

SUMMARY CONCLUSIONS OF
THE SECOND SENIOR OFFICIALS' MEETING FOR
THE FOURTH APEC MINISTERIAL MEETING
BANGKOK, 22 - 24 JUNE 1992

1. The Second Senior Officials' Meeting for the Fourth APEC Ministerial Meeting was convened in Bangkok on 22 - 24 June 1992. Delegations from Australia, Brunei Darussalam, Canada, the People's Republic of China, Hong Kong, Indonesia, Japan, the Republic of Korea, Malaysia, New Zealand, the Philippines, Singapore, Chinese Taipei, Thailand and the United States participated in the Meeting. The Secretary-General of the ASEAN Secretariat, the Director General of the PECC and a representative of the South Pacific Forum (SPF) Secretariat were present as observers. The list of delegations appears as Annex 1.

2. The Meeting was chaired by Mr. Vitthya Vejajiva, Permanent Secretary, Ministry of Foreign Affairs of Thailand.

3. Mr. Mohd. Rosli Bin Haji Sabtu of the ASEAN Secretariat and Mr. Apichart Chinwanno of the current APEC SOM Secretariat acted as Rapporteurs of the Meeting.

ADOPTION OF AGENDA

4. The draft provisional agenda was adopted without amendment. The adopted agenda appears as Annex 2.

FUTURE STEPS OF APEC

5. The Meeting recalled that the Third APEC Ministerial Meeting in Seoul on 12-14 November 1991, recognising the need to consider the possibility of establishing a mechanism on a permanent basis to provide support and coordination for APEC activities at various levels as well as ways to finance APEC activities, including a procedure for apportionment of expenses, and other organisational matters, entrusted Senior Officials with the task of completing an extensive review of the issues and providing options and recommendations for decision at the Fourth Ministerial Meeting.

6. The Meeting considered the Thai Secretariat's Working Paper which appears as Annex 3 and agreed on certain points as inputs to be incorporated into the Consolidated Report to be submitted to the Fourth Ministerial Meeting. There remain, however, certain issues that will need further consultations among members with a view to reaching an agreement by the next APEC SOM in September; these issues have been square-bracketed in the section that follows. The Meeting further mandated the Thai Secretariat to prepare the draft Declaration and the Consolidated Report on Future Steps of APEC and circulate them for members' consideration before the next SOM.

Inputs on Future Steps of APEC for
the Consolidated Report of the APEC Senior Officials
to be submitted to the 4th APEC Ministerial Meeting

A. SUPPORT MECHANISM

A secretariat should be established as support mechanism, reporting directly to the APEC SOM. The support mechanism or the secretariat should be small in size, simple in structure, efficient in function and flexible enough to meet APEC's ongoing needs. It should be composed of three elements, namely, an Executive Director, a group of professional staff and a group of support staff.

FUNCTIONS/TERMS OF REFERENCE OF THE SUPPORT MECHANISM

The support mechanism should perform, under the directions of the APEC SOM, the following principal functions :

- a) Logistical service
 - (i) coordinate and assist the development of the current APEC work programme of ten projects and other APEC activities, such as the proposed development of various electronic networks within the APEC region;
 - (ii) facilitate communications between members on APEC activities by, inter alia, establishing and maintaining an electronic mail system among members;
 - (iii) provide assistance to the Chair of APEC as requested and render support services to meetings, such as preparing, reproducing and circulating documentation;

- (iv) build collaborative links with the public and private sector and other organizations in the Asia-Pacific and other regions in order to prevent duplication & contribute to progress on global and regional issues; and
- (v) coordinate APEC public relations activities, disseminating information to the press, businesses, academic institutions and the general public.

b) Technical service

- (i) monitor and review activities of the Working Groups;
- (ii) provide the APEC SOM with information on work project activities, recommendations on coordination among Working Groups, and efficiencies in the operation of the Working Groups and avoidance of duplication of activities ;
- (iii) provide analytical inputs for Ministerial discussions, especially on economic issues, through the APEC SOM;
- (iv) serve as the APEC Documentation Centre.

c) Financial management

- (i) prepare an annual budget proposal for APEC activities to be submitted to the APEC SOM and Ministers for consideration and approval, respectively; and
- (ii) be responsible for disbursement of the APEC fund as approved by the APEC SOM.

d) Other tasks as directed by the APEC SOM

LINKAGES BETWEEN THE SUPPORT MECHANISM AND APEC MEMBERS

For better coordination, direct and regular communication should be established between the support mechanism and APEC members, Shepherds of Work Projects and Heads of other APEC committees and groups.

SELECTION OF PERSONNEL

EXECUTIVE DIRECTOR

In principle, there is merit in the Executive Director of the support mechanism being selected on an open recruitment basis.

As an interim arrangement, the Executive Director should be appointed by the current Chair and hold the position for the term of the current chairmanship. To ensure the continuity of the functioning of the secretariat, a Deputy Executive Director should be appointed by the next Chair one chairmanship year before taking over as the Executive Director. Financial support for the two posts should be the responsibility of the respective nominating members so as to minimize the administrative costs. The foregoing arrangement is subject to a review at the end of the interim period of 3 APEC chairmanships.

PROFESSIONAL STAFF

[Two options were identified for the selection of the professional staff:-

OPTION A: Having in mind the desirability of
open recruitment, the professional
staff should be nominated by APEC

members during the interim period of 3 years. By the end of the three year period, nominated professional staff members would have been progressively replaced by those recruited on the basis of open competition under central APEC funding;

OPTION B: The professional staff should be nominated for the initial period, subject to subsequent review so that a decision regarding the methodology of recruitment could be made by the end of the three-year term.

In both cases, the appointment of the professional staff should be subject to the approval of the APEC SOM, taking due account of geographical balance. Financial support for the seconded or nominated professional staff during this period should be the responsibility of the respective nominating members. The number of professional staff should be decided by the APEC SOM.]

SUPPORT STAFF

The support staff of not more than 7 persons initially should be locally recruited and financed by the APEC fund. The support staff should be selected by the Executive Director, subject to the final approval of the APEC SOM.

