



Asia-Pacific
Economic Cooperation

ABAC BULLETIN

APEC Business Advisory Council is the official voice of business in APEC



8-11 July
Third ABAC
Meeting
Kyoto, Japan

2 - 5 October
Fourth ABAC
Meeting
Bali, Indonesia

5 - 7 October
APEC CEO
Summit
Bali, Indonesia

7 October
Dialogue with
Leaders
Bali, Indonesia

Partnership, Resilience and Building Bridges to Growth

(Singapore) 3-6 April 2013 – Coming together in the sophisticated convention center of the Marina Bay Sands in Singapore, the APEC Business Advisory Council (ABAC) tackled head on some of the most important economic issues affecting the continued growth of the Asia Pacific region. As the business sector counsel of APEC, ABAC's goal is to develop a set of useful recommendations on APEC-related issues and present these to the APEC Leaders in October 2013 in Bali, Indonesia.

In its second meeting this year, the business representatives from the 21 APEC economies tackled a number of issues prioritised by APEC, including the 'blue economy', highlighting aquaculture; and promoting innovation to enhance the economic benefits to small scale farmers whilst conserving marine ecosystems of the region.

To advance the issue of SMME finance, ABAC agreed to establish a framework improving SMME access

to finance, modelled on completed ABAC projects, including the Strategic Frameworks for Food security and for Energy Security.

ABAC's level of participation in APEC activity has significantly increased in the past two years as areas for open dialogue between APEC governments and ABAC have grown. Ongoing collaborative works of the APEC Senior Officials and ABAC are directed in the areas of infrastructure and investment, corporate social responsibility, services trade and investment, and on clean, renewable energy and sustainability.

The Council has also taken the lead in forming public-private policy partnerships with APEC Senior Officials on food security, women and the economy, and on science, technology and innovation (STI). These bodies of cooperation are currently developing specific plans to address their concerns. One of these, the APEC Policy

Partnership on Food Security (PPFS), convened in the margins of ABAC 2 in Singapore to complete its operational plans and develop a Food Security Roadmap 2020. Platforms like these enable business representatives to provide constructive input from the policy formation stage to the implementation stage.

ABAC also examined its proposed structure and process in creating an Asia-Pacific Financial Forum (APFF), a platform aimed at the development and strengthening of the region's financial markets. ABAC members, APEC Finance Ministers and officials from financial institutions agreed to meet early in April in Sydney, Australia, to polish details of the ABAC-proposed APFF.

ABAC will meet again on 4-6 July in Kyoto, Japan to finalize their policy recommendations to APEC Leaders for this year. ■

Business Anxiety Surrounds New Financial Regulations

(Singapore) 5 April 2013 – The global financial crisis pushed some economies and regional blocs to revise various financial regulations to create stable and sound financial systems. But some of these revisions, embodied in Basel III, the US' Dodd-Frank Act and the European Union's Financial Transactions Tax (FTT) are creating anxiety from the APEC business community.

In 2011, ABAC wrote to APEC Leaders and to the Basel Committee and the International Organization of Securities Commissions expressing concern over the negative impact of the proposed Basel III to SMMEs and trade financing.

Today, concerns remain on impacts on bank liquidity, as well as the availability of high quality collaterals, an increase in its cost of capital, and the rise of bank lending margins reflecting increased costs. In this scenario, one of the unintended consequences feared is the worsening trade finance conditions and financing access for SMMEs.

Already in the first three quarters of 2012, the volume of trade finance was

8% lower than the same period in 2011 with banks in the west trending strongly downwards. "If the cost of capital of low-risk/low-margin activity like trade finance is the same as higher risk/higher-margin activity, the banks could naturally move towards not trade finance but higher-margin business," says Yoshihiro Watanabe from ABAC Japan during the FEWG meeting in Singapore. In addition, worries surround its negative impact on infrastructure finance and foreign currency bond issuance.

ABAC is also concerned about the US' Dodd-Frank Act and the EU FTT. Section 619 of the Dodd-Frank Act, known as the Volcker Rule, prohibits banking entities to "engage in proprietary trading" and in "acquiring or retaining ownership interest, sponsoring or having certain relationships with hedge funds, private equity funds or certain other private funds, subject to certain exemptions." The Council believes that this will be an impediment to the development of financial markets and would distort financial markets. The Council is also

worried that provisions of the Act would lead to discrimination against non-US entities.

