. This will encourage knowledge and skills spillovers as people are less restricted in moving across borders. At present, ABAC is supporting studies that aim to identify policies that foster innovative growth and the utilization of resources for cross border innovative alliances.

Other ABAC and APEC initiatives supporting SMME growth include capacity building and raising awareness of thriving entrepreneurs

that succeed in doing business across borders by using information and communication technology (ICT) tools. E-commerce platforms and online portals such as APEC Next Generation Interactive Tariff Database and the APEC Services Trade Access Requirements (STAR) Database are designed to facilitate freer flow of data and information for traders and investors, thereby opening global markets to smaller enterprises.

ABAC is encouraging both the private sectors and governments to get involved in funding SMMEs by improving access to financial markets such as angel and venture investment capital. The Council believes that these initiatives will strengthen APEC SMMEs' participation in the global market, enabling them to grow and further contribute to the region's economic growth. ABAC leaders hope to bring these discussions to APEC leaders in Vladivostok, Russia meeting in September. ■



Improved Integration through the APEC Supply Chain Connectivity

Regional economic integration, and achieving the Bogor Goals, remain the top concern of ABAC in its recommendations to APEC Leaders this year. According to the Council, the growing global uncertainty brought about by the Eurozone crisis calls for the urgent need to accelerate trade and investment liberalization while avoiding the traps of protectionism.

One of the concrete steps towards liberalization is the enhancement of supply chain connectivity. This means taking an inventory approach to supply chain chokepoints and giving importance to data standards for more transparent connectivity. Through the APEC Supply Chain Connectivity Framework, all member economies strive to achieve a 10% improvement in supply chain performance by 2015. This simply means less time, cost and resources to deliver goods and services across borders. The framework identifies eight chokepoints that businesses rank as highly significant to the smooth flow

of goods and services throughout the APEC region. It also provides action points to be taken to address such barriers.

Mr. John Keogh, Director of Product and Consumer Safety at the GS1 Global Office in Brussels, gave a comprehensive presentation on how global data standards can provide transparency to supply chains during the ABAC III Meeting in Ho Chi Minh City. The adoption of these global standards can help address one of the pressing concerns of businesses in supply chain connectivity, and that is the lack of transparency. With its three-step approach of "Identify, Capture and Share", GSI uses global data standards to reduce trade of counterfeit goods, improve traceability along the food supply chain, and help measure the ease of doing business.

Mr. Tony Nowell of ABAC New Zealand, and chair of the Regional Economic Integration Working Group,

recognized the need for such transparency and agreed that ABAC should formulate a proposal aimed at achieving comprehensive acceptance and implementation of global data standards in supply chains on a region-wide basis. ABAC also advocates for the harmonization of customs requirements and procedures, including the single window concept and the use of integrated satellite navigation systems. ■

APEC Supply Chain Connectivity Framework