LOCATION

The APEC secretariat should be located at a permanent site. The Ministers therefore may wish to decide on the location, taking into consideration in particular the following factors :

- location should be at the centre of the Asia Pacific region, be accessible by international transport, and have good local infrastructure and other necessary facilities and comparatively low costs of living.

- Any offer by prospective hosts which would lessen the financial burden on APEC members should have a bearing in this matter.

B. FUNDING ARRANGEMENTS

FUNDING STRUCTURE

An APEC Fund should be established to cover both support mechanism costs (via an Administrative Account) and operational costs (via an Operational Account). The Administrative Account should cover essential expenses needed to carry out the functions of the support mechanism and its staff, and should be kept to a minimum. The Operational Account should be used to contribute to expenses associated with the implementation and/or financing of approved APEC projects and activities.

Apart from the Central Fund, part of the operational costs would be met by voluntary

contributions of interested APEC members and/or the private sector. Current practices whereby hosts organize and pay for meetings and participants fund their own involvement in those meetings, such as travel expenses and accommodation, should continue as far as possible.

BUDGETARY ARRANGEMENTS

All APEC members should be required to make an annual proportional contribution to the APEC Fund, based on a formula for assessed contribution to be determined by the APEC Ministers. [Four options on the formula for assessed contribution are presented in Attachment 1.]

It is suggested that the payments be made to the APEC Fund as soon as possible preferably within 120 days after the approval of the budget by the annual APEC Ministerial Meeting.

For the first APEC budget, the required APEC Fund is estimated at [US\$ 2 million] [as shown in the detailed break-down in Attachment...]. [The initial budget should include an amount for the operation of the work projects or other APEC committees and groups. The details of this amount would be approved by the SOM and should not replace voluntary contributions but could cover such activities as:

- i) development of database systems;
- ii) interlinkages between work projects via special surveys or studies;

iii) third party studies in support of work projects.]

DISBURSEMENT / ALLOCATION OF FUNDS

Decisions on the budget to be allocated from the Operational Account should be made by the APEC SOM, subject to Ministerial approval and review. The SOM should develop broad guidelines for the utilization of the Administrative Account and the Operational Account.

MECHANISM FOR FINANCIAL MONITORING AND AUDITING

Ultimate decisions on the APEC budget and related financial matters should be taken by the APEC Ministers through the APEC SOM. For efficient management, monitoring and review, the APEC SOM could set up a finance committee to oversee financial administration, keep track of contributions and expenditures, and make recommendations on financial operations to the SOM for consideration.

The accounts of the APEC should be annually audited by an auditor approved by the APEC members. The annual accounts together with the report of the auditor should be submitted to the annual APEC Ministerial Meeting through the APEC SOM.

FINAL DOCUMENT

It is recommended that the final document on these issues should be in the form of a declaration without signature.

| | OPTION A PECC FORMULA | OPTION B GNP with 20% Ceiling and 2% Floor | OPTION C 5 Classes Based on 6,4,3,2 and 1 units (36 total) | OPTION D Four levels of contribution *, with APEC members grouped into levels on the basis of consensus | | | |
|-----------------------|-----------------------------|---|---|--|-------|----------------|--|
| | (% of Total) | (% of Total) | (%) | (Units) | Level | Description | Members |
| 1. U.S.A | 22.20 | 20.00 | 16.67 | (6) | I | 8 Units/member | 3 (24 units=10.5% per member) |
| 2. Japan | 22.20 | 20.00 | 16.67 | (6) | II | 6 Units/member | 5 (30 units= 7.9% per member) |
| 3. Canada | 8.88 | 14.17 | 11.11 | (4) | III | 4 Units/member | 4 (16 units= 5.3% per member) |
| 4. Korea | 7.77 | 6.04 | 8.33 | (3) | IV | 2 Units/member | 3 (<u>6</u> units= 2.6% per member) 76 units |
| 5. Australia | 5.55 | 7.60 | 8.33 | (3) | | | |
| 6. New Zealand | 2.22 | 2.00 | 2.78 | (1) | | | |
| 7. Singapore | 1.78 | 2.00 | 2.78 | (1) | | | |
| 8. Malaysia | 1.78 | 2.00 | 2.78 | (1) | | | |
| 9. Indonesia | 1.78 | 2.65 | 2.78 | (1) | | | |
| 10. Thailand | 1.78 | 2.06 | 2.78 | (1) | | | |
| 11. Philippines | 1.78 | 2.00 | 2.78 | (1) | | | |
| 12. Brunei | 1.78 | 2.00 | 2.78 | (1) | | | |
| 13. Hong Kong | 7.21 | 2.00 | 5.55 | (2) | | | |
| 14. China | 5.55 | 10.86 | 8.33 | (3) | | | |
| 15. Chinese Taipei | <u>7.77</u> | <u>4.62</u> | <u>5.55</u> | (2) | | | |
| TOTAL | 100% | 100 % | 100 % | (36) | | | |

* The dollar value of a unit of contribution will be determined for each budget by dividing the approved level of funds to be collected by the total number of units chosen by members. Each member's assessment will be determined by multiplying the number of contribution units a member has chosen by the dollar value of the contribution unit.

FUTURE PARTICIPATION IN APEC

6. The Meeting took note of the Thai Secretariat Information Paper which appears as Annex 4. The Meeting reaffirmed its decision at the First APEC SOM that APEC was entering a phase when consolidation should be an important consideration. The Meeting further requested the United States and Canada to formulate a draft recommendation to the Ministers on the subject and circulate it for members' consideration by 10 August 1992.

INCORPORATION INTO EXISTING WORK PROJECTS OF CHINESE TAIPEI'S PROJECT PROPOSAL ON PROMOTING DEVELOPMENT OF MEDIUM AND SMALL ENTERPRISES THROUGH COOPERATION

7. The Meeting took note of the Thai Secretariat Information Paper which appears as Annex 5. The Meeting noted that Chinese Taipei's proposal was incorporated by the Work Project on Trade Promotion and considered by the Work Projects on Telecommunications and Fisheries. The Meeting encouraged other APEC Working Groups to explore the possible ways to incorporate Chinese Taipei's project proposal into their Work Projects, especially the ones on Expansion of Investment and Technology Transfer and on Human Resources Development.

