



The Australian **APEC**
Study Centre

Centre Activity Report

July 2007 - June 2008

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1.0 SUMMARY

This report summarises the activities of the Australian APEC Study Centre at Monash University since the Centre's last Advisory Board meeting in June 2007. Centre budgets and forecasts contained herein are based on the calendar year, as per Monash University's reporting cycle.

The Australian APEC Study Centre and the Melbourne APEC Finance Centre have been very active over the 2007/08 period. The year consisted of training programs in non-life insurance and the OECD's Policy Framework for Investment; dialogues - one each on banking risk management and private pensions; organisation of a Ministerial visit and business roundtable; development of a catalogue website for the Australian Treasury; and the production of a conference compendium. The Melbourne APEC Finance Quarterly newsletter was also launched.

A review of the Centre has been initiated by the Monash University administration and is scheduled for completion in the middle of 2008.

For the remainder of this year, activities include capacity building programs in agricultural reform in the context of the Doha Development Round, assessment of capital models under Basel II, a follow-up program for the OECD's Policy Framework for Investment, a grant to deliver an Australian Leadership Awards Fellowship program, and a banking risk management and governance training course to be delivered on behalf of the APEC Secretariat.

Through its activities, the Centre continues to pursue its objectives to promote economic integration in the Asia-Pacific region. It works to develop programs which strengthen the linkages between academic, government and private sectors in Australia and the region regarding matters of importance to APEC. Significant effort has been made to deepen its relationships with major international organisations including the IMF, World Bank, UNCTAD, OECD and ADB, as well as regulatory agencies in the region, and to manage Australia's involvement in APEC activities as much as they relate to the university sector and APEC stakeholders.

2.0 FINANCIAL SERVICES TRAINING PROGRAMS

2.1

Project: 'Deepening Prudential Regulatory Capacity in Non-life Insurance'

Funding source: APEC Support Fund

Date: September 2007

With funding support from the APEC Secretariat's Support Fund and a contribution from the International Association of Insurance Supervisors (IAIS), this training program was conducted in Melbourne by the Melbourne APEC Finance Centre over a five and a half day period from Sunday 16 to Friday 21 September 2007.

This Training Program focussed on non-life/general insurance and is the first the Centre has undertaken. It is the latest in a series that the Australian APEC Study Centre has conducted over the last seven years under the Managing Regulatory Change (MRC) banner which has included programs in the Basel II accord for banking, pensions and life insurance.

Program participants came from eleven APEC economies, including Chile, Mexico, Peru and Russia. A total of 22 members from 17 organisations presented training program modules. They came from Australian and regional regulatory agencies, IAIS, and various other industry and government entities. Dr Jules Gribble, an actuarial and private consultant acted as the course coordinator.

3.0 TRADE, INVESTMENT & ECONOMIC DEVELOPMENT TRAINING PROGRAMS

3.1

Project: 'Capacity Building to Enhance Investment Flows in APEC Economies, Particularly Governance and Competition Policy' (Policy Framework for Investment)

Funding source: AusAID Public Sector Linkages Program**Date: April 2007**

The purpose of the Training Program was to enhance the policy advising capacity of the participating APEC developing economy officials in relation to achieving a policy environment conducive to strong investment flows, with a particular focus on economic governance and competition policy.

All sessions were chaired by Tony Hinton, the Academic Coordinator and designer of the Program. He is a consultant and was formerly a Commissioner at the Productivity Commission and Australia's Ambassador to the OECD in Paris. Twenty-five officials from nine APEC developing economies attended. Three from each of China, Indonesia, Papua New Guinea, Philippines, Thailand and Vietnam, with funding from AusAID, three from Mexico and Peru, with funding from MAFC, and one from Malaysia.

4.0 CONFERENCES, SYMPOSIA AND DIALOGUES

4.1**Project: China Australia Governance Program - 'Strategies to enhance risk management and governance in China's banking system'****Funding source: GHD Hassall****Date: July 2007**

The China Australia Governance Program is administered by GHD Hassall and supported by the Australian Treasury and the Chinese Ministry of Finance. The Melbourne APEC Finance Centre coordinated this program on behalf of the Australian Treasury. From the Chinese side, the Asia-Pacific Finance and Development Centre in Shanghai coordinated the program on behalf of the Chinese Ministry of Finance.

