



**Asia-Pacific
Economic Cooperation**

2014/SOM3/IEG/002

Agenda Item: 4.1

Chair's Summary Report – First Investment Experts' Group Meeting 2014

Purpose: Consideration
Submitted by: IEG Convenor



**Second Investment Experts' Group Meeting
Beijing, China
14-15 August 2014**

APEC Investment Experts' Group (IEG) Meeting
Ningbo, China
21-22 February 2014

Introduction

The First IEG meeting for 2014 was held on 21-22 February in Ningbo, China. The meeting was chaired by the IEG Co-Convenors, Mr. Clarence Hoot and Mr. Rodrigo Monardes, and attended by approximately 50 representatives from 19 member economies and representatives from ABAC, UNCTAD, OECD, Colombia and Costa Rica. The APEC Secretariat's Program Director for IEG, and Communications and Public Affairs Unit (CPAU) also attended the meeting.

1. Opening Remarks by APEC IEG Convenor

The IEG Co-Convenors welcomed the delegates and the IEG guests, and thanked China for hosting the meeting. They also highlighted the upcoming challenges, i.e. identifying the Group's standpoint and future direction and ways to improve its effectiveness, and encouraged active participation of economies to promote debate among the Group.

2. Business Arrangements

China welcomed the delegates to IEG1.

3. Adoption of Agenda (2014/SOM1/IEG/001).

The Group adopted the draft agenda and agreed to the business arrangements and the meeting schedule proposed by the Co-Convenors.

4. APEC 2013 summary and 2014 priorities and expected outcomes from CTI and sub-fora for 2014

Indonesia briefly summarized the outcomes of APEC 2013 highlighting the APEC Connectivity Framework and the Multi-year Project on Infrastructure Development and Investment, and emphasized the important role of the private sector in infrastructure investment drawing on the establishment of the PPP Centre. In connection to this, Indonesia invited inputs from the members on its self-funded project "Guidebook on PPP Frameworks in APEC Region".

China as the host economy of 2014 briefed on this year's priorities i.e. 1) advancing regional economic integration; 2) promoting innovative development, economic reform and growth; and 3) strengthening comprehensive connectivity and infrastructure development. Referring to the discussion at SOM3 2013, China noted the importance of taking forward the activities with respect to infrastructure.

Australia (APEC Study Centre) shared with the Group the activities of the Asia Pacific Infrastructure Partnership (APIP) as a PPP model developed by ABAC and pointed out the importance for IEG to find a way to support infrastructure development. Touching on the critical importance of infrastructure financing and its increasing reliance on foreign capitals, it urged the Co-Convenors and members to come up with ways for enhancing the environment for public-private partnership, with a view to working out the future steps of IFAP.

CTI Chair briefed IEG on the CTI priorities for 2014, highlighting the areas: support for the multilateral trading system/WTO; advancing regional economic integration; strengthening connectivity and infrastructure development; regulatory cooperation; contributions of CTI and sub-fora to APEC growth strategy and cross-cutting mandates; and review of efficiency and effectiveness of CTI sub-fora. **(2014/SOM1/IEG/002).**

5. Reports on Activities and Developments since the last IEG Meeting, held in Medan on 30 June – 1 July 2013

(1) IEG Co-Convenors' Report

IEG Co-Convenors reported on the developments related to IEG. **(2014/SOM1/IEG/004)**

Australia asked about the current status of submission for the IFAP progress report and the next steps for updating IFAP II principles.

Members supported the value of sharing information and learning from other economies' experience. The Co-Convenors noted that the update work, especially by those who had not submitted for last year's report (Brunei Darussalam, Canada, Mexico, New Zealand and PNG), should be done intersessionally and encouraged all economies to engage in working on the future steps of IFAP. Brunei Darussalam, Mexico and PNG expressed the intention to provide updates.

IEG endorsed the Chair's Summary Report of IEG3, 2013, which had been reviewed intersessionally. **(2014/SOM1/IEG/003)**

(2) APEC Secretariat Report

APEC Secretariat also provided the updates of project management including, among others, an overview of projects funded in 2013, the pilot of two funding sessions and estimates of funding available for 2014. The Secretariat emphasized that internal project selection and prioritization is important to make sure the highest quality and most relevant projects in terms of the group's strategic focus get funded. **(2014/SOM1/IEG/006)**

Communications and Public Affairs Unit provided a briefing on how it can help with satellite website development, publications, and media and communications outreach to support IEG's work and how this fits in with the APEC Secretariat's broader communications strategy. **(2014/SOM1/IEG/007)**