ECONOMIC TRENDS AND ISSUES

8. Canada presented an update of the status of the Ad Hoc Group on Economic Trends and Issues and stated that the next meeting of the Group would take place in Tokyo on 10 - 11 August 1992.

9. Japan presented a draft outline of its survey of economic linkages among APEC economies entitled "Vision for the Economy of the Asia Pacific Region in the Year 2000" which appears as Annex 6. The Meeting expressed its appreciation to Japan's efforts to come up with such a paper. The Meeting requested Japan to give due prominence to the issue of HRD in its identification of the future tasks as contained in the draft outline. The Meeting looked forward to the discussion of the report at the next Ad Hoc Group Meeting in Tokyo. The Meeting noted that the Republic of Korea was in the process of preparing the report for the discussions on the economic outlook and trends. The Republic of Korea informed the Meeting that in addition to relevant contributions from APEC participants, its report would also take into account other regional economic initiatives such as the PECC "Pacific Economic Outlook: 1992 - 1993" and the results of the Asia Pacific Economic Experts Meeting (APEEM) in Seoul as well as other relevant sources. The Meeting also noted that the next meeting of the Ad Hoc Group on Economic Trends and Issues to be chaired by Canada would be held in Tokyo on 10 -11 August 1992. The Meeting agreed that the report of the August Meeting of the Ad Hoc Group, including any recommendations for future actions, should be submitted, after endorsement by SOM, to the Fourth Ministerial Meeting in September 1992.

REGIONAL TRADE LIBERALIZATION

10. Australia presented the report of the Informal Group on Regional Trade Liberalization Meeting which appears as Annex 7. The Meeting noted that the Informal Group Meeting discussed issues falling within three broad areas, namely, 1) the impact of trade and trade policy developments on the region, 2) Uruguay Round issues, and 3) options and recommendations for approaches to regional trade liberalization. The Meeting agreed that one

of the fundamental unifying themes underlying APEC has been a commitment to outward-looking development and growth of regional economies and in this context noted the importance of the issues discussed.

11. The Meeting welcomed the development of a trade policy dialogue. The Meeting noted that globalization processes are heightening the links between international and domestic policies and the importance of APEC members encouraging trade-creating global investment. The Meeting further agreed that sub-regional trade arrangements (SRTAs), such as the North American Free Trade Agreement, the Australia-New Zealand Closer Economic Relations Trade Agreement, the ASEAN Free Trade Area and the South Pacific Regional Trade and Economic Cooperation Agreement, should be outward-looking, GATT-consistent and promote global trade liberalization. On the Uruguay Round, the Meeting agreed that a Meeting of Ministers concerned with trade policy could not be convened until the outcome of the Round is clearer. As for the identification of options and recommendations for approaches to RTL, the Meeting took note of decisions reached by the Informal Group to develop the mandate in two areas; a longer term vision identifying an agenda of broader, more complex issues and a more immediate work programme of measures designed to facilitate and liberalize trade in the region.

12. The Meeting agreed that it is vital that APEC continues to monitor and discuss issues which impact on regional trade and trade policies, including globalization, sub-regional trade arrangements and other issues.

13. The Meeting further noted that a report containing options and recommendations for approaches to regional trade liberalization as well as other regional trade issues discussed at the Informal Group Meeting would be submitted, after the endorsement by SOM, to the Fourth APEC Ministerial Meeting.

PROGRESS REPORT ON WORK PROJECTS

14. The progress reports as well as future work plans of APEC Work Projects were presented by the respective shepherds and could be summarized as follows:

A. REVIEW OF TRADE AND INVESTMENT DATA

15. The Meeting took note of the progress report presented by the United States which appears as Annex 8. In regard to the construction of a comparable merchandise trade database, the United States completed a detailed proposal for such a database and distributed copies to all participants of the Working Group for comment. The Fifth Meeting of the Working Group, scheduled to be held in Singapore on 25 - 26 June 1992, will review and discuss this proposal. The Meeting also noted that at this Working Group Meeting, Japan's Institute of Developing Economies would report on the work to develop an import-export matrix ; New Zealand would report on services data ; and Australia would present its work in investment flows data.

B. TRADE PROMOTION : PROGRAMMES AND MECHANISMS FOR COOPERATION

16. Thailand presented the progress report of the Working Group which appears as Annex 9. The Meeting commended the progress achieved by this project in the implementation of the five programmes, namely, Exchange of

Trade and Industrial Information, Asia-Pacific Trade Promotion Seminar, Exchange of Trade and Economic Missions, Asia-Pacific International Trade Fair and Asia-Pacific Trade Promotion Training Course. The Meeting took note of the incorporation of relevant Chinese Taipei's proposal on promoting development of medium and small enterprises in the programmes of Trade Promotion. Such programmes are a seminar on Promoting Development of Medium and Small Enterprises in a Special Economic Zone in China to be hosted by the People's Republic of China and the training course sponsored by Chinese Taipei to be held in the Philippines.

17. The Meeting also suggested that the organization of the Asia-Pacific International Trade Fair could, where feasible, be held to coincide with the APEC Ministerial Meeting in order to make this Fair a visible symbol of APEC and to achieve maximum impact. In this regard, Japan would furnish detailed information on the First Asia-Pacific International Trade Fair, including its financial implication at the next Working Group Meeting to enable APEC members to make advanced preparation. The Meeting took note of Singapore's offer to APEC members to make use of the APEC Electronic Information Network System for other electronic information network in other work projects. The Second Asia-Pacific Trade Promotion Seminar would be held on 20-21 October 1992 in Osaka, and the Third and Fourth Seminar should be held in Seoul in 1993 and in the People's Republic of China in 1994, respectively. Thailand offered to host the Fourth Working Group Meeting on 2-3 November 1992.

