



Asia-Pacific
Economic Cooperation

ABAC BULLETIN

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



3 - 6 April
Second ABAC
Meeting
Singapore

8 - 11 July
Third ABAC
Meeting
Kyoto, Japan

2 - 5 October
Fourth ABAC
Meeting
Bali, Indonesia

5 - 7 October
APEC CEO
Summit
Bali, Indonesia

Partnership, Resilience and Building Bridges to Growth

(Manila, Philippines) 21-23 January – Business representatives from the 21 APEC economies met in Manila, Philippines for the first of the four APEC Business Advisory Council (ABAC) meetings this year, successfully setting their 2013 agenda and work program and conducting their annual dialogue with APEC senior officials.

ABAC Members also touched base with local business leaders, and met with Philippine President Benigno Aquino III, discussing issues such as trade in services, SMME development and innovation.

For 2013, ABAC will continue its focus on deepening regional integration, promoting infrastructure and sustainable development, fostering SMME growth and entrepreneurship, and promoting the integration of financial markets. “We need to take a bold and focused approach as the APEC agenda turns from dismantling border barriers to the complexity of building insti-

tutions, the soft and hard infrastructure and the dynamics of integration,” said Wishnu Wardhana, ABAC Chair 2013.

Under regional integration, the Council agreed to keep track of developments related to trade and investment liberalization. At present, APEC economies are engaged in various negotiations that have the potential eventually to lead to a Free Trade Agreement in the Asia-Pacific (FTAAP). These include the Trans Pacific Partnership (TPP), the Regional Comprehensive Economic Partnership (RCEP), and the Pacific Alliance brewing between Latin American economies. ABAC is also prioritising services and foreign investment liberalisation. It is pushing for the establishment of an Experts Group on Services in APEC, and is considering adoption of a sectoral focus on services liberalization, and the possibility of cooperating with the International Trade Center (ITC) in Geneva.

In promoting sustainable development, ABAC is seeking to address supply threats on food and energy, and will further devote time in advocating technology dissemination, innovation and cutting-edge technology. In line with Indonesia's 2013 priorities, ABAC leaders also plan to give significant attention to the “blue economy”, embracing sustainable development of the region's marine environment and resources. ■



(right) ABAC 2013 Chair, Wishnu Wardhana, running the Opening Plenary. To his left is ABAC 2013 executive director, Amin Subekti

Partnership, Resilience and Building Bridges to Growth

(Manila, Philippines) 21-23 January – The working group on SMME development is tasked to promote business start-ups through innovation and access to finance, with priority given to young and women entrepreneurs. Meanwhile, ABAC continues to express keen concern over the fragile state of the global economy and financial markets, and calls on Governments to focus on policies that restore confidence and build resilient economies in the region. It also encourages APEC governments to partner with the private sector in developing sustainable infrastructure and stimulating investments, job generation and trade.

A cross-cutting issue tackled during the ABAC dialogue with APEC Senior Officials was the identified choke-

points in supply chain connectivity. Last year, ABAC submitted a study that listed critical impediments along the regional supply chain and proposed the regional adoption of global data standards, working with the not-for-profit leader in this field, GS1. ABAC leaders believe that this initiative would enhance transparency and efficiency reduce costs and spur growth along the value chain. In addition, counterfeit goods would be more easily tracked, and recalls of unsafe or contaminated products more speedily and effectively completed.

ABAC work this year, under Indonesia's leadership, will culminate in a report and recommendations to be presented to APEC Leaders and Ministers in October 2013 in Bali, Indonesia. ■

APEC poised to respond to the food security challenges in the region

21 January – The ABAC Sustainable Development Working Group (SDWG) will continue prioritizing the issue of food security in its 2013 agenda, as agreed during its first SDWG meeting in Manila. Last year, ABAC expanded its cooperation with APEC on this issue through the creation of the APEC Policy Partnership on Food Security (PPFS), a body composed of public and private sector representatives tasked to lead and coordinate efforts to attain lasting food security in the region by 2020.