The aim of the dialogue was to identify strategic targets and potential resources for programs to enhance China's capacity to improve governance and risk management in its banking sector. The dialogue identified strategic targets for future activities over a five year cycle and to build durable relations between Australian and Chinese institutions and groups in this area.

New initiatives have resulted from this activity including the Victorian Government Ministerial visit to Shanghai, APEC Support Fund assistance for a new training program in risk management, and awarding of a tender to deliver an AusAID sponsored program, the Australian Leadership Awards.

4.2**Project: Asia-Pacific Regulators and Industry Dialogue: Private Pensions, Funds and Asset Management****Sponsor: Victorian Government****Date: March 2008**

Through sponsorship by State Government of Victoria's Department for Innovation, Industry and Regional Development, the Melbourne APEC Finance Centre convened the dialogue to consider regulatory issues relating to the developments of the private pension, funds and asset management sectors in the Asia-Pacific region. The dialogue was held 5-6 March, 2008 in Melbourne.

The dialogue was informed by a research paper commissioned by MAFC and prepared by Mercer. The activity took the form of a two-day interactive discussion that brought together a wide representation of industry regulators, pensions, fund and asset managers, professionals, academics and specialists from the IMF, the World Bank and across regional economies including: China, Indonesia, New Zealand, Papua New Guinea, Philippines, Hong Kong, Singapore, Thailand, Vietnam, Chinese Taipei, Malaysia, India, Fiji, Japan, USA, South Korea, and Australia.

The ultimate purpose of the program was to help strengthen regulatory capacity in supervisory and governance arrangements in order to encourage stable financial environments conducive to investment and sustainable wealth creation. Capacity gaps and regulatory challenges were identified that the Centre will use to develop training programs.

5.0 INTERNATIONAL ACTIVITIES

5.1

Project: Ministerial Meeting and Business Roundtable in Shanghai

Funding source: Victorian Government

Date: April 2008

This meeting was convened as a component of the visit arrangements to Shanghai of the Victorian Minister for Industry and Trade, the Hon Theo Theophanous. The Minister together with Australian and Chinese participants met with the Deputy Secretary General of the Shanghai Municipal People's Government and the Vice Chairman of the Shanghai Financial Services office and other officials of the Shanghai Government. The Australian Deputy Consul General to Shanghai, Ms Jane Ogge-Cowan and Mr Charles Brent, Commissioner – Greater China, State Government of Victoria also attended the meeting.

The objectives of the meeting and roundtable were to deepen relations between Australia and China in financial services sectors, to promote Melbourne's expertise in financial services, in particular in asset management and infrastructure financing, and to build on the relationships established in July 2007 under the China Australia Governance program

5.2

Project: TARP (Trade Analysis and Reform Project) High Level Regional Seminar on Trade Reform

Funding source: Cardno-Acil

Date: May/June 2008

The Australian APEC Study Centre was contracted by Cardno-Acil to organise the development and delivery of a regional seminar in Bangkok. The Centre coordinated delegate participation, all travel itineraries, venue and production arrangements.

This Seminar was part of the AusAID sponsored Trade Analysis and Reform Project (TARP). The purpose of TARP is to enhance the capacity of officials in Cambodia, Laos, Thailand and Vietnam to implement trade reform by improving the process of policy making and utilising and undertaking research to support policy formulation.

The objective of the seminar was to enable high level officials to share experiences in implementing trade reform projects, to enhance understanding of the need for and extent of trade reform and trade research among the participant economies, and to appreciate perspectives on the importance of trade reform from senior representatives of business, media and international institutions.

6.0 OTHER PROJECTS AND ACTIVITIES

6.1

Project: APEC Australia 2007 Conferences Compendium – 'Driving Growth, APEC's Destiny'

Funding source: Department of Foreign Affairs and Trade

Date: December 2007

A compendium was produced from a selection of papers that were delivered at the two conferences organised by the APEC Study Centre for APEC Australia 2007.