C. EXPANSION OF INVESTMENT AND TECHNOLOGY TRANSFER

18. Japan presented the progress report which appears as Annex 10. The Meeting was informed that Singapore's APEC Electronic Information Network was introduced at the Third Working Group held in Singapore on 1 - 2 June 1992, and that this network could be considered as a medium for a proposed establishment of an investment and technology transfer information network. The Meeting noted that an experts' group meeting would be convened in November 1992 in Yogyakarta in order to discuss the various information network options available for establishing such a network. The Meeting also took note of the Japanese proposal to compile an "Industrial Parks Development Handbook" in cooperation with all APEC members. The Meeting recognized the importance of the private sector's involvement in the promotion of investment, such as a presentation by the ASEAN Chamber of Commerce and Industry. The Meeting also noted that the Working Group would explore ways to incorporate Chinese Taipei's project proposal on promoting development of medium and small enterprises through cooperation into its work programmes. The Fourth Meeting of the Working Group would be held in the Republic of Korea in March 1993.

D. ASIA-PACIFIC HUMAN RESOURCES DEVELOPMENT INITIATIVE

19. Australia presented the progress report which appears as Annex 11. The Meeting noted the importance of HRD to all APEC members and welcomed the rapid development of the HRD Working Group both as a dynamic policy forum and as a leading example of practical cooperation among APEC members. The Meeting welcomed the development and adoption by the Working Group of clear principles on its role and focus. The Meeting took note of significant development of work plans in HRD networks, namely the Business Management Network, the Economic Development Management Network and the

Industrial Technology Network. The Meeting noted that the United States undertook the preparation for the APEC Education Ministerial Meeting which will be held on 5-6 August 1992 in Washington and endorsed the HRD Working Group's recommendation that education be incorporated as part of the Working Group's activities. The Meeting noticed the progress of the "Asian-APEC Partnership for Education and Training" and the "US-APEC Partnership for Education." The Meeting noted that the Seventh Working Group Meeting was scheduled to be held in Tokyo, Japan on 26-27 January 1992. Also, the Meeting welcomed the HRD Working Group's initiative for University Mobility in Asia Pacific (UMAP) as a contribution to economic and cultural cooperation in the region.

REGIONAL ENERGY COOPERATION

Australia presented the progress report which appears as Annex 12. The Meeting welcomed the steady progress of the the Energy Working Group including the continuing development of the database on Regional Energy Supply and Demand; the establishment of an Expert Group on Energy and the Environment and its circulation of a questionnaire on coal and continuing work on Energy Efficiency and Conservation to include all members together with the preparation of a compendium of energy efficiency measures; and progress on Energy Research, Development and Technology Cooperation. The Meeting noted Australia's invitation to members to participate in a training programme on photovoltaics and compressed natural gas vehicles. The Meeting was informed that the next meeting of the Working Group on Energy Efficiency and Conservation would be in Hawaii on 10-11 May 1992 and that a seminar on New Energy sponsored by Japan would be held in Bali on 18-19 November 1992. The Meeting endorsed the recommendation by the Working Group that the APEC Energy Working Group

sponsor the Seoul Energy Conservation Exhibition to be held in November 1992 in Korea. The Meeting was also informed that the Fifth Working Group Meeting would be held in Seoul on 31 August-1 September 1992.

F. MARINE RESOURCE CONSERVATION : PROBLEMS OF MARINE POLLUTION IN THE APEC REGION

21.. Canada presented the progress report of the Working Group which appears as Annex 13. The Meeting took note of the general consensus that the red tide issue is significant in the region and that there is a regional need for more knowledge as to the causes, economic impacts and proper remedies. The Meeting also recognized the need for an additional Meeting of the Working Group with full representation of experts at the end of August 1992 to work out a plan of action of information sharing, monitoring, early warning and other relevant matters for consideration at the APEC Ministerial Meeting scheduled for September, 1992. Each participant was requested to submit a country report in a standardized format by the end of July 1992 for use as the background material for the next Working Group meeting.

G. TELECOMMUNICATIONS

22. The United States presented the progress report which appears as Annex 14. The Meeting took note of various developments in four sub-projects: (a) collecting data on telecommunications regulation, policy and infrastructure in each of the APEC economies; (b) producing a manual to assist telecommunications organizations in developing the human resource potential of staff; (c) pursuing a pilot project using Electronic Data Interchange (EDI) to exchange trade data in Customs-related operations and

to broaden public/official acceptance of EDI procedures; and (d) investigating the teleport model as a means of improving regional communications. The Meeting noted that each area of activities continued to progress as the data compilation study entitled "The State of Telecommunications Infrastructures and Regulatory Environments of APEC Economies" would be republished; the master copy of a manual on "How to Approach Training within a Telecommunications Organization" would be finalized and be available in time for distribution at the Bangkok Ministerial Meeting; and EDICOM'92 and APEC/JIPDEC Workshop, the first comprehensive APEC program to broaden awareness of EDI, was successfully held in Tokyo in June 1992 with active participation by the private sector.

23. The Meeting emphasized the importance of EDI pilot project which would help reduce trade barriers and expenditures incurred by the private sector. The Meeting took note of several new initiatives to be pursued at the Sixth Meeting of the Working Group which would be a project to share information on issues of standards, an application of the HRD manual and a follow-up on Japan's initial teleports sub-project. The Meeting noted that the United States offered to host the Sixth Meeting on telecommunications in Honolulu, Hawaii on 27-29 July 1992.

H. FISHERIES

24. Japan presented the progress report of the Working Group which appears as Annex 15. The Meeting noted that the Working Group agreed to pursue cooperation in the areas of harvesting and post-harvesting technologies, marketing, identification of fish stocks and management arrangements, an inventory of non-tariff measures (with PECC) and to discuss further for formulating a concrete course of action at the next

Working Group Meeting. It was also noted that the Chinese Taipei's proposal for promoting development of medium and small enterprises through cooperation would be explored in the post-harvesting sector of fisheries. Thailand offered to host the Third Working Group Meeting in February 1993.