The concern on regional food security has grown as multiple threats of growing population, climate change and demographic shifts have put pressure on food production. APEC Policy Support Unit (PSU) analyst, Tammy Hredzak, presented before SDWG the recent PSU research paper, "Challenges to Achieving Food Security in APEC".

Production of staple grains is reported to be decelerating because of loss of cultivable land, natural disasters and post-harvest losses. However, critical factors also identified were the allocation of arable farmland to pro-

duce higher-value food and non-food commodities, such as energy crops, and the use of grain to feed cattle for meat. "This trend is expected to intensify in the coming decade," says Hredzak.

Connected to food shortages and ballooning population has been the rising cost of food. Prices for agricultural products have risen and have become more volatile since the middle of 2006. In July 2012, prices for corn and wheat jumped by 25% while cost of soybeans rose by 17%. These price increases, preceded by spikes in 2008 and 2011, can be attributed in part to adverse weather conditions but, according to the PSU study, "the inherent price volatility in agricultural markets is a symptom of structural imbalance in global demand and supply".

To help governments address these daunting issues, PSU is recommending that ABAC economies accelerate their technology dissemination efforts to developing economies to increase their food exports. Further, it encourages ABAC to engage in large-scale agricultural infrastructure and R&D projects through APEC's PPFS, argu-

ABAC 2013 Working Groups and Agenda

I. Regional Economic Integration

- Accelerating trade and investment liberalization
- Initiating new services agenda
- Enhancing supply chain connectivity

II. Sustainable Development

- Strengthening food security
- Promoting blue economy growth
- Addressing energy security
- Facilitating technology dissemination and innovation
- Promoting infrastructure investment

III. SMME Development & Entrepreneurship

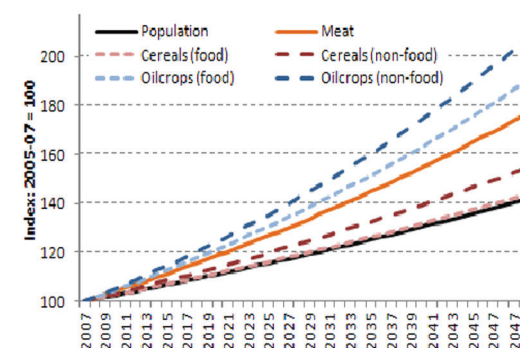
- Promoting new business models
- Promoting micro-finance for SMEs
- Facilitating the use of ICT to empower SMEs to access international markets
- Promoting women and youth participation in business

IV. Finance & Economics

- Strengthening the stability of financial markets
- Advising APEC leaders and finance ministers on Financial System Reform, in particular through deepening and strengthening capital markets.

ing that these investments are vital to increase productivity and to reduce food losses and wastage. ■

Projected population growth and demand growth for selected agricultural products



Source Alexandratos and Bruinsma (2012) and APEC PSU calculations



PPFS Working Groups created

At the PPFS Plenary meeting in Jakarta last 25-26 January 2013, the group made encouraging progress, establishing its four working groups, and laying the foundations to draft a "road map" that applies business planning disciplines to the task of achieving food security by 2020, including milestones, deliverables, and measures of progress between now and 2020.

One of the nagging concerns among APEC economies has been the underinvestment in agricultural infrastructure which is essential to increase production and reduce food losses. Between 1992 and 2007, total agricultural capital stock grew at an annual rate of just 0.2% in real terms, according to the APEC PSU study. In addition, the majority of the flow of foreign direct

investment into the sector went to processing activity rather than on primary agriculture. To look into these issues, a working group was formed to facilitate infrastructure development in the agriculture sector, particularly via public-private partnership.