The EU FTT has laws that also extend to the jurisdiction of other states. The EU FTT is a group of 11 EU member states that want to impose a 0.1% tax on equity and debt transactions, and a 0.01% charge on derivatives transactions –impositions that will occur in every step of the transaction which would result to a significant increase in costs. Double taxation is another concern if transactions involve institutions and companies outside the EU FTT.

ABAC members agreed to communicate their concerns to APEC Finance Ministers and to the Chair of the G20 Meeting calling for the responsible committees to consider the cross-border and extraterritorial effects of these financial regulations. Further, ABAC plans to work with APEC to enhance capability-building and promote SMME trade financing amidst these new financial regulations. ■

WTO 'Doha Package' Emphasized in ABAC Letter to Trade Ministers

(Singapore) 6 April 2013 – The World Trade Organization (WTO) is the cornerstone for underpinning global trade and regional economic integration and, as such, its mission to develop a tangible "package" of Doha-related decisions must be achieved as soon as possible, says ABAC in its Letter to APEC Ministers Responsible for Trade (MRT) released today.

The Council expressed its support to APEC Ministers "with global and regional advocacy on the primacy of the WTO's rules-based mechanism", and urged Indonesia, as this year's host to both WTO and MRT meetings, to provide strong leadership for the successful conclusion of the negotiations.

ABAC closely monitors progress made towards economic integration in the region, keeping specific watch on three pathways to the Free Trade Area of the Asia Pacific (FTAAP), which are the Trans Pacific Partnership (TPP), the Regional

Comprehensive Economic Partnership (RCEP), and the emerging Pacific Alliance.

But as negotiations progress, ABAC believes that APEC Ministers should create and expand opportunities for foreign direct investment (FDI) to flow in the region. ABAC urges both government and business to reach out to their communities to explain the benefits of FDI for local economic growth and job generation.

On services liberalization, the business sector is monitoring the new plurilateral negotiations progressing in Geneva with hopes that the rules being developed will be complimentary to the Doha Round. ABAC is pressing for the removal of barriers to trade in services. On April 17, ABAC members will be meeting with APEC Senior Officials for an upcoming special public-private dialogue on services, followed by a public forum on April 19 in Surabaya, Indonesia.



For bigger strides in this advocacy, ABAC hopes that Ministers would consider forming a Services Experts Group that would form recommendations to improve global governance of services trade and investment.

Another issue at the heart of the APEC goals is connectivity – that is, the physical movement of goods, people-to-people connections, and institutional development. Re-aligning regulations to establish consistency and to develop the soft and hard infrastructure needed would require the partic-

ipation of the private sector, both for investments and innovation. In line with this, ABAC is submitting a specific set of recommendations, such as using global product data standards and supply

chain infrastructure technologies, to improve efficiency in movement of goods in the region.

ABAC members attending APEC meetings in Surabaya this month will

be presenting highlights of its positions and recommendations to the Ministers of Trade. ■

Japan seeks to join TPP, RCEP and the Pacific Alliance Gain Momentum

(Singapore) 5 April 2013 – Different pathways to the Free Trade Area in Asia Pacific (FTAAP) are being pursued by APEC economies, and each have reported encouraging progress on the negotiations.

Negotiators of the Trans Pacific Partnership (TPP), a comprehensive and ambitious agreement being developed by 11 countries from three continents, aspire to complete a deal by October 2013 in the margins of APEC Leaders Week in Bali, Indonesia. Elizabeth Chelliah, Singapore's Deputy Director of International Trade, reported to ABAC today that about seven chapters have been concluded while a few more are "largely completed pending resolution of other elements in the package."

Last month's announcement of Japan to join the TPP negotiations has

been welcomed by ABAC, which is tracking the talks through its "ABAC for TPP" grouping. However, ABAC for TPP retains doubts on whether negotiators can hit timelines given the complexity of the negotiations combined with the last-minute accession of Japan. Ms. Chelliah stressed that the TPP Leaders continue to target completion of negotiations in October.