I. TRANSPORTATION

25. The United States presented the progress report which appears as Annex 16. The Meeting noted the progress on four projects: (a) a survey of transportation bottlenecks; (b) a survey of existing data; (c) a survey of transportation systems and services; and (d) a survey of related transportation work in other international bodies, recognizing the unique involvement of the private sector in the Work Project. The Meeting took note of the preparation to develop a shared vision of transportation for the region over the next 10 to 20 years. The Meeting was also informed that discussions on financing, privatization, deregulation and promotion of competition led to a decision to organize a seminar on privatization and innovative financing for transportation infrastructure, which would become a part of the Third Working Group Meeting to be held in Japan in November 1992.

J. TOURISM

26. The United States presented the progress report which appears as Annex 17. The Meeting noted that Canada offered to host the Second Meeting of the Working Group in Vancouver, British Columbia, tentatively either on 3-4 or 10-11 August 1992. The draft provisional agenda for the forthcoming Meeting includes the Relation of the APEC groups to work of WTO/PATA/OECD, Improvement of data collection and statistics, Tourism and the Environment,

Training and Education, Barriers to Tourism, General discussion of Tourism and Aviation and possible topics for discussion at the 4th APEC Ministerial Meeting in Bangkok.

GENERAL ISSUES FOR THE WORKING GROUPS

27. The Meeting recognized that the management and coordination of the Work Projects is becoming an increasingly complex task. To assist the SOM in its deliberations, the Meeting requested shepherds, in the reports of the Working Groups, to make clear the issues on which they require guidance from the SOM. Bearing in mind the technical nature of some of the issues, the early circulation of reports would assist Senior Officials to receive expert advice.

28. The Meeting also requested Working Groups to start to give consideration to future relations between the Working Groups and a possible APEC support mechanism.

29. The Meeting considered the form of report on the Work Projects to Ministers in September. The Meeting agreed that it was desirable to prepare a consolidated report, highlighting key developments and policy issues, for consideration by Ministers. The Meeting requested contributions from all members and shepherds to this report be submitted in writing to the Thai Secretariat prior to the second week of August. The Meeting discussed possibility of convening a meeting of shepherds of all the Work Projects, immediately before the Third SOM, to discuss coordination issues and the consolidated report. The Meeting requested all members to consult with their respective shepherds on this possibility and communicate their views to the Thai Secretariat by the third week of July 1992.

OTHER MATTERS

30. The Meeting took note of the letter of the Chair of the PECC Standing Committee extending invitations to representatives of the SOM to participate in the Ninth General Meeting of PECC in San Francisco on 23 - 25 September 1992, to any group of members of the SOM that the Chairman deemed appropriate to join a dinner with the Standing Committee on 22 September 1992 and to the Chairman to address PECC IX in its opening plenary session on 23 September 1992. The Meeting agreed that a decision on this matter should require further consultation among APEC members. The Meeting requested Thailand to undertake this consultation with a view to providing a reply to the PECC before the end of July 1992.

PREPARATION FOR THE FOURTH MINISTERIAL MEETING

31. The Meeting agreed that the date and venue of the Fourth Ministerial Meeting would be on 10 - 11 September 1992 in Bangkok. The Meeting also agreed on the provisional agenda for the Bangkok Ministerial Meeting which appears as Annex 18.

DATE AND VENUE FOR THE THIRD APEC SOM

32. The Meeting agreed that prior to the Fourth Ministerial Meeting, Thailand would host the Third APEC SOM in Bangkok on 7 - 8 September 1992.

ADOPTION OF THE SUMMARY CONCLUSIONS

33. The Meeting adopted the Summary Conclusions of the Second APEC SOM, 22-24 June 1992.

ACKNOWLEDGEMENT

34. The Meeting expressed its appreciation to the Government of the Kingdom of Thailand for the warm hospitality and excellent facilities provided for the Meeting.

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2. The Meeting was chaired by Mr. Vitthya Vejjajiva, Permanent Secretary, Ministry of Foreign Affairs of Thailand.

3. Mr. Mohd. Rosli Bin Haji Sabtu of the ASEAN Secretariat and Mr. Apichart Chinwanno of the current APEC SOM Secretariat acted as Rapporteurs of the Meeting.

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EXECUTIVE DIRECTOR

In principle, there is merit in the Executive Director of the support mechanism being selected on an open recruitment basis.

As an interim arrangement, the Executive Director should be appointed by the current Chair and hold the position for the term of the current chairmanship. To ensure the continuity of the functioning of the secretariat, a Deputy Executive Director should be appointed by the next Chair one chairmanship year before taking over as the Executive Director. Financial support for the two posts should be the responsibility of the respective nominating members so as to minimize the administrative costs. The foregoing arrangement is subject to a review at the end of the interim period of 3 APEC chairmanships.

PROFESSIONAL STAFF

[Two options were identified for the selection of the professional staff:

OPTION A: Having in mind the desirability of open recruitment, the professional staff should be nominated by APEC members during the interim period of 3 years. By the end of the three year period, nominated professional staff members would have

been progressively replaced by those recruited on the basis of open competition
under central APEC funding;

OPTION B: The professional staff should be nominated for the initial period, subject to subsequent review so that a decision regarding the methodology of recruitment could be made by the end of the three-year term.

In both cases, the appointment of the professional staff should be subject to the approval of the APEC SOM, taking due account of geographical balance. Financial support for the seconded or nominated professional staff during this period should be the responsibility of the respective nominating members. The number of professional staff should be decided by the APEC SOM.]

SUPPORT STAFF

The support staff of not more than 7 persons initially should be locally recruited and financed by the APEC fund. The support staff should be selected by the Executive Director, subject to the final approval of the APEC SOM.

LOCATION

The APEC secretariat should be located at a permanent site. The Ministers therefore may wish to decide on the location, taking into consideration in particular the following factors:

- location should be at the centre of the Asia Pacific region, be accessible by international transport, and have good local infrastructure and other necessary facilities and comparatively low costs of living.
- Any offer by prospective hosts which would lessen the financial burden on APEC members should have a bearing in this matter.

B. FUNDING ARRANGEMENTS

FUNDING STRUCTURE

An APEC Fund should be established to cover both support mechanism costs (via an Administrative Account) and operational costs (via an Operational Account). The Administrative Account should cover essential expenses needed to carry out the functions of the support mechanism and its staff, and should be kept to a minimum. The Operational Account should be used to contribute to expenses associated with the implementation and/or financing of approved APEC projects and activities.