Production of the volume was coordinated by the APEC Study Centre and sponsored by the Department of Foreign Affairs and Trade. A print run of 300 units was sent to conference sponsors and delegates.

6.2

Project: Financial Sector Reform: Catalogue of Policy Experience and Choices

Funding source: Australian Treasury, AusAID

Date: January – July 2008

The Melbourne APEC Finance Centre was a successful tender for the development and delivery of this on-line catalogue that is an initiative of the APEC Finance Ministers Process (FMP) and led by the Australian Treasury. The objective of the catalogue is to present relevant information about financial sector reforms, based on practical experiences of APEC member economies and international agencies, using a logical and accessible website, and to facilitate information sharing between APEC economies on financial sector reform experiences.

The Catalogue also identifies relevant capacity building resources by providing links to current and upcoming initiatives. The initial phase of the project is now complete and the website will be launched shortly in Peru at the next Senior Finance Officials (SFOM) meeting.

6.3

Project: China Australia Governance Program - Budget Affairs Committee tour

Funding source: GHD Hassall

Date: April 2008

GHD Hassall contracted MAFC to provide support in arranging meetings for a study tour by the Budget Affairs Committee of the Peoples National Congress of the Peoples' Republic of China.

BAC has been undertaking studies in fiscal reform under the auspices of the China Australia Governance Program. The major function of the BAC is to strengthen the examination and supervision of the national budget as well as supervising its implementation behalf of the National People's Congress and its Standing Committee.

Meetings were arranged with representatives of the Victorian State Department of Treasury and Finance and Parliamentary Committees of the Australian Federal government.

7.0 RESEARCH AND PUBLICATIONS

During 2007/2008 the Centre produced several important research papers and publications as follows:

7.1 Books

- Driving Growth APEC's Destiny 2007 (2007/08)
electronic copy <http://www.apec.org.au/docs/08_ASC_COM.pdf>

7.2 Papers and reports

- Feeding Asia, John McKay, The Australian APEC Study Centre (2008-05)
<http://www.apec.org.au/docs/08_FA_JMK.pdf>
- The development costs of the Stern Review findings – implications for building consensus on global strategies for climate change, The Australian APEC Study Centre (2007-09)
<http://www.apec.org.au/docs/07_SR.pdf>
- Private Retirement Plans in Selected Asian Economies (2008-02) – authored by Mercer and commissioned by MAFC
Available upon request

7.3 Conference and Dialogue papers

- China Australia Government Program Report, Melbourne APEC Finance Centre (2007-10)
Available upon request
- Papers from the China Australia Governance Program Dialogue 'Strategies to enhance risk management and governance in China's banking system' (2007-07)

<http://www.apec.org.au/event2.asp?event=45>

- Report on the Asia-Pacific Regulators' & Industry Dialogue: Private Pensions, Funds and Asset Management (2008-04)
Available upon request
- Papers from Asia-Pacific Regulators' & Industry Dialogue (2008-04)
<http://www.apec.org.au/event2.asp?event=48>

7.4 Internet Publications

The Australian APEC Study Centre has continued to maintain its three websites, as well as redeveloping one of its existing sites, and designing, developing and delivering a new site, including:

Existing:

1. APEC Study Centre <www.apec.org.au>
2. Managing Regulatory Change in Financial Services <www.apec-finsecreg.org>
3. Melbourne APEC Finance Centre (MAFC) <www.apec-melbournefincen.org.au>

The Centre's principal, Monash branded website <www.apec.org.au> had 290,000 visits in 2007.

Redevelopment:

4. Globalisation Guide <www.globalisationguide.org>

The globalisation guide website was recently re-written to bring its content up to date and to add new elements including intellectual property and genetic resources. The APEC Study Centre is seeking sponsorship to redevelop the website to enhance its visual motif and to make navigating easier.

The site had over 200,000 visits in 2007.

New:

5. Treasury Catalogue <www.financialreform.apec.org>

See item 6.1 for details.

7.5 e-Newsletters

Melbourne APEC Finance Quarterly

MAFC started producing the Melbourne APEC Finance Quarterly in the second half of 2007. The newsletter draws on Centre networks and industry linkages for content that considers issues of contemporary importance to the finance sector. Topics have included lifting the age workers that qualify to receive the pension, the impact of anti-laundering and counter-terrorism financing laws and the implications of the US sub-prime issue.

