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Beijing, China

Pragmatic Solutions Discussed to Advance Regional Economic Integration

(Seattle, USA) 7-10 July 2014—In 1993, APEC Leaders convening for the first time in Seattle announced the Blake Island Economic Vision which called for the creation of a community of Asia-Pacific economies in which goods, services, capital and investment flow freely within the region. From this Vision, the Bogor Goals of achieving free and open trade and investment were adopted the following year as the ultimate aspiration of APEC.

Twenty-one years later, the members of the APEC Business Advisory Council (ABAC) gathered in the Emerald City to finalize their 2014 letter and report to Leaders with key messages and recommendations directed at realizing the Free Trade Area of the Asia-Pacific (FTAAP) -identified by the business as the most effective means for achieving the Bogor Goals. Part of its proposed strategy is to expand private-public partnerships in developing robust soft and hard infra-

structure to connect the region more efficiently.

ABAC's work plan this year supports its overarching theme of advancing regional economic integration. It is actively engaged in the APEC work program, particularly in work to help realize the FTAAP. The Council also maintained engagement in various APEC initiatives including the Investment Facilitation Plan, the APEC Blueprint on Connectivity, the Asia-Pacific Financial Forum, the APEC Accelerator Network, and the APEC Strategic Blueprint for Advancing Global Value Chains Development.

Apart from its involvement in APEC work, the Council created worthy initiatives this year which led to important policy and regulatory recommendations. It reviewed several studies in this Seattle meeting such as the ABAC report on innovative SMME financing mechanisms, the proposed "Earn, Learn and Return" framework for

managing the movement of workers in the region, and the study on facilitating investment and infrastructure development in the grains sector.

The Seattle ABAC 3 meeting also provided an opportunity for the Members to network with business delegates of the APEC 2014 China CEO Forum held immediately after the ABAC meeting. The Forum was an initiative of the APEC China Business Council, in partnership with the National Center for APEC (NCAPEC), to promote business and economic communications between Chinese business leaders and other stakeholders in China and the Asia-Pacific region.

The ABAC Members will have the opportunity to discuss with the APEC Leaders its priority issues detailed in the ABAC 2014 Report at a closed-door meeting in Beijing in November. ■

ABAC Reviews the Benefits of Re-Manufactured Goods

09 July 2014 - The term "remanufacturing" refers to a process where goods recovered from commercial use are utilized as inputs in creating a new product. Exporting remanufactured goods, however, face trade-restrictive barriers in the region due to lack of understanding about its composition and safety. In particular, barriers are erected when economies classify remanufactured goods as used goods and, thus, impose certain non-tariff measures usually imposed on those types of goods.

In 2011, APEC launched the Pathfinder Initiative on Facilitating Trade in Remanufactured Goods, the main objective of which is to facilitate trade in remanufactured goods by encouraging APEC economies to treat such goods as new goods. This pathfinder was supported by 11 economies, and a series of capacity building workshops and public sharing of non-tariff measures for remanufactured goods has since been conducted.

In the meeting in Seattle, ABAC USA presented the economic and

environmental benefits of remanufactured goods, and sought the support of ABAC to encourage the rest of the 10 APEC economies to take part in the Pathfinder. Remanufactured products cost 30-50% less than their equivalents, and it preserves more than 80% of the material, labor and energy used to manufacture a new product. Environmental impacts were also highlighted taken from the presentation of the U.S. Environmental Protection Agency before the APEC Market Access Group Meeting in 2012. These goods save 85-95% of the energy needed to produce a new product. Annually, it conserves 69 million barrels of crude oil and reduces carbon dioxide releases by 28 million tons. Furthermore, it reduces landfill disposal by 75% compared to manufacturing brand new products.

ABAC agreed to officially endorse the Remanufacturing Pathfinder to all APEC economies and urged APEC to expand its capacity-building activities. ABAC has also agreed to explore this topic further next year. ■

The 11 economies participating in the APEC Pathfinder on Facilitating Trade in Remanufactured Goods agree to reflect the following in implementing their current tariff and non-tariff measures or in developing future tariff and non-tariff measures:

- Apply import-related measures specifically concerning used goods only to used goods and refrain from applying them to remanufactured goods;
- Refrain from applying import prohibitions against all remanufactured goods or against remanufactured goods in specific sectors;
- Treat remanufactured goods like corresponding new goods when applying tariffs or other border charges; and
- Generally apply technical regulations, conformity assessment procedures, and documentation and import licensing requirements concerning new goods to remanufactured goods.