Apart from the Central Fund, part of the operational costs would be met by voluntary contributions of interested APEC members and/or the private sector. Current practices whereby hosts organize and pay for meetings and participants fund their own involvement in those meetings, such as travel expenses and accommodation, should continue as far as possible.

BUDGETARY ARRANGEMENTS

All APEC members should be required to make an annual proportional contribution to the APEC Fund, contribution to be determined by the APEC Ministers. [Four options on the formula for assessed contribution are presented in Attachment 1.]

It is suggested that the payments be made to the APEC Fund as soon as possible preferably within 120 days after the approval of the budget by the annual APEC Ministerial Meeting.

For the first APEC budget, the required APEC Fund is estimated at [US\$ 2 million] [as shown in the detailed break-down in Attachment]. [The initial budget should include an amount for the operation of the work projects or other APEC committees and groups. The details of this amount would be approved by the SOM and should not replace voluntary contributions but could cover such activities as:

- i) development of database systems;
- ii) interlinkages between work projects via special surveys or studies;
- iii) third party studies in support of work projects

DISBURSEMENT / ALLOCATION OF FUNDS

Decisions on the budget to be allocated from the Operational Account should be made by the APEC SOM, subject to Ministerial approval and review. The SOM should develop broad guidelines for the utilization of the -Administrative Account and the Operational Account.

MECHANISM FOR FINANCIAL MONITORING AND AUDITING

Ultimate decisions on the APEC budget and related financial matters should be taken by the APEC Ministers through the APEC SOM. For efficient management, monitoring and review, the APEC SOM could set up a finance committee to oversee financial administration, keep track of contributions and expenditures, and make recommendations on financial operations to the SOM for consideration.

The accounts of the APEC should be annually audited by an auditor approved by the APEC members. The annual accounts together with the report of the auditor should be submitted to the annual APEC Ministerial Meeting through the APEC SOM.

FINAL DOCUMENT

It is recommended that the final document on these issues should be in the form of a declaration without signature.

FUTURE PARTICIPATION IN APEC

6. The Meeting took note of the Thai Secretariat Information Paper which appears as **Annex 4**. The Meeting reaffirmed its decision at the First APEC SOM that APEC was entering a phase when consolidation should be an important consideration. The Meeting further requested the United States and Canada to formulate a draft recommendation to the Ministers on the subject and circulate it for members' consideration by 10 August 1992.

INCORPORATION INTO EXISTING WORK PROJECTS OF CHINESE TAIPEI'S PROJECT PROPOSAL ON PROMOTING DEVELOPMENT OF MEDIUM AND SMALL ENTERPRISES THROUGH COOPERATION

7. The Meeting took note of the Thai Secretariat Information Paper which appears as **Annex 5**. The Meeting noted that Chinese Taipei's proposal was incorporated by the Work Project on Trade Promotion and considered by the Work Projects on Telecommunications and Fisheries. The Meeting encouraged other APEC Working Groups to explore the possible ways to incorporate Chinese Taipei's project proposal into their Work Projects, especially the ones on Expansion of Investment and Technology Transfer and on Human Resources Development.

ECONOMIC TRENDS AND ISSUES

8. Canada presented an update of the status of the Ad Hoc Group on Economic Trends and Issues and stated that the next meeting of the Group would take place in Tokyo on 10 - 11 August 1992.

9. Japan presented a draft outline of its survey of economic linkages among APEC economies entitled "Vision for the Economy of the Asia Pacific Region in the Year 2000" which appears as **Annex 6**. The Meeting expressed its appreciation to Japan's efforts to come up with such a paper. The Meeting requested Japan to give due prominence to the issue of HRD in its identification of the future tasks as contained in the draft outline. The Meeting looked forward to the discussion of the report at the next Ad Hoc Group Meeting in Tokyo. The Meeting noted that the Republic of Korea was in the process of preparing the report for the discussions on the economic outlook and trends. The Republic of Korea informed the Meeting that in addition to relevant contributions from APEC participants, its report would also take into account other regional economic initiatives such as the PECC "Pacific Economic Outlook: 1992 - 1993" and the results of the Asia Pacific Economic Experts Meeting (APEEM) in Seoul as well as other relevant sources. The Meeting also noted that the next meeting of the Ad hoc Group on Economic Trends and Issues to be chaired by Canada would be held in Tokyo on 10 -11 August 1992. The Meeting agreed that the report of the August Meeting of the Ad Hoc Group, including any recommendations for future actions, should be submitted, after endorsement by SOM, to the Fourth Ministerial Meeting in September 1992.

REGIONAL TRADE LIBERALIZATION

10. Australia presented the report of the Informal Group on Regional Trade Liberalization Meeting which appears as **Annex 7**. The Meeting noted that the Informal Group Meeting discussed issues falling within three broad areas, namely, 1) the impact of trade and trade policy developments on the region, 2) Uruguay Round issues, and 3) options and recommendations for approaches to regional trade liberalization. The Meeting agreed that one of the fundamental unifying themes underlying APEC has been a commitment to outward-looking development and growth of regional economies and in this context noted the importance of the issues discussed.

11. The Meeting welcomed the development of a trade policy dialogue. The Meeting noted that globalization processes are heightening the links between international and domestic policies and the importance of APEC members encouraging trade-creating global investment. The Meeting further agreed that sub-regional trade arrangements (SRTAs), such as the North American Free Trade Agreement, the Australia-New Zealand Closer Economic Relations Trade Agreement, the ASEAN Free Trade Area and the South Pacific Regional Trade and Economic Cooperation Agreement, should be outward looking, GATT-consistent and promote global trade liberalization. On the Uruguay Round, the Meeting agreed that a Meeting of Ministers concerned with trade policy could not be convened until the outcome of the Round is clearer. As for the identification of options and recommendations for approaches to RTL, the Meeting took note of decisions reached by the Informal Group to develop the mandate in two areas; a longer term vision identifying an agenda of broader, more complex issues and a more immediate work programme of measures designed to facilitate and liberalize trade in the region.