APEC Currents

The template for APEC Currents was recently updated to reflect the APEC Study Centre's website and Monash branding. Through APEC Currents and general announcements, the Centre builds upon an extensive alumnus of officials throughout the governments of APEC countries, including China and the ASEAN economies.

Both newsletters are distributed to the Centre's subscriber base of circa 2,000 people.

8.0 MEDIA EXPOSURE

In 2007/08 the Centre was active in commenting in media, particularly in the person of the Chairman with reference to such issues as trade and the Doha Development Round, APEC 2007, and climate change.

The Chairman, the Centre and Monash University were mentioned in a number of articles including the following selection:

- Herald Sun, Terry McCrann, 'Oxley has right direction for consensus on climate', 01 Aug 2007
- The Age, Brendan Nicholson, Jewel Topsfield, 'US breathes new life into free trade negotiations', 30 Aug 2007
- ABC Television, 7.30 Report, Deborah Cornwall, 'Sydney locks down for APEC', 03 Sep 2007
- Australian Financial Review, John Kerrin, 'India's entry faces US, China road bloc', 03 Sep 2006
- The Australian, Matthew Warren, 'Howard's target plan doomed - APEC 2007', 05 Sep 2007
- Xinhua News Agency, 'New study offers multi-track strategy on climate change', 05 Sep 2007
- The Australian, Alan Oxley, 'Different tracks to the same vital goal', 06 Sep 2007
- The Australian, Matthew Warren, 'New pact receives cautious welcome - APEC 2007', 10 Sep 2007
- Time International, Elizabeth Keenan/Sydney, 'Talking Shop', 10 Sep 2007
- BRW, Jeffrey Hutton, 'Haggling blocks industrial agriculture tariff deal', 13 Sep 2008
- The Australian, Alan Oxley, 'Emissions cuts must be realistic', 22 Feb 2008
- The Age, Michelle Grattan, Brendan Nicholson, 'The PM finds his voice', 12 Apr 2008

9.0 CENTRE STAFF

Alex Kats began at the APEC Study Centre in September 2006 and continues in his capacity as a Project Officer. In the last twelve months he has worked on administering training programs and dialogues, producing the conferences compendium and organising the Cardno-Acil seminar.

Lauren Streifer began in October 2006 and continues in her role as Project Officer for the MAFC program. In the last twelve months she has worked on administering training programs and dialogues, the Shanghai Ministerial and tenders for new projects.

The Centre continues to employ Judi O'Gorman as the Financial and Administrative Officer on a fractional basis. Judi maintains the Centre accounts and payments, handles procurement matters and provides project support including financial reporting.

Jamie Jobson continues his work as Communications and Executive Manager. During the period he has overseen Centre administration, communications and planning, and has managed the development and delivery of Centre tenders and projects including the Catalogue website.

Ken Waller continues to provide his expertise as Chair of the Centre's Financial Services Advisory Board and as Director of MAFC. Ken also represents Australia in APEC's Investment Experts Group (IEG) and the Senior Finance Officials Meeting (SFOM), and is the senior advisor to APEC Business Advisory Council (ABAC).

Professor John McKay continues to act as a Director of the Centre bringing expertise in research.

Alan Oxley continues his position as Chairman of the Centre.

10.0 FUTURE ACTIVITIES

Remainder of 2008

The Centre has been active in bidding for government and multi-lateral agency development programs and planning for other related activities. The Centre will continue to pursue tenders for the organisation and delivery of capacity building training programs in trade, finance and climate, as well as work towards undertaking research, and hosting conference and lecture events.

- UPCOMING PROGRAMS

Program: 'Training Course for Policy Options to Promote Agricultural Growth and Reform in an Era of Rising Commodity Prices'

Date: September 2008

The objectives of the program are to enhance the capacity of officials and leading academics in developing Asian economies to develop reform options in agricultural trade, including in the WTO Doha Round, in the emerging policy environment of higher agricultural prices.

The program consists of a five day training program for 24 participants from six countries and the ASEAN Secretariat.

