



Asia-Pacific  
Economic Cooperation

# ABAC BULLETIN

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

2nd Quarter 2014  
The official Newsletter of ABAC



July 7-10  
ABAC 3 Meeting  
Seattle, USA

November 4-7  
ABAC 4 Meeting  
Beijing, China

November 8-10  
APEC CEO SUMMIT  
Beijing, China

## ABAC Prepares Report to APEC MRT, Calls for Renewed Focus on FTAAP

(Santiago, Chile) 7 May 2014 – Held against the backdrop of the majestic Andes Mountains in Santiago, Chile, this year's second meeting of the APEC Business Advisory Council (ABAC) welcomed new initiatives from ABAC members, including topics on mining and disaster-resilient infrastructure, and discussed progress on work relating to SMME financing, the movement of workers, and global data standards for pharmaceutical products.

At the start of the four-day meeting, the ABAC members immediately discussed APEC China's proposal which seeks to refocus efforts on the overall vision of a Free Trade Area of the Asia-Pacific (FTAAP) now that negotiations of various pathways are well underway. These pathways include the Trans Pacific Partnership (TPP), the Regional Comprehensive Economic Partnership (RCEP), and the recently concluded Pacific Alliance. In particular, the proposal seeks to analyze

the challenges and difficulties in realizing FTAAP, and to develop concrete measures and feasible options to address these.

For their part, the business leaders noted the fast-approaching deadline of the Bogor Goals, an APEC commitment to achieve free and open trade and investment by 2020, and suggested that APEC considers adopting a "top down" approach in the FTAAP process. The identified pathways each face their own set of challenges in terms of political direction, membership coverage, and level of ambition and speed; and ABAC saw the need to articulate the overall vision of FTAAP at this crucial time. The Council agreed to support the proposal and expressed this in its 2014 Letter to Ministers Responsible for Trade (MRT). "We would welcome concrete steps towards the realization of an FTAAP such as developing a roadmap, a timetable, and a feasibility study," said ABAC Chair Ning Gaoning.

The FTAAP was first introduced by ABAC at the APEC Leaders' Meeting in Chile ten years ago. Chilean President Michelle Bachelet reminded the Council of this fact when she graced an ABAC luncheon, and went on to state Chile's unwavering commitment to the FTAAP goals. "Chile believes in free trade, in the exchange and cooperation between the nations of the Pacific from the beginning of our history," she said. "This is a history that we will continue to honor."

The Council also deliberated on the direction of its services agenda particularly in the promotion of the efficient movement of workers in the region. "The problems of skills shortages and mismatches in the region are becoming more acute and damaging to business competitiveness and efficiency," says ABAC Philippines member Doris Ho. This led ABAC to endorse the idea of developing a framework and a governance structure that would effectively manage the movement of temporary

continued from page 1 (ABAC Prepares Report to APEC MRT)...



ABAC 2014 Chair Frank Gaoning addresses members at the ABAC 2 Plenary

contract workers. The members are keen on working with APEC in exploring this proposal and have agreed to present this to the APEC Human Resource Development Working Group for consideration.

Meanwhile, the Finance and Economics Working group is focused on issues directly related to ways that advances integration of financial markets and facilitating improved infrastructure connectivity in the APEC region. In Santiago, the FEWG discussed four major work areas: international valuation standards, financial inclusion, work streams under the Asia-Pacific Financial Forum, and the ongoing talks with APEC governments under the Asia-Pacific Infrastructure Partnership.

In addition, the FEWG discussed next steps in its multi-year program

aimed at promoting measures to encourage investment flows in the region. The Council agreed to put forward the idea of establishing a high-level APEC Regional Investment Analytical Group (RIAG) which would foster the use of better quantitative analysis and policy benchmarking of investment policies related to attracting foreign direct investment. The proposed RIAG is envisioned to provide report and recommendations which could be reviewed by ABAC and recommendations submitted to APEC Leaders and Finance Ministers.

These were among the issues highlighted in ABAC's 2014 letter and report to the APEC Ministers Responsible for Trade (MRT) which was drafted and finalized in this meeting. The business representatives also stressed the importance of building new, high quality regional and domestic infrastructure for connectivity. "This coordination matters to business investors and users," ABAC states in the letter. It adds, "It will help to increase the pipeline of viable infrastructure projects, strengthen quality transportation networks and enhance global value chains."

The report to APEC MRT is one of the reports submitted to APEC ministers building towards the submission of a letter and report to APEC

Leaders in November 2014 in Beijing, China. ■



President Michelle Bachelet of Chile addressing an ABAC luncheon in Santiago.

## Deeper Business Engagement in APEC Mining Talks Sought

6 May 2014 – The agenda of the ABAC's Sustainable Development Working Group in Santiago took a surprising new shape as members presented new initiatives related to the mining sector. The contribution of mining to the region's economic growth was reviewed and it was noted that in spite of its relative importance, the sector has received limited attention in APEC in the past few years.