12. The Meeting agreed that it is vital that APEC continues to monitor and discuss issues which impact on regional trade and trade policies, including globalization, sub-regional trade arrangements and other issues.

13. The Meeting further noted that a report containing options and recommendations for approaches to regional trade liberalization as well as other regional trade issues discussed at the Informal Group Meeting would be submitted, after the endorsement by SOM, to the Fourth APEC Ministerial Meeting.

PROGRESS REPORT ON WORK PROJECTS

14. The progress reports as well as future work plans of APEC Work Projects were presented by the respective shepherds and could be summarized as follows:

A. REVIEW OF TRADE AND INVESTMENT DATA

15. The Meeting took note of the progress report presented by the United States which appears as **Annex 8**. In regard to the construction of a comparable merchandise trade database, the United States completed a detailed proposal for such a database and distributed copies to all participants of the Working Group for comment. The Fifth Meeting of the Working Group, scheduled to be held in Singapore on 25 - 26 June 1992, will review and discuss this proposal. The Meeting also noted that at this Working Group Meeting, Japan's Institute of Developing Economies would report on the work to develop an import-export matrix; New Zealand would report on services data; and Australia would present its work in investment flows data.

B. TRADE PROMOTION: PROGRAMS AND MECHANISMS FOR COOPERATION

16. Thailand presented the progress report of the Working Group which appears as **Annex 9**. The Meeting commended the progress achieved by this project in the implementation of the five programmes, namely, Exchange of Trade and Industrial Information, Asia-Pacific Trade Promotion Seminar, Exchange of Trade and Economic Missions, Asia-Pacific International Trade Fair and Asia-Pacific Trade Promotion Training Course. The Meeting took note of the incorporation of relevant Chinese Taipei's proposal on promoting development of medium and small enterprises in the programmes of Trade Promotion. Such programmes are a seminar on Promoting Development of Medium and Small Enterprises in a Special Economic Zone in China to be hosted by the People's Republic of China and the training course sponsored by Chinese Taipei to be held in the Philippines.

17. The Meeting also suggested that the organization of the Asia Pacific International Trade Fair could, where feasible, be held to coincide with the APEC Ministerial Meeting in order to make this Fair

a visible symbol of APEC and to achieve maximum impact. In this regard, Japan would furnish detailed information on the First Asia-Pacific International Trade Fair, including its financial implication at the next Working Group Meeting to enable APEC members to make advanced preparation. The Meeting took note of Singapore's offer to APEC members to make use of the APEC Electronic Information Network System for other electronic information network in other work projects. The Second Asia-Pacific Trade Promotion Seminar would be held on 20-21 October 1992 in Osaka, and the Third and Fourth Seminar should be held in Seoul in 1993 and in the People's Republic of China in 1994, respectively. Thailand offered to host the Fourth Working Group Meeting on 2-3 November 1992.

C. EXPANSION OF INVESTMENT AND TECHNOLOGY TRANSFER

Japan presented the progress report which appears as **Annex 10**. The Meeting was informed that Singapore's APEC Electronic Information network was introduced at the Third working Group held in Singapore on 12 June 1992, and that this network could be considered as a medium for a proposed establishment of an investment and technology transfer information network. The Meeting noted that an experts' group meeting would be convened in November 1992 in Yogyakarta in order to discuss the various information network options available for establishing such a network. The Meeting also took note of the Japanese proposal to compile an "Industrial Parks Development Handbook" in cooperation with all APEC members. The Meeting recognized the importance of the private sector's involvement in the promotion of investment, such as a presentation by the ASEAN Chamber of Commerce and Industry. The Meeting also noted that the working Group would explore ways to incorporate Chinese Taipei's project proposal on promoting development of medium and small enterprises through cooperation into its work programmes. The Fourth Meeting of the Working Group would be held in the Republic of Korea in March 1993.

D. ASIA-PACIFIC HUMAN RESOURCES DEVELOPMENT INITIATIVE

19. Australia presented the progress report which appears as **Annex 11**. The Meeting noted the importance of HRD to all APEC members and welcomed the rapid development of the HRD Working Group both as a dynamic policy forum and as a leading example of practical cooperation among APEC members. The Meeting welcomed the development and adoption by the Working Group of clear principles on its role and focus. The Meeting took note of significant development of work plans in HRD networks, namely the Business Management Network, the Economic Development Management Network and the Industrial Technology Network. The Meeting noted that the United States undertook the preparation for the APEC Education Ministerial Meeting which would be held on 5-6 August 1992 in Washington and endorsed the HRD Working Group's recommendation that education be incorporated as part of the Working Group's activities. The meeting noticed the progress of the "Japan-APEC Partnership for Education and Training" and the "US-APEC Partnership for Education". The Meeting noted that the Seventh Working Group Meeting was scheduled to be held in Tokyo, Japan on 26-27 January 1993. Also, the Meeting welcomed the HRD Working Group's initiative for University Mobility in Asia Pacific (UMAP) as a contribution to economic and cultural cooperation in the region.

E. REGIONAL ENERGY COOPERATION

20. Australia presented the progress report which appears as **Annex 12**. The Meeting welcomed the steady progress of the Energy Working Group including the continuing development of the database on regional Energy Supply and Demand; the establishment of an Expert Group on Energy and the Environment and its circulation of a questionnaire on coal use; continuing work on Energy Efficiency and Conservation to include all members together with the preparation of a compendium of energy efficiency practices; and progress on Energy Research, Development and Technology Transfer. The Meeting noted Australia's invitation to members to participate in a training programme on photovoltaics and compresses natural gas in vehicles. The Meeting was informed that the next meeting of the Expert Group on Energy Efficiency and Conservation would be in Hawaii on 29-30 July 1992 and that the seminar on New Energy sponsored by Japan would be held in Bali on 18-19 November 1992. The Meeting endorsed the recommendation by the Working Group that the APEC Energy Working Group sponsor the Seoul Energy Conservation Exhibition to be held in November 1992 in Korea. The Meeting was also informed that the Fifth Working Group Meeting would be held in Seoul on 31 August-1 September 1992.