Another FTAAP pathway being developed is the Regional Comprehensive Economic Partnership (RCEP) between the 10 ASEAN nations plus Australia, China, India, Japan, New Zealand and South Korea. According to Quah Zubair, Singapore's Deputy Director of the Ministry's ASEAN Division, RCEP will be comprehensive and high-quality, delivering substantial improvements on existing ASEAN+1 agreement on goods,



(left) Quah Zubair, Singapore's Deputy Director of the Ministry's ASEAN Division; (right) Elizabeth Chelliah, Singapore's Deputy Director of International Trade

services and investment.

RCEP's Guiding Principles were laid out in December 2012, and the first round of negotiations will commence on 9-13 May 2013 in Brunei. The Partnership includes more than 3 billion people and has a combined GDP of about \$17

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	TPP	RCEP	Pacific Alliance
Membership	Australia, Brunei, Canada, Chile, Malaysia, Mexico, New Zealand, Peru, Singapore, USA, and Viet Nam For confirmation: Japan	Brunei, Cambodia, Indonesia, Laos, Malaysia, Philippines, Singapore, Thailand, Timor Leste, and Viet Nam (ASEAN) + Australia, China, India, Japan, New Zealand, and South Korea	Colombia, Chile, Mexico, and Peru
Coverage	Goods, Rules of Origin, Customs, SPS, Technical Barriers to Trade, Trade Remedies, Government Procurement, Competition Policy, Cross-Border Services, Business Mobility, Financial Services, Telecommunications, Electronic Commerce, Investment, Intellectual Property, Labour, Environment, Cooperation and Capacity Building, Legal and Institutional Issues, Horizontal Issues (e.g. REI, regulatory coherence, development and transparency, SMEs, supply chain)	Goods, Trade in Services, Investment, Economic and Technical Cooperation, Intellectual Property, Competition, Dispute Settlement and other issues	Cooperation, Services, Investments, Movement of Business People and Facilitation of Migration Transit, Technical Barriers to Trade, Trade Promotion, Institutional Matters (Dispute Settlement), Intellectual Property, and Regulatory Reform
Progress and Timeframe	The next meeting of TPP Ministers will be held in Surabaya, Indonesia on 20-21 April 2013. Target conclusion: October 2013	The first round of negotiations will be held in Brunei from 9-13 May 2013 Target conclusion: end-2015	The next Presidential Summit will be held in Cali, Colombia on May 2013. Target conclusion: mid-2013

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trillion. Together, RCEP member economies make up about 40% of world trade.

A third pathway to FTAAP has recently been recognised – the Pacific Alliance Framework, composed of Chile, Mexico, Peru, and Colombia. Together, this bloc would form the 9th largest economy in the world, and the 2nd largest economy in Latin America. The

four nations also comprise 35.8% of total Latin America and the Caribbean population and half of LAC trade.

Formed in June 2012, the Pacific Alliance negotiators meet almost every month to set agreements on the free movement of goods, services, capital and people. ABAC Peru reports that tariff negotiations were concluded last

month, while other issues are expected to be settled by the middle of this year.

In its letter to Ministers Responsible for Trade, ABAC reiterated its key message encouraging Ministers to ensure that these FTAAP pathways “remain compatible with the ultimate goal of achieving an FTAAP and the spirit of APEC-wide cooperation”. ■

ABAC keen on APEC engagement for SMME Financing

(Singapore) 3-6 April 2013 – At the APEC SME Summit held in Singapore during the ABAC meeting, Peru’s Juan Francisco Raffo stressed the key role that SMEs play in the economic growth in the region. SMEs represent over 95% of total private establishments, and more than 60% of total employment in the APEC region. Despite the number of entities and personnel employed, they are not catching up in terms of generating value added. The sector contributes only about a quarter of total exports in each economy which represents more than 45% of the APEC region’s GDP.

Realizing this potential, the Small, Micro and Medium-sized companies and Micro-enterprise Entrepreneurship Working Group (SMMEEWG) focused on addressing the barriers to SMME growth and expansion, in particular SMMEs’ access to finance. ABAC Canada proposed to work on an APEC framework for SMME financing that aims to establish compelling arguments for government to support policies that improve SMME access to bank financing – regulatory changes, and capacity-building programs to meet the banks’ requirements. The framework should likewise encourage private and institutional investors to in-

vest in SMMEs, and eventually empower themselves through start-up programs, information on financing options, and SMME trade financing initiatives, among others.