A day before the SDWG meeting, a number of ABAC members and staffers had a dialogue with APEC Mining Task Force (MTF) Chairman Rodrigo Urquiza who welcomed business sector's interest and participation in the APEC MTF. He shared that the priorities of the task

force this year are centered on responsible mining and investments on mining and, therefore, it is critical for regulators to hear from the industry.

ABAC raised the proposal to organize a Mining Industry Forum in Beijing in late-June this year to engage the industry players with the ministers and MTF delegates. Mr. Urquiza expressed his support to this idea and has committed to discuss this to his peers in the task force.

To add value to this discussion, ABAC has also endorsed a mining study which aims to leverage existing economic data and studies, convey business sector perspectives through interviews, and cement mining discussions in the APEC

fora. In order to achieve this, the study will analyze current and future potential of the mining sector in the region and identify its socio-economic impact on APEC economies. It will also present best cases of responsible and sustainable mining practices, and draft regulatory and policy recommendations for APEC consideration. A draft report will be presented in ABAC 3 meeting in Seattle, and is targeted to be completed and presented to the APEC Leaders in November. ■



## ABAC Explores Internet Supply Chain Financing for SMMEs Online

5 May 2014 – Promoting innovative ways to facilitate the increased participation of small, micro and medium-sized enterprises in the regional supply chain remains to be a key focus of ABAC this year. An important element of this work is to explore various forms of SMME financing which could serve as an alternative to the traditional secured loans offered by banks.

At the ABAC 2 meeting held in Santiago, the SMME Working Group examined a new financing model called “Internet Supply Chain Financing.” This type of micro lending was designed to cater to the financing needs of online entrepreneurs who, in most cases, lack

form stores all historical data including transaction history, business evaluation, credit score, feedback and rating from buyers, and dispute and refund records. Internet supply chain financing is also characterized by efficiency. Electronic processing dramatically improves the efficiency of service in the financial industry

Ms. Wang shares that, in China, there are three types of internet financing models tapped by online SMEs. The “e-Commerce Micro Loan” is a financial service offered by e-commerce platforms in cooperation with banks or financial institutions. SMEs can apply for a loan soon after receiving orders on-

the e-commerce micro loan, the P2P platform assesses the credibility and risk assessment of the borrowers based on their information. It was estimated that the P2P lending market is around US\$11 billion, with over 800 P2P companies in China alone. Meanwhile, the smallest market of the three, “Crowd Funding,” aggregates people in one platform to share common interests on a project or an idea, and they can contribute money to the pursuit of projects they support.

According to the paper presented by Ms. Wang, big data has the “4V Advantages” – volume, veloc-



the fixed assets (i.e. real estate, machinery, vehicle) required to secure bank loans. But what these types of businesses have are considered valuable in today’s highly digitized world. Indeed, the conditions of credit and collateral are quickly evolving from physical to virtual.

“The biggest advantage of an e-commerce platform is data. Data are becoming assets which SMMEs can really leverage,” says ABAC China alternate member, Diane Wang. This plat-

form and uploading a tracking number for the client. The platform will forward the application and online data of the applicant to its partner bank for decision which usually takes half an hour. In 2013, the market for e-commerce micro loans was about US\$40 billion.

The other two types are less popular but are evolving and growing in practice. The “Peer-to-peer lending” is a platform that matches suitable lending investors and borrowers. Similar to

ity, variety and value, which she foresees to be an important and strategic element of future business models. She expects these emerging financing models to grow further and cause dramatic change in the infrastructure of the traditional financial market. ■

## 2014 Asia-Pacific Forum on Financial Inclusion

(Shanghai, China) 19-20 March 2014 - The 2014 Asia Pacific Forum on Financial Inclusion, with a theme "Realizing Financial Inclusion in Asia: Achievements and Challenges," was successfully conducted in Shanghai, China last 19-20 March at the Shanghai National Accounting Institute. The Forum brought together 80 participants from more than 20 economies to discuss policy issues impacting financial inclusion in the region.

Participants of the Forum included a wide range of stakeholders such as representatives from the public and private sectors, including financial regulators and policy makers, multilateral institutions, financial institutions and related market players, mi-

amongst policy makers and regulators across the region, the Forum aimed to strengthen their capacity as well as provide priority recommendations for policy related issues impacting financial inclusion.

As part of the discussions, six specific economies (China, The Philippines, India, Peru, Thailand and Indonesia) were examined to extract useful lessons and promote greater cross-border cooperation amongst regulators.

China, the host country of the Forum, has released its ruling party's national strategy of developing inclusive financial sectors. In addition to efforts to promote financial inclusion among the traditional

policy initiative under the APEC Finance Ministers' Process that has been entrusted to ABAC and managed by the Advisory Group on APEC Financial System Capacity Building.

A full report on the Forum is currently being produced. This report will provide an in-depth summary of the Forum discussions and also highlight key policy recommendations. The report will be disseminated widely and also be presented to the APEC Finance Ministers at their annual meeting for their consideration.