To focus on efficient supply chains from "farm to fork", and blockages to effective market action in the farm sector, a working group on enhancing trade and market was organized under PPFS. It will champion against new export restrictions, and examine how post-harvest losses and food waste can be minimised while ensuring food safety. This working group will also analyze implications of current high food market pricing on sustainable food security.

The final working group established

in Jakarta under the PPFS was the Sustainable Development of Agricultural and Fishery Sector working group. Part of its agenda is to promote effective and sustainable management of natural resources, such as land, marine ecosystems, fisheries and aquaculture. Strengthening resilience of small holders and integrating them into the food supply and value chains will be one of the primary tasks of this PPFS sustainable working group.

For these initiatives to work, the PSU study recommends APEC economies to take advantage of the PPFS and public-private partnerships, to expand capacity building and knowledge sharing, and to pursue the APEC goal of trade and investment liberalization and facilitation. ■

RCEP and TPP gaining momentum

22 January – At the Regional Economic Integration Working Group (REIWG) meeting in Manila, ABAC addressed the progress being made in the different pathways towards a Free Trade Area of the Asia Pacific (FTAAP) which has long been championed by ABAC.

Launched in December 2009, the 15th and latest round of TPP negotiations took place in Auckland, New Zealand on 3-12 December 2012. ABAC New Zealand member, Stephen Jaco-

bi, reported at the REIWG on the progress made, noting that resolution of complex issues being tackled in the negotiating table would require significant political will coupled with a continuing push from the business community for comprehensive sectoral coverage and timely conclusion of TPP. The negotiators are targeting to conclude their work by October 2013.

The other leading pathway to FTAAP is the recently launched Regional

Comprehensive Economic Partnership (RCEP), a negotiation between the ten (10) members of the Association of Southeast Asian Nations (ASEAN), Australia, China, India, Japan, South Korea, and New Zealand - collectively known as ASEAN+6. In November 2012, ASEAN and its six dialogue partners set up its guiding principles and objectives for negotiating RCEP towards its target conclusion in 2015.

Continued next page...

8 Guiding Principles of RCEP

1. WTO consistency
2. Significant improvements over the existing ASEAN+1 FTAs
3. Facilitation of trade and investment and transparency enhancement
4. Consideration of the different levels of development (e.g., special and differential treatment)
5. Continued existence of the ASEAN+1 FTAs
6. Open accession
7. Technical assistance and capacity building
8. Comprehensiveness (in-parallel negotiation of trade in goods, trade in services, investment and other areas)

continued from page 3 (RCEP & TPP)...

The ASEAN+6 can be seen as a strategic move to integrate the separate trade agreements entered by ASEAN with each of the six economies. In a study conducted by the Economic Research Institute for ASEAN and East Asia (ERIA), it was revealed that existing ASEAN+1 FTAs provide an insufficient level of liberalization, both in tariffs and services trade. ERIA's senior policy coordinator, Yoshifumi Fukunaga, was invited by ABAC to present their study, "Taking ASEAN+1 FTAs towards the RCEP: A Mapping Study". He explained how RCEP would address the "noodle bowl" situation that "potentially hampers firms' usage of preferential systems and impairs the potential value of such FTAs".

While it is considered less comprehensive than the TPP negotiation, the RCEP has been formed to be a modern, high-quality and mutually beneficial economic partnership agreement

among ASEAN members and its partners. It aims to cover trade in goods, trade in services, investment, economic and technical cooperation, intellectual property, competition, dispute settlement and other issues covered by FTAs among RCEP participating economies.



The ERIA study provided a number of suggestions to maximize economic gains of RCEP. In relation to trade in goods, ERIA recommends setting

"common concession" in tariff schedules, with higher levels of tariff elimination (95%), and consolidating Rules of Origin.

"RCEP members should seek and make tangible commitments that are "plus" to their respective WTO GATS commitments as well as existing ASEAN+1 FTAs. Also, they should create utmost transparency by narrowing the types of limitations allowed in the RCEP," suggests Fukunaga. Opening up specific sectors in services trade under the RCEP is expected to expedite the construction of regional supply chains, particularly in East Asia.