Program: 'Regulatory management of Internal Capital Models'

Date: October 2008

The objective is to help policy makers and financial services prudential supervisors, particularly in banking and insurance, develop the ability to assess and monitor internal capital models developed in banking and insurance sectors, in line with international best practices aimed at improving risk management and governance in those key financial sectors.

The program consists of a six day training program for 21 participants from seven countries.

Program: 'Capacity building to enhance investment flows for APEC regional economies'

Date: 27 November to 3 December 2008

This program will enhance the policy design and implementation skills of officials in APEC developing economies in relation to creating a policy environment conducive to stronger investment performance, particularly in relation to foreign investment policy and investment promotion and facilitation. This program has been included as a major APEC initiative in the newly approved APEC Investment Facilitation Action Plan (IFAP).

The program consists of a five day training program for 24 participants from eight countries.

Program: Australian Leadership Awards Fellowships Program – 'Building institutional relationships between Chinese and Australian bankers and financial sector policy makers, regulators and Australian financial academic specialists to foster linkages and pursue priority development areas in risk management and governance'

Date: October 2008

With financial support from AusAID, MAFC is to conduct an Australian Leadership Awards Program. The program will involve an executive roundtable to be held in Melbourne from 2 - 3 October, followed by professional placements for high-level Chinese bankers, regulators and policy makers in Australian financial institutions.

The program will run for five working days from the 6 - 10 October.

Program: China Risk Management training program

Date: December

Venue: Shanghai

Regulators from APEC developing economies banking supervisory systems will be exposed to current thinking and practices regarding the implementation of Basel II from both a regulatory and an industry practitioners' perspective

The course will focus on key aspects of risk, credit, market, and operational risks and the techniques to measure and manage risk. The course will include 16 sessions over a 4 day period and will take place in Shanghai.

- BEYOND 2008

Trade development

At the time of writing, the Centre is planning bids for the next funding round to close at the end of November 2008. These will include a program to deliver capacity building training concerning the NAMA (non agricultural market access) negotiations under the WTO's Doha Development Round and policy reforms measures developing economies may take to enable negotiations to progress.

The APEC Study Centre is also planning a joint-research proposal with PECC (Pacific Economic Cooperation Council) and other APEC Study Centre Consortium members for a series of studies into the benefits to date that have come from bi-lateral Free Trade Agreements on a sectoral basis and the challenges that remain. The studies will assess the impacts of rules of origin and preferential trade effects on sectors such as Thailand and Australia's auto sector. A number of sectors and economies will be identified for the study series.

Financial sector capacity enhancement

The Centre has been leveraging its long experience in delivering financial services executive training and capacity building programs to APEC and ASEAN regulators as it carries out activities under MAFC program. The Department and the Centre are moving towards finalising the second funding agreement that will support the program over a second two-year period.

A second Business Plan has been provided to the Victorian Government that outlines the third and fourth years of activities including:

- China economics and finance roundtable
- Asia-Pacific dialogue and training program on Infrastructure – UNCTAD
- Asia-Pacific pensions training program - World Bank
- Asia-Pacific securities research and dialogue

Recent proposals to AusAID for PSLP funding in the current round include those on infrastructure, pensions regulation and a third program on the Policy Framework for Investment.

Conferences

The Centre's interest in climate change matters will be pursued as the debate in which the decisions on pathways government and industry should head towards take shape. The APEC Economic Leaders Meeting last September took steps towards achieving approaches to climate change outlined in 'Sydney APEC Leaders' Declaration on Climate Change, Energy security and Clean Development'.

The Centre plans to organise a conference to discuss this and other approaches towards carbon emissions abatement seeking sponsorship through the Department of Foreign Affairs and Trade and industry. Pending funding, the conference would be scheduled to take place in Melbourne or Sydney, in 2009.

Monash APEC Lecture

The Centre will continue to engage leaders in the Asia Pacific to deliver the annual Monash APEC Lecture, pursuing debates in trade, finance and climate change.