6. IEG Projects

(1) Facilitation for Better Business Environment

(a) IFAP Progress and Discussion

United States presented on the expanded SelectUSA initiative detailing how the initiative serves to implement specific principles of the IFAP. United States highlighted that the initiative offers a single point of contact to address all investment inquiries and works to facilitate incoming investments including by leveraging U.S. missions around the world starting with 32 priority markets, many of which from APEC economies. United States also highlighted the Memoranda of Intent (MOI) that SelectUSA has concluded with a number of partners and welcomed member economies and the IEG as a group to consider a MOI for this initiative. Several economies expressed their interest to explore this idea further. Questions from members included, among others, the relations between the federal and state governments, and the scope and nature of the MOI. The Co-Convenors noted that it could be a potential deliverable of the Group for this year. **(2014/SOM1/IEG/008)**

PNG briefed the IEG on its online registry system aimed at improving business environment by way of introducing a web-enabled online business registration and compliance for companies and businesses. PNG noted that the system enables foreign investors to access all investment-related information in the economy. **(2014/SOM1/IEG/027)**

(b) Public-Private Dialogue

Indonesia reported on the progress of its self-funded project "Guidebook on PPP Frameworks in APEC Region" noting that the project is designed to be part of the MYPIDI and invited members to provide to provide inputs as only seven economies had responded so far. Indonesia further noted that it does not intend to set a specific deadline for the completion of the Guidebook and rather make it an evolving process to reflect the up-to-date information in PPP. **(2014/SOM1/IEG/028-029)**

China briefed on the Concept Note "Promoting Infrastructure Investment through PPP – 2014 IEG PPD" and informed the Group that the dialogue is scheduled to be held on the sidelines of IEG2 in 2014. China highlighted that the Dialogue aims to enhance awareness on the importance of

infrastructure investment among economies and thus will directly contribute to the MYPIDI and the APEC 2014 priorities. Members expressed support for this proposal and encouraged China to seek ABAC's views and inputs in developing the agenda and the follow up activities and to consult with the FMP to ensure there is no overlap with other ongoing FMP projects. **(2014/SOM1/IEG/009)**

(c) Reports on On-going 2013/2014 Projects

China reported on the progress of the project "Case Studies on the Best Practice of Sustainable Investment in APEC Region" (CTI18/13T). China informed the Group that the "Conference on the Best Practice of Sustainable Outward Foreign Direct Investment (OFDI) in the APEC Region" will be officially announced at the Ministers Responsible for Trade (MRT) Meeting in May and the Conference will be held in Beijing later this year. The invitation letter and respective recommendation forms for candidate cases and review panel members will be sent to member economies shortly. In response to the questions from members, China clarified that members may decide on the criteria of OFDI companies to participate in the conference and that the recommendation forms provide other details. **(2014/SOM1/IEG/030)**

Chile reported on the progress of the project "Corporate Social Responsibility – International Instruments for APEC Economies" (CTI24/13T) sharing the planned agenda of the workshop and surveys to be conducted under the project. The workshop is scheduled to be held on 8-9 May 2014 in Santiago during the ABAC meeting in the city. **(2014/SOM1/IEG/026)**

(2) Promotion for More Investment Opportunities

Reports on On-going 2013/2014 Projects

Russia reported on the progress of the project "Research on Best Practices in Prompt Consideration of Investors' Complaints in the APEC Region" (CTI06/13T) noting the delay in the implementation due to changes in government organizational procedures and legislation. Russia plans to organize the project workshop in September 2014. **(2014/SOM1/IEG/010)**

Australia (APEC Study Centre) reported on the progress of its self-funded project "Enhancing the Investment Environment in APEC and ASEAN Economies" including the outcomes of the Beijing seminar & dialogue, September 2013, and the announcement of the capacity building training program to be conducted in Melbourne on 12-18 June 2014. Australia will develop papers to: i) explore developing a regional experts group to promote use of high quality quantitative indicators to promote investment flows; and ii) reflect the interests of SOEs and SWFs and pension funds and economies in promoting long term investment in infrastructure. **(2014/SOM1/IEG/011)**

(3) Advanced Principles & Practice for More Predictability & Stability – Analytical Studies on Practices and Capacity Building

Noting that there is no on-going project under this category, the Co-Convenors encouraged members to consider developing a project to fulfill this important pillar of the APEC Strategy for Investment.