The proposed project follows the precedent set by completed ABAC projects such as the Strategic Framework for Food Security and the Strategic Framework for Energy Security in APEC. ABAC China and Malaysia agreed to support and work jointly on the initiative.

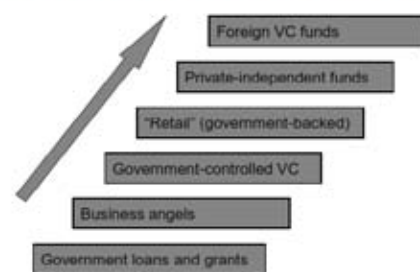
One of the policy developments in promoting the sustainability of small- and medium-size businesses recommended in 2012 was the development of private-public partnership mechanisms that would help governments catalyse angel and venture capital for SMMEs. This was championed by ABAC Canada, which proposed that ABAC should explore and eventually develop an APEC oriented Fund of Funds to create a sustainable venture capital ecosystem.

Inspired by successful venture capital markets – Silicon Valley, Boston, Singapore and Israel, that had government support during its early days, ABAC Canada reported on their Venture Capital Action Plan that made use of direct investments by the Canadian govern-

ment and leveraged these with banks and institutional funds to seed and fund ventures.

To ensure sustainability of SMME financing, ABAC Canada outlined recommendations that will be presented in ABAC 3 in Kyoto, including government funding (with ADB, IMFL, etc.) and incentives to encourage participation of banks, private enterprises and institutions. These incentives could include tax incentives, first in-last out commitments by government to provide downside protection, and potential buyout of government at pre-established rates of return to leverage upside. ■

SNAPSHOT OF VC IN CANADA



Government has historically used a host of instruments to support this ecosystem

VANEDGE Capital

ABAC initiative on Blue Economy centers on Aquaculture

(Singapore) 4 April 2013–Tasked with strengthening food security and promoting the growth of the blue economy, among others, the Sustainable Development Working Group (SDWG) listened to and discussed a presentation by ABAC Australia on the role of aquaculture in the blue economy.

Dr. Nigel Preston from the Australian Commonwealth Scientific and Industri-

al Research Organisation (CSIRO) presented an innovation to enhance the economic benefits to small scale farmers whilst conserving marine ecosystems. The presentation revealed how between 25-30% of marine fish that could be eaten by people was being consumed instead in shrimp and fish farms in the form of fish oil and fish meal. CSIRO is calling for the development of cost-effective

alternatives. The study also addressed the lack of effective disease management technology, which poses a huge risk particularly in small-sized farms. In response to this, CSIRO has developed the technology to convert waste products from terrestrial plants into aquafeed ingredients leading to higher and disease resistant yields, with no adverse impact on adjacent environments.

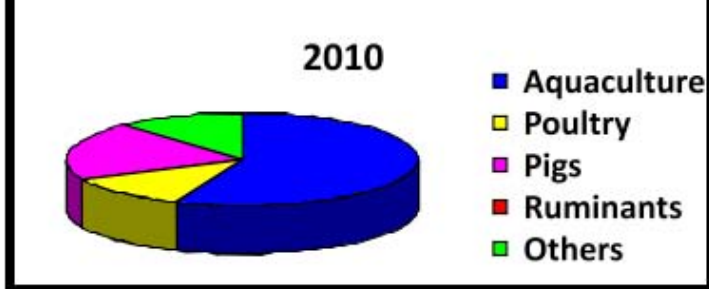
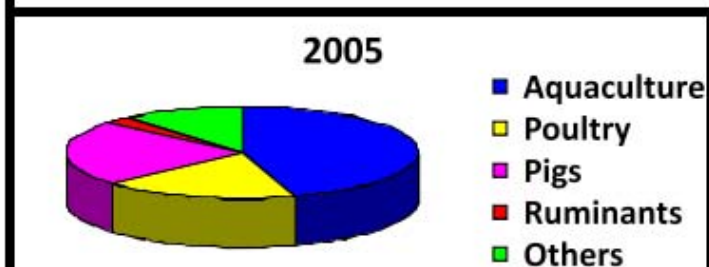
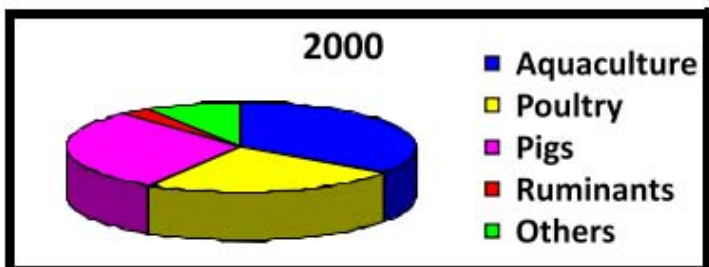
ABAC New Zealand identified environmental protection standards as the greatest potential barrier to growing aquaculture in their country, asking at the same time how forestry and horticulture biomass could be integrated into the feed stream. ABAC Thailand on the other hand was interested on how small farmers could access the new technology and techniques, and on what role government could play to overcome intellectual property barriers.