- APEC STUDY CENTRE ISSUES

International Trade

The Centre's focus will continue to be on activities which direct attention to policies that optimize gains created through trade liberalization and market based solutions for sustainable economic development. The Centre will continue to watch the progress of the WTO's Doha Development Agenda (DDA) round and the possibility of a new AP Free Trade Agreement if the round cannot be successfully concluded; new directions for APEC as the tariff reduction agenda wanes, including behind-the-border reform and structural adjustment; and the pursuit of market based approaches for trading genetic resources and intellectual property.

Financial Governance

The Centre will continue to expand its financial governance programs in asset management and infrastructure. In particular it will build its relationship with Chinese institutions including the Ministry of Finance under the CAGP symposium and Victorian Government funding of MAFC.

Globalization

The anti-globalization agenda is expanding with new bases for criticism of free markets being established on human rights, labour and trade grounds. Anti-globalization NGOs continue to mount broad scale programs that seek to weaken intellectual property regimes in particular and the global trading system in general. The Centre will continue its monitoring and counterpoint activities with regards to these matters.

Environment

The Centre's work on Climate Change continues in 2007 and beyond with ongoing participation by the Centre Chairman in the UN's Convention on Biodiversity (COB) with regards to regulatory regimes for genetic resources, deployment of clean technologies and the structural impacts of carbon abatement strategies on economies.

The Australian APEC Study Centre, July 2008

Attachment 1: APEC Study Centre 3 Year Strategy***Issues Focus***

- Maintain an emphasis on training of international trade and finance policy issues, but expand the ambit to include behind-the-border developments, e.g. productivity and structural adjustment
- Enhance Centre's standing as leading trainer on financial management, focusing on regional public sector regulators
- Hold the focus on sustainable development issues as they relate to economic development
- Advocate free market based economic integration and trade liberalisation

Activities

- Retain emphasis on executive training of priority issues in APEC
- Build linkages between Monash Academia and the Study Centre's alumnus, government and the private sector
- Host conferences on cutting edge issues related to economic integration and development through trade, finance and climate change

Training

- Continue to solidify position as a leading executive trainer in the field of financial management and regulation in East Asia
- On trade and economic integration, focus on managing impact of structural adjustment, deregulation and liberalization, and policy implications of interlocking bilateral, regional and multilateral activities
- On sustainable development, focus on creating approaches suitable to developing economies

Research

Seek funding for research on topics relevant to:

- effective and sustainable development in East Asian economies
- improvement of regulation of financial sectors in the APEC region
- enhancement of market based economic integration in East Asian economies

Advocacy

Build activity which promotes international action to achieve prosperity through trade integration and open markets.

Conference

Host an annual conference on a key international economic integration.

Attachment 2: Financial Services Advisory Board Membership

Mr Ken Waller Chair

Mr Alan Oxley, Chairman, Australian APEC Study Centre, Monash University

Mr Chris Gaskell, Head of International Relations, Australian Prudential Regulation Authority

Dr David Knox, Worldwide Partner

Dr Jules Gribble, Chairman, Ask!T Consulting

Professor Kevin Davis, Director, Melbourne Centre for Financial Studies

Mr Robert Glading, Consultant and Former Insurance Commissioner

Mr Tim Coyne, Partner, Financial Services, Ernst and Young

Mr Tony D'Arcy, Project Manager- Financial Services, Department of Innovation, Industry and Regional Development

Dr Leonie Lethbridge, Head of Risk – International Partnerships, ANZ

Mr Richard Fisher, General Counsel, Office of General Counsel, University of Sydney

Mr Edmond U, Commlnsure, Commonwealth Bank of Australia

Ms Kathryn Watt, Vanguard Investment Australia Ltd

Professor Christine Brown, University of Melbourne

Professor On Kit Tam, Monash University

Mr Ian Thompson, Chief Credit Rating Officer and head of Research, Asia Pacific Region, Standard and Poor's

Mr Syd Bone, Director and Chief Executive Officer, Victorian Funds Management

Mr Joe Garbutt, Head of Group Regulatory Strategy, National Australia Bank

Alternate Members:

Mr Sean Balding, Ernst and Young

Dr Marcus Chadwick, Australian Prudential Regulation Authority

Members to be Invited:

Ms Kerstin Wijeyewardene, Financial System Division, Australian Treasury