(4) New Projects

Malaysia briefed on the Concept Note "Transparency in Arbitral Proceedings – the Challenges and Benefits to States" explaining the objectives and proposed programmes of the workshop to be held in August 2014 in Kuala Lumpur. A number of economies expressed support for the CN. Malaysia invited members to provide inputs to further strengthen the proposal. **(2014/SOM1/IEG/025, 031)**

Viet Nam briefed on the Concept Note "APEC Public-Private Dialogue on Identifying and Addressing Unnecessary Legal and Regulatory Impediments to Improve a Business-Friendly Infrastructure Investment in the APEC Region" with the dialogue scheduled to take place in the fourth quarter of 2014 in Viet Nam. Referring to a possible synergy with its APIP workshop, ABAC expressed interest in sending contributors from the private sector. PECC suggested that Viet Nam refer to past studies by the ADB and IDB on regulatory impediments to identify the type of impediments that the dialogue will address. A number of economies expressed support for the CN and encouraged Viet Nam to

engage ABAC in developing the agenda, should the concept note be approved for Session 1 funding. **(2014/SOM1/IEG/032)**

7. Recent Developments on International Investment Agreements

Chile and Colombia briefed the Group on the overview of The Pacific Alliance (PA) including its organization, progress and negotiations and future steps. The PA protocol, a binding agreement, was just signed on 9 February 2014 and technical working groups will cover specific subject matters. Responding to the questions from some of the delegates, Chile and Colombia explained that accession to the PA requires the candidate economy to have FTAs/BITs with each of the PA members. Chile and Colombia noted that there are evolving issues that have yet to be worked out, e.g. relations between the different instruments of the PA, TPP and bilateral FTAs/BITs, and PA approaches to specific issues such as the movement of business people and global value chains (GVCs). **(2014/SOM1/IEG/012)**

China commented that it is in close contact with the PA keeping in mind the APEC 2014 priorities that include regional economic integration and advancing FTAAP. In light of this, China shared with the Group its plan to hold a public-private dialogue on information information sharing on FTAs/RTAs in the Asia Pacific Region scheduled to take place prior to the MRT meeting in May. China also talked about its CTI project on GVC collaboration aimed at contributing to the APEC GVC Blueprint.

ABAC shared with the Group its plan to conduct a study on GVCs in services in collaboration with PECC and PSU.

PNG provided an update on its bilateral investment agreements i.e. one with Korea has just started negotiation and two in the pipeline with Thailand and India respectively.

The Co-Convenors encouraged members to share information about the developments on FTAs and IIAs at the next IEG meeting.

8. Outreach and Collaborative Activities of APEC with ABAC, OECD and Guest Economies

(1) ABAC

ABAC reported the outcome of the **1st ABAC Meeting in Auckland on 11-14 February 2014** which endorsed the ABAC Work Plan for 2014. The Work Plan re-organized the priority areas using Regional Economic Integration as the overarching framework. The Work Plan also reorganized the priority areas of the ABAC Working Groups to be aligned with the APEC 2014 priorities with a focus on strengthening connectivity & infrastructure development and promoting realization of an FTAAP. Highlighted points include: implementation of the Bali Package; services trade liberalization facilitation including enhanced labour mobility; contributions to the Finance Ministers Process through ABAC's work on the reform of financial systems and capital markets; APIP dialogues; and promoting SMME access to finance. ABAC also expressed its commitment to PPD.

ABAC presented on the **ABAC Enablers of Infrastructure Investment Checklist**, which was noted by APEC Leaders in their 2013 Statement and is designed to provide business input to the MYPIDI. ABAC explained the four policy categories and layout of the Checklist as well as the implementation steps that would involve economies to complete the Checklist and highlight outcomes among APEC economies as well as to private sector investors. **(2014/SOM1/IEG/013)**

USC Marshall School of Business presented on the outcome of the **Research Study on FDI Across APEC: Impediments and Opportunities for Improvement**. Members commended the study based on extensive interviews across the region. Delegates pointed out the challenges involved in reducing FDI-related restrictions to attract the type of economies needed by the economies and the long-term commitment required for the government to see the positive impact of the reduction; and that the

analysis built on high-quality benchmarking offers much to learn and provide reference for policy making to improve broader investment environment. **(2014/SOM1/IEG/013)**

(2) OECD

OECD briefed on the main features of the Policy Framework for Investment (PFI) highlighting the process of the Investment Policy Review (IPR) and its capacity building aspect and regional dialogues. On the updating of the PFI, OECD invited IEG members to participate in the Task Force and welcomed comments on the revised PFI version to be developed by 2015. Responding to the questions from members, OECD explained that the PFI also serves as a capacity building tool by engaging stakeholders through the establishment of a task force and bringing forward the best practices of other economies and data-sharing across the government. OECD will circulate parts of the revised PFI for IEG's comments in the course of the year.