Source: APEC website

New Learning Shared at the 1st Cross-Border e-Commerce Training Workshop

(Dongguan, China) 26 June 2014 – The first Cross Border e-Commerce Training (CBET) workshop, an initiative endorsed by ABAC SMMEEWG for the purpose of promoting cross-border trading through e-commerce, was successfully conducted last 23-26 June 2014 in Dongguan City, China.

Attended by almost 50 participants representing 10 economies, this workshop covered exciting issues such as challenges and opportunities of cross-border trading (CBT) through e-commerce, the operation process of CBT, including branding, servicing, and marketing in e-commerce. It also presented best practices in online retailing as well as global trends of internet financing. This event forms part of the overall CBET program which aims to provide actionable solutions to the common issues faced by SMMEs including access to international market, access to finance, capacity building, and innovation.

E-Commerce has been recognized as the catalyst of economic growth in the

past few years, creating with it new businesses and job opportunities in the region. "A new global value chain has been created gradually, resulting in new opportunities in the market, but also challenges to traditional trading," says Diane Wang, ABAC China Alternate Member and CBET Program initiator.

At the ABAC SMMEEWG meeting in Seattle, Ms. Wang reported on the output of the first workshop and recommended activities going forward. ABAC China plans to conduct generic lectures on cross-border e-commerce, organize group discussions and broaden networking activities in China. Meanwhile, Ms. Wang encourages other APEC economies to consider localizing CBET by hosting similarly-designed workshop and blending CBET best practices with local talents and environment. ■



Strengthening Financial Systems for Improved Economic Growth



07 July 2014 – The APEC Business Advisory Council (ABAC) and the National Center for APEC (NCAPEC) jumpstarted the ABAC 3 Meeting in Seattle by convening the 2nd Asia-Pacific Financial Forum (APFF) Symposium held at the Grand Hyatt Seattle today. The Symposium, themed “Building Integrated Financial Systems to Support the Growth of APEC’s Real Economy”, featured strategic-level discussions between financial services experts from private and public sectors and multilateral institutions to deepen understanding on significant policy and regulatory issues and their impact on financial markets.

tackled a number of proposed action plans for these clusters and specific work streams. One suggestion is to encourage APEC economies to join two pathfinder initiatives—the development of credit information sharing systems and the development of classic repurchase (repo) markets. With the former, APFF plans to create online resources that would cater to policymakers, while the latter seeks to explore repo markets best practices including operational best practices on collateral management, data issues, interoperability of key market infrastructures, among other themes.

Furthermore, APFF is considering expanding the relevant dialogues and work-

shops to enhance understanding on significant issues including the impact of capital and liquidity standards, Know Your Customer /Counterparty Due Diligence, Anti-Money Laundering rules and their implementation on trade and supply chains in the region. It also aims to explore ways to improve the legal infrastructure for the development of over-the-counter (OTC) derivatives markets and enabling Asia-Pacific securities investment ecosystem. Other suggested pursuits in the next few years cover insurance regulation, infrastructure investments, and lending infrastructure.

Stemming from the conclusions of the 1st APFF Symposium held on 10-11 April 2013 in Sydney, the APFF structured its work plan around two major clusters. The first one relates to SMEs access to financial services, while the second cluster deals with the development of deep, liquid and integrated financial markets.

The direct output of the Symposium is the finalization of APFF proposals for implementation in the next two to three years, all of which were thoughtfully crafted over a series of stakeholder discussions, research work and industry consultations in the region. An APFF Interim Report, with its final recommendations for next steps, will be submitted and presented by ABAC to the APEC Finance Ministers in Beijing this year.