In connection with other pathways to FTAAP, ERIA foresees positive results in the convergence of the contents of RCEP with TPP. Fukunaga thinks that the economies that are part of both negotiations are the best parties to bridge the gaps. ■

7 Lessons from Entrepreneurs from Asia's Most Successful **An Article from Rappler.com and written by Cai Ordinario**

(Manila, Philippines) 21-23 January - All businesses start small, but what makes or breaks them depends largely on the entrepreneur behind them.

At the APEC SME Summit on Sunday, January 20, prominent entrepreneurs in Asia who have made it big locally and globally shared how they found new ways of doing things and fulfill their potential to become trailblazers.

Here are 7 key lessons the speakers shared during the summit:

1. Passion is key

Keeping the passion to pursue the business even through numerous challenges stood out as a common trait among the summit speakers. Cher Wang, the chair of Taiwanese smartphone maker HTC Corp. and microchip maker VIA group, stressed how she banked on this to stay the course even when there were bumps.

Wang shared that, when she was just starting, she designed computer chips in her living room and lugged around the fragile computer chips she made while commuting. She eventually pursued her dream of creating a device

that would act as a phone, a computer, a calculator.

HTC's rise to the top ranks of the smartphone sector has led Forbes to name Wang, a billionaire, as one of the world's most powerful women. HTC has also been hailed as the "pride of Taiwan" for being the first from the country to establish an international brand and beat Finnish phone maker Nokia to become the world's 3rd largest mobile phone maker by market value.

2. Learn from mistakes

Tony Tan Caktiong, the visionary behind every child's fast food craving, Jollibee, shared that mistakes are inevitably part of the process to achieve "big dreams." "If you dream big and put your dreams into action you will inevitably make mistakes. But don't be scared to make mistakes. Just be quick in realizing the mistake and correcting them as best and as fast as you can. Learn from each mistake and it will not be a waste of your time," shared the man behind the homegrown food giant.

Caktiong said the brands that they started but failed to grow included

Mary's Chicken and Copenhagen ice cream. Lots of research went into these brands but the products that were eventually launched were far from what was originally tested.

These flops, however, did not deter the group from moving on. Jollibee is now a multinational with over 2,000 stores in various locations in the Philippines, China, and the United States.

Vincent Lo, the founder and chairman of Hong Kong-based firm construction company Shui On Group, said he, too, committed mistakes. These include making an investment in an amusement park in mainland China just because there was no existing amusement park. "They have a lot of other alternatives as the economy is growing and developing," he noted.

There was another mistake: he was managing the business long-distance. "Every society is so different. You cannot really make decisions thousands of miles away. You need to know your customers and what they really want and how you can serve them best." He learned his lesson, and now spends more time in mainland China so that he

continued from page 4 (7 Lessons)...

can keep up to date with the rapidly changing market.

3. Don't be a bystander

Both Caktiong and Lo also shared how previous decisions became their turning point.

Caktiong shared how his team decided to pursue the transformation of the business, which started as a small ice cream store in 1975, even when they learned that global fastfood giant McDonalds was about to enter the Philippines. Several friends told him to back out since it would be difficult to outdo McDonalds.

"This was a moment of truth for us. If I had not [persisted], I would have sold out the business right then and I would not be standing in front you of today. I might just be flipping burgers for you-know-who," Caktiong said, referring to McDonalds.

Lo, on the other hand, said his efforts to go against what is popular paid off when he embarked on a real estate project with the Hong Kong government at a time when the market was depressed.

When Lo wanted to preserve traditional architectural styles through Xintiandi, a major shopping and entertainment hub in Shanghai, nobody wanted to lend him US\$175 million. Everybody thought he was crazy.

But he pushed on, invested time and effort, until Xintiandi became a new landmark for Shanghai in China. This also thrust the Shui On Group into the limelight.