(2014/SOM1/IEG/015)

(3) UNCTAD

UNCTAD reported on trends in FDI and investment policymaking, and the forthcoming World Investment Forum (WIF). Prospects for global FDI are cautiously optimistic with FDI increasing by 11 per cent in 2013, reaching its pre-crisis three year average. APEC has performed exceedingly well, with FDI inflows to the region amounting to US\$757 billion in 2013, an 8 per cent increase compared to 2012. This brought the share of APEC economies to 52 per cent of global inflows, 15 percentage points higher than the pre-crisis scenario. Investment policymaking is at crossroads. There is a slowdown in the conclusion of bilateral investment treaties (BITs) and an increase at regional and inter-regional levels. A "scaling-up" of international investment agreements (IIAs) through "mega-regionals" occurs in parallel to efforts for change of (or exit from) the regime by some developing countries. Opportunities for reform arise from the more than 1,300 BITs which can be terminated/renegotiated at any time.

UNCTAD's October 2014 WIF in Geneva presents an opportunity for continuing this reflection process. WIF is the pre-eminent platform for high-level and inclusive discourse on investment for sustainable development, gathering on average 2,000 participants from 196 countries. By convening the full range of investment stakeholders (e.g. high-level government representatives, CEOs, stock exchanges, sovereign wealth funds, international agencies, academia and civil society) the WIF effectively fills a gap in the global system of investment governance - offering a multilateral and multi-stakeholder platform for debate and policy action.

In response to the question from members about the termination of bilateral investment treaties and any studies on the impact of such termination, UNCTAD noted the challenges involved in the overlapping interest of bilateral treaties and explained that it is left to the decision of concerned economies whether to terminate/consolidate the treaties. UNCTAD also referred to the World Investment Report 2013 which provides an analysis of this issue. **(2014/SOM1/IEG/016-020, 024)**

(4) Guest Economies

Colombia presented the "B-learning prevention course" developed as a virtual learning tool for dispute prevention. Noting that it is currently available only in Spanish for south-south cooperation, members encouraged Colombia to make this available to a broader audience for best practice sharing. **(2014/SOM1/IEG021)**

Malaysia indicated that it is willing to include Colombia in the project "Transparency in Arbitral Proceedings - the Challenges and Benefits to States" should it be approved for funding in order to explore further Colombia's B-learning as a means of improving transparency.

Costa Rica briefed the Group on the recent developments on FDI highlighting its contribution to GVCs, i.e. 37% of total exports integrated in five manufacturing GVCs, and a 17.6 % increase in FDI inflows over the last ten years. With a view to tapping investment as a tool for sustainable development, Costa Rica welcomed investors in green energy and clean technologies. It also

expressed interest in the continued participation in APEC and hoped that in the future member economies may consider Costa Rica's intent to become an APEC member.

9. Streamlining of CTI Sub-fora

IEG members reviewed the draft recommendations set forth by the CTI Chair with a view to improving the Group's efficiency and effectiveness. No objection was raised to the recommendations. Members further discussed the recommendations in the specific context of the IEG and agreed to present its views to the CTI as follows. **(2014/SOM1/IEG022)**

Review of the Meeting Agenda

Members agreed that the meeting agenda of the IEG should be aligned with the Group's strategic focus and key issues (e.g. infrastructure investment, investment promotion) rather than project-based reports. The properly aligned agenda will allow the IEG to remain relevant to the upper streams of work and in line with host economy priorities. Under such agenda-setting, the Co-Convenors would be asked to guide the discussion from the strategic perspective while members would need to come to the meeting prepared for that.

A suggestion was made to compile a list of IEG activities and projects intersessionally to be considered when evaluating future project proposals.

Projects

Project work, i.e. the number and quality of projects, is one of the indicators for measuring the significance of sub-fora. Views were expressed that active participation (inputs, co-sponsorship) by the members is critical for the project proposals originating in the IEG.

While recognizing the value of process involved in project events, e.g. workshops and seminars, that promotes understanding and information sharing among participating economies, members agreed on the importance of delivering concrete outputs. At the same time, it was pointed out that members need to take into account the achievements of past projects to avoid potential repetition/overlap and to effectively address the gap.

Collaboration with other sub-fora, ABAC and external stakeholders

Members noted the importance of collaborating with other APEC working groups to promote synergy on the one hand and avoid duplication on the other. Communication with other sub-fora should be enhanced to effectively deliver on broader themes. It was suggested that workshops/seminars would provide a good opportunity for such collaboration.

Members noted that ABAC should be kept informed of the latest developments at the IEG including meeting documentation and intersessional communications. Members were encouraged to seek ABAC's inputs in developing their project proposals and workshop plans as a number of them would focus on public-private partnership.

10. IEG Convenor's report to CTI

The Group endorsed the IEG Convenor's report to CTI1. **(2014/SOM1/IEG/023)**

11. Date and Venue of the Next Meeting

China informed the Group that the next IEG meeting will be held at SOM3 with the meeting dates to be confirmed later.

12. Document Classification

The Group endorsed the document classification list of the meeting **(2014/SOM1/IEG/000)**.