In 2013, the APEC Finance Ministers adopted APFF as a policy initiative to deepen public-private collaboration toward the development of sound, efficient, inclusive and integrated financial systems in the region. ■

ABAC Provides Inputs to the APEC Connectivity Blueprint

09 July 2014 – The ABAC Infrastructure and Connectivity Working Group expressed strong support for the APEC Blueprint on Connectivity, one of the key deliverables of APEC this year. The Blueprint aims to bring the region’s diverse markets, institutions, businesses and people closer together to facilitate trade and investment. ABAC sees the Blueprint as a complement to the Bogor Goals and to the objective of APEC economies to achieve the target 10% improvement in supply chain performance by 2015, based on time, cost and uncertainty.

At the Special Roundtable on Connectivity held at the margins of ABAC 3 meet-

ing, ABAC and APEC experts exchanged views on priorities and challenges in preparing the Blueprint. “The Blueprint is a strategic undertaking that involves lots of moving parts and priorities,” said Dr Denis Hew, Director of the APEC Policy Support Unit which is leading the connectivity blueprint’s preliminary fact-finding and analytical work. “It’s important that the physical and soft components of efforts to improve connectivity within the region complement and reinforce one another.”

The framework of the Connectivity Blueprint focuses on addressing the region’s changing physical infrastructure needs and establishing deeper institutional and people-to-people linkages. A number of

initiatives under these three pillars are being pursued in APEC where ABAC actively participates on including the APEC Public-Private Partnership (PPP) Pilot Center and the APEC Business Travel Card. The Council is also engaged in promoting connectivity through its work on the Asia Pacific Infrastructure Partnership (APIP), the ABAC Enablers of Infrastructure Investment Checklist, Global Data Standards advocacy, and the newly proposed concept of “Earn, Learn and Return” for the management of worker movement in the region.

From the roundtable discussion and the subsequent ICWG meeting

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that took place in Seattle, ABAC drew up its recommendations to serve as input to the preparation and finalization of the Blueprint. Primarily, ABAC sees the need to have a clear overall strategic vision to add weight and value to the individual components and ensure continuity in the long term. It encourages APEC to develop a forward-looking Blueprint by accounting for the rapid development of information and communication technologies that will be vital in connecting the region. Lastly, it urges APEC to strengthen capacity building and training to economies which are vital components for successful and seamless implementation of connectivity systems. ■

Physical Connectivity

- Improves supply chain performance
- Connect and integrate logistics
- Transport, energy, and telecom infrastructure
- Sustainable and resilient infrastructure

People-to-People Connectivity

- Enhances interaction, mobility, and joint endeavors
- Cross-border education, science, technology and innovation
- Cross-border services
- Facilitation of movement of people

Institutional Connectivity

- Regulatory coherence and cooperation
- Structural reforms
- Modernize trade-related agencies
- Development of single windows
- Cross-border financial cooperation
- ICT and e-commerce

Business Explores Ways to Improve Grains Supply

09 July 2014 –Continuing the discourse from ABAC 2 on improving grains productivity, the ABAC Sustainable Development Working Group (SDWG) welcomed a study from ABAC China which presented existing and developing concerns regarding handling and transportation of vital agricultural products in the region.

The discussion highlighted the insufficient storage capacity and inefficient distribution system in some major grain producing economies, thus limiting their capacity to meet the increasing global demand for grains. In particular, railway infrastructure is found to be unevenly distributed noting that in underdeveloped areas insufficient rolling stocks and rail lines restrict the capacity of grains transport which ul-

timately affects the timely delivery of goods.

Another major obstacle observed is the inadequate road construction and low percentage of paved roads to facilitate truck transportation. Various restrictions on investment access and complications in procedures have been identified as main barriers to infrastructure investment in the grain sector.

Weighing the setbacks, ABAC agreed to endorse the study's recommendations under two areas of intervention - capital funding and policy reform. It highlights the important roles of government and international organizations to provide the financial support to address the capital gap in private sector investments in infrastructure. It proposes

to explore investment sources from state-owned enterprises (SOEs) and sovereign wealth funds (SWF) while ensuring transparency, predictability and non-discriminatory treatment in the process. The business leaders also raised the need to enrich agricultural investment insurance products to support the operation of investment in improving logistics.

On the policy side, the Council pushes for the necessary domestic deregulation on the access to, acquisition and construction of the grain sector infrastructure, as well as easing of investment procedures. ■