"You have to learn to create opportunities for yourself and you have to be able to grab hold of the opportunities. Most importantly you have to do it with passion," Lo stressed.

4. Invest in education

Education is the most important ingredient in becoming an entrepreneur, stressed Diosdado "Dado" Banatao, the managing partner of semiconductor firm Tallwood Venture Capital and a Filipino engineering genius.

A Silicon Valley visionary, Banatao highlighted how a good education can be a springboard to a good career or to greater success in life. Banatao,

who has a well-known rags-to-riches story among entrepreneurs, considered school his first challenge in life.

Banatao, the son of a rice farmer and housekeeper, grew up in a farming town in Cagayan Valley Province, and used to walk barefoot to school. He eventually graduated cum laude with an Electrical Engineering degree from Mapua University and obtained a Masters in Computer Science at Stanford University.

While he was in the US, he combined his academic stripes with passion, innovative spirit, and a competitive drive to outdo others. He initially worked with leading-edge technology companies before putting up his own ventures.

Winston Damarillo, the co-founder and Chief Executive Officer of cloud management firm Morphlabs said that, while getting an education is key, carrying on those values after graduation is as important. He shared that when his family's business encountered financial troubles, his parents never gave up and continued to send him to De La Salle.

He carried the values he learned from school and stood by them even when he, too, met challenges along the way. He initially wanted to work for giant companies which didn't want to hire him, like Intel and IBM. He continued making software and set up several major IT companies, including Gluecode Software, which IBM eventually acquired.

Recounting how his group withstood challenges, he shared, "If I can't work with Intel through my diploma, I will create my own software and bring it to them." He believed in open source.

5. Believe in Pinoys

Damarillo also shared his frustrations, including doubting whether Filipinos can think out-of-the-box.

He said there was a time when he described himself as Chinese instead of Filipino, but he has since been proven wrong. One of his ventures with Banatao, Hack2Hatch, invests in and mentors budding Filipino entrepreneurs.

"We put up Hack2Hatch and we're seeing something that's now a phenomenon...I'm really excited about what's happening in the Philippines."

Damarillo added that mentoring re-inspires him.

He said Filipinos have a high emotional quotient (EQ) and are "great in designing. If you combine that with tech, we have a great opportunity... When you're creating software, 99% of your ingredient is human capital."

Anna Meloto-Wilk, co-founder and president of Gandang Kalikasan Inc., the maker of Human Nature, an all-natural Philippine-made bath and beauty line, echoed Damarillo's insights into her countrymen.

"The Filipino has the potential to be world-class. We just need to guide them in all the technical and operational details to be able to stabilize and sustain these start-up businesses," she shared.

With an investment in a management system that tracks how the business operates, her and her sister's venture grew from a small business out of organic bath and beauty products into one that is now conquering local and global markets.

The business also provides livelihood opportunities to poor communities where they buy indigenous raw materials used for their products.

6. Be brave

Sheila Marcelo, the founder and CEO of www.care.com, shared how the difficulty of juggling her studies, starting a family, and managing a home in the US when she was 20 made her realize there was poor access to care in her host country.

In the Philippines, it was easy with readily available househelpers - something frowned upon abroad. But she wanted to change that. She did through technology.

Marcelo revolutionized the way people obtain access to healthcare through the online caregiver recruitment agency, www.care.com. With the technology in place, the information that reached her about the Philippines being a big source of caregivers in the world, only made the business more appealing to her.

"Some people ask me 'why weren't you here 20 years ago,' most of it is because of technology. How many people were comfortable going online to



continued from page 5 (7 Lessons)...

use this service? Care[.com] was not ready then. We weren't as comfortable trying to find care for our loved ones," Marcelo said.

Technology really helped change the world and Diane Wang, the founder of DHGate.com, experienced that first hand. She said DHGate has seen countless e-commerce transactions in more than 200 countries worldwide.