The Forum was jointly organized by the ABAC, Asian Development Bank Institute (ADBI), Asia Pacific Finance and Devel-



*Participants of the 2014 Asia-Pacific Forum on Financial Inclusion welcome delegates and provide opening remarks. (From left to right - Dr. Li Kouqing, Director-General, Asia-Pacific Finance and Development Center (AFDC); Ms. Zheng Quan, Deputy Director-General, International Department, Ministry of Finance, P.R. China; Madame Wang Lili, ABAC China, Executive Director and Senior Executive Vice President, Industrial and Commercial Bank of China; Dr. Yuqing Xing, Director of Capacity Building and Training, Asian Development Bank Institute (ADBI); Mr. Jie Huang, Executive Vice President, Citibank (China) Co., Ltd.; Head of Government Affairs, Citi China)*

crofinance institutions, financial inclusion experts, industry organizations and private foundations. Madam Wang Lili, ABAC China Member and Executive Director and Senior Executive Vice President of the Industrial and Commercial Bank of China delivered opening remarks at the Forum.

This gathering provided an opportunity for stakeholders to review the current trends, recent achievements, ongoing challenges and opportunities relative to financial inclusion in the region. By providing this platform for high-level dialogue

financial institutes, "internet financing" is also supported by the state government and has become the breakthrough in the reform of financial sectors. The Forum featured Chinese speakers to share their observations and experiences.

The Asia-Pacific Forum on Financial Inclusion has been hosted annually since 2010, following the successful holding of a Forum in Sapporo, Japan and the endorsement of its regular convening by the APEC Finance Ministers at their 2010 annual meeting in Kyoto, Japan. The Forum is a

opment Centre (AFDC), APEC China 2014, and the Foundation for Development Cooperation (FDC), with sponsorship by the Citi Foundation.

The next Asia-Pacific Forum on Financial Inclusion is currently being planned and will be held in the Philippines in 2015. Further information about ABAC's financial inclusion initiatives can be found at: ([www.abaonline.org/v4/content.php?ContentID=22611571](http://www.abaonline.org/v4/content.php?ContentID=22611571)) ■



## ABAC holds APFF workshop with China central bank and IFC



*Photo: From left, PERC President Michael Turner, APFF Coordinator JC Parrenas, IFC Financial Infrastructure Leader for East Asia Pacific Jinchang Lai and PBOC Deputy Director General Wang Lu at the opening session of the APFF Lending Infrastructure workshop*

(Shanghai, China) 21-22 March 2014 - ABAC, in partnership with the People's Bank of China (PBOC) and the International Finance Corporation (IFC), convened a workshop of the Asia-Pacific Financial Forum (APFF) Lending Infrastructure Work Stream last March 21-22 in Shanghai. The workshop discussed and validated the work stream's analysis of the region's credit information and secured transactions lending systems, which will form the basis of APFF action plans that ABAC will propose to APEC Finance Ministers this year.

The legal and institutional architecture and practices surrounding credit information and secured transactions lending are crucial issues affecting MSMEs' access to finance. Efficient and well-regulated systems for collecting and providing a wider range of transaction data will help individuals acquire reputational collateral, allowing lenders to expand risk-based lending to small and micro-entrepreneurs and individuals currently unable to access finance due to lack of physical collateral. Market leaders in the factoring space explained how many of these same dynamics help provide liquidity for MSMEs in supply chains.

Expanding the range of assets that qualify as collateral will enable many SMEs that do not own real estate to gain access to capital using inventories, movables, receivables and other intangible assets. Establishing centralized and easily searchable collateral registries providing exclusive means for perfecting security interests in collateral will minimize legal uncertainties around hidden liens that can inhibit lending against collateral. Together with clear and enforceable laws, these will substantially lower risks and costs and increase availability of lending to SMEs. Supply chains, in particular, will hugely benefit from these improvements.

The discussions revealed significant progress achieved by several economies in introducing legal reforms and establishing credit and collateral registries in recent years. Among these are China, Indonesia, Japan, Korea, Malaysia and Vietnam. The workshop also helped regulators better understand the complementary roles of public and private credit bureaus from Korea's successful experience. The workshop provided ideas on the way forward to address the remaining gaps.

The event attracted 67 experts, officials, regulators and market practitioners from APEC and other Asian economies. These included senior representatives from central banks, credit and collateral registries, credit bureaus, bank and non-bank lenders, legal practices, industry associations and justice ministries. At the end of the workshop, participants agreed to join the APFF and help engage policy makers and regulators from their respective economies to collaborate in the implementation of action plans.

The APFF Lending Infrastructure Work Stream is being coordinated by Mr. Thomas Clark of GE Capital and Dr. Michael Turner and Dr. Robin Varghese of the Policy and Economic Research Council (PERC) with valuable support and advice provided by the IFC. The APFF is being managed by ABAC through the Advisory Group on APEC Financial System Capacity Building. ■