Dr. Preston said that the key in dealing with environmental issues is rigorous discussion with government agencies, as well as the adoption of strict zoning. He added that horticultural and forestry biomass for aquaculture is technologically feasible if done with care. On IP barriers, the study noted that the aquafeed ingredient was commercially available, and that precisely was among their recommendations – the development of technology on how to achieve dis-

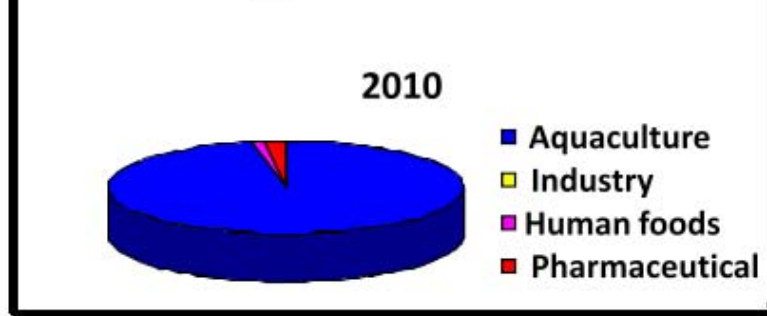
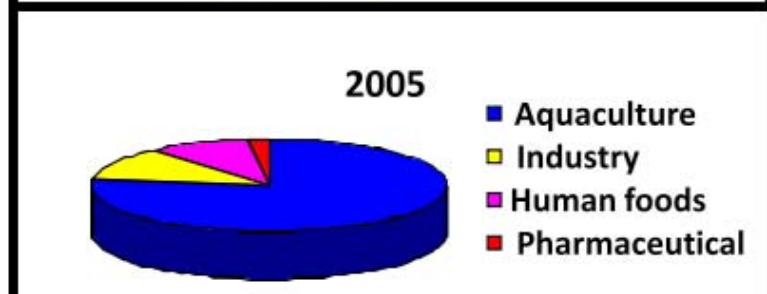
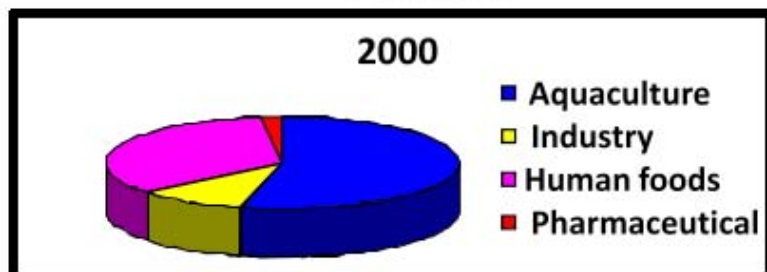
ease free species in aquaculture industries using sustainable alternatives, and ensuring access of such innovation and technology particularly to small scale farmers.

The SDWG is pressing for the issues raised by the CSIRO study to be presented to APEC officials, ideally in the newly-created Policy Partnership on Food Security (PPFS) which will meet in Medan in June. ▪

Fish meals



Fish oils



Source: Australian Commonwealth Scientific and Industrial Research Organisation (CSIRO)