Through e-commerce, Wang said, small and medium enterprises can find a greater leverage in growing their businesses. Many SMEs are doing better business now with e-commerce and more are expected to join in.

"E-commerce is already empowering SMEs everyday. It's not the future, it's here today," Wang said.

7. Have a big heart

Jaime Aristitle B. Alip, the founder and

Managing Director of the Center for Agriculture and Rural Development Mutually Reinforcing Institutions (CARD MRI), and Ismawan Bambang, founder and chair of Bina Swadaya in Indonesia, proudly said they are in the business of poverty alleviation.

Alip said he started CARD with P20 and a typewriter. Nobody wanted to help him turn his vision of putting up a bank for the poor a reality simply because it went against conventional wisdom.

That did not stop him from pursuing his dream. In 2010, he started to extend microfinance services to women who, he said, are more likely to use the funds for family and entrepreneurial needs.

This formula worked. Repayment was high at 99.35%. As of November 2012, CARD has assisted 1.8 million and insured 7.8 million Filipinos.

"My business is poverty eradication. It's inter-generational. It take 5 years to bring them out of poverty and a further 5 to 7 years to establish themselves fully out of poverty," Alip said. "Our secret? We only give loans for women."

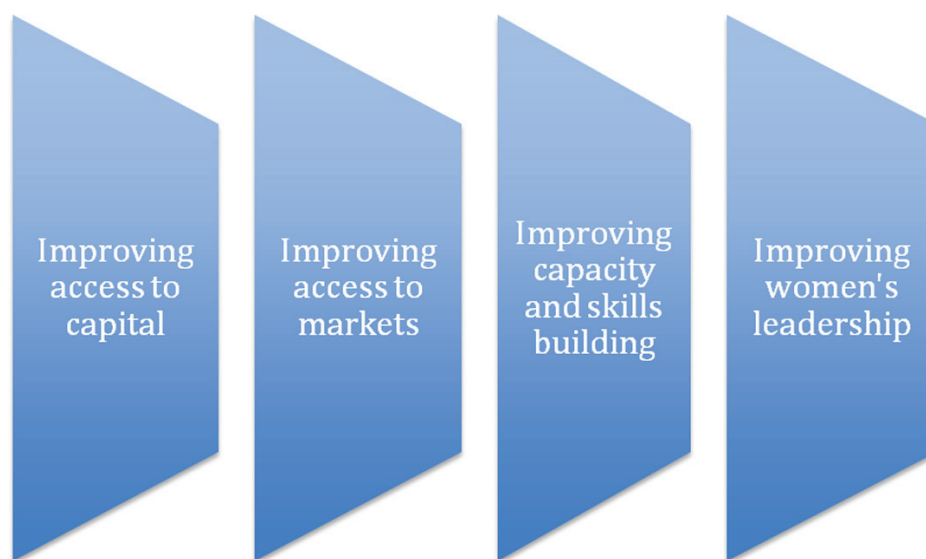
It is the same story for Bambang who heads one of the largest NGOs in Indonesia. Bambang said helping microenterprises in Indonesia, which comprise 92.04% of businesses, was not easy especially if only a handful of people come together to help.

"If you do everything by yourself, you wont make any impact. But if you do things with others, the impact will be beyond your expectation," Bambang said. ■

Sustainable Growth With Equality

22 January 2013 – Indonesia, the APEC host economy for 2013, announced that one of their three key priorities is "sustained growth with equity". The development of SMMEs and greater economic inclusion of women are identified as key pillars for this prosperity. Leaders have recognized the importance of partnership and participation of women in realizing economic growth and prosperity.

San Francisco Declaration: Four Priority Areas for Achieving Women's Full Economic Participation



The ABAC Women's Forum was established in early 2011, gathering senior women executives from around the APEC region to promote policy recommendations that enhance opportunities for women in business and inspire the next generation of women entrepreneurs. ■



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