F. MARINE RESOURCE CONSERVATION: PROBLEMS OF MARINE POLLUTION IN THE APEC REGION

21. Canada presented the progress report of -the Working Group which appears as **Annex 13**. The Meeting took note of the general consensus that the red tide issue is significant in the region and that there is a regional need for more knowledge as to the causes, economic impacts and proper remedies. The Meeting also recognized the need for an additional Meeting of the Working Group with full representation of experts at the end of August 1992 to work out a plan of action of information sharing, monitoring, early warning and other relevant matters for consideration at the APEC Ministerial Meeting scheduled for September, 1992. Each participant was requested to submit a country report in a standardized format by the end of July 1992 for use as the background material for the next working Group meeting.

G. TELECOMMUNICATIONS

22. The United States presented the progress report which appears as **Annex 14**. The Meeting took note of various developments in four subprojects: (a) collecting data on telecommunications regulation, policy and infrastructure in each of the APEC economies; (b) producing a manual to assist telecommunications organizations in developing the human resource potential of staff; (c) pursuing a pilot project using Electronic Data Interchange (EDI) to exchange trade data in Customs-related operations and -- 19 -to broaden public/official acceptance of EDI procedures; and (d) investigating the teleport model as a means of improving regional communications. The Meeting noted that each area of activities continued to progress as the data compilation study entitled "The State of Telecommunications Infrastructures and Regulatory Environments of APEC Economies" would be republished; the master copy of a manual on "How to Approach Training within a Telecommunications Organization" would be finalized and be available in time for distribution at the Bangkok Ministerial Meeting; and EDICOM'92 and APEC/JIPDEC Workshop, the first comprehensive APEC program to broaden awareness of EDI, was successfully held in Tokyo in June 1992 with active participation by the private sector.

The Meeting emphasized the importance of EDI pilot project which would help reduce trade barriers and expenditures incurred by the private sector. The Meeting took note of several new initiatives to be pursued at the Sixth Meeting of the Working Group which would be a project to share information on issues of standards, an application of the HRD manual and a follow-up on Japan's initial teleports sub-project. The Meeting noted that the United States offered to host the Sixth Meeting on telecommunications in Honolulu, Hawaii on 27-29 July 1992.

H. FISHERIES

24. Japan presented the progress report of the Working Group which appears as **Annex 15**. The Meeting noted that the Working Group agreed to pursue cooperation in the areas of harvesting and post-harvesting technologies, marketing, identification of fish stocks and management arrangements, an inventory of non-tariff measures (with PECC) and to discuss further for formulating a concrete course of action at the next working Group Meeting. It was also noted that the Chinese Taipei's proposal for promoting development of medium and small enterprises through cooperation would be explored in the post-harvesting sector of fisheries. Thailand offered to host the Third Working Group Meeting in February 1993.

I. TRANSPORTATION

25. The United States presented the progress report which appears as **Annex 16**. The Meeting noted the progress on four projects: (a) a survey of transportation bottlenecks; (b) a survey of existing data; (c) a survey of transportation systems and services; and (d) a survey of related transportation work in other international bodies, recognizing the unique involvement of the private sector in the Work Project. The Meeting took note of the preparation to develop a shared vision of transportation for the region over the next 10 to 20 years. The Meeting was also informed that discussions on financing, privatization, deregulation and promotion of competition led to a decision to organize a seminar on privatization and innovative financing for transportation infrastructure, which would become a part of the Third Working Group Meeting to be held in Japan in November 1992.

J. TOURISM

26. The United States presented the progress report which appears as **Annex 17**. The Meeting noted that Canada offered to host the Second Meeting of the Working Group in Vancouver, British Columbia, tentatively either on 3-4 or 10-11 August 1992. The draft provisional agenda for the forthcoming Meeting includes the Relation of the APEC groups to work of WTO/PATA/OECD, Improvement of data collection and statistics, Tourism and the Environment, Training and Education, Barriers to Tourism, General discussion of Tourism and Aviation and possible topics for discussion at the 4th APEC Ministerial Meeting in Bangkok.

GENERAL ISSUES FOR THE WORKING GROUPS

27. The Meeting recognized that the management and coordination of the Work Projects is becoming an increasingly complex task. To assist the SOM in its deliberations the Meeting requested shepherds, in the reports of the Working Groups, to make clear the issues on which they require guidance from the SOM. Bearing in mind the technical nature of some of the issues, the early circulation of reports would assist Senior Officials to receive expert advice.

28. The Meeting also requested Working Groups to start to give consideration to future relations between the Working Groups and a possible APEC support mechanism.

29. The Meeting considered the form of report on the Work Projects to Ministers in September. The meeting agreed that it was desirable to prepare a consolidated report, highlighting key developments and policy issues, for consideration by Ministers. The Meeting requested contributions from all members and shepherds to this report be submitted in writing to the Thai Secretariat prior to the second week of August. The Meeting discussed possibility of convening a meeting of shepherds of all the Work Projects, immediately before the Third SOM, coordination issues and the consolidated report. The Meeting requested all members to consult with their respective shepherds on this possibility and communicate their views to the Thai Secretariat by the third week of July 1992.

OTHER MATTERS

30. The Meeting took note of the letter of the Chair of the PECC Standing Committee extending invitations to representatives of the SOM to participate in the Ninth General Meeting of PECC in San Francisco on 23-25 September 1992, to any group of members of the SOM that the Chairman deemed appropriate to join a dinner with the Standing Committee on 22 September 1992 and to the Chairman to address PECC IX in its opening plenary session on 23 September 1992. The Meeting agreed that a decision on this matter should require further consultation among APEC members. The Meeting requested Thailand to undertake this consultation with a view to providing a reply to the PECC before the end of July 1992.

PREPARATION FOR THE FOURTH MINISTERIAL MEETING

31. The Meeting agreed that the date and venue of the Fourth Ministerial Meeting would be on 10 - 11 September 1992 in Bangkok. The Meeting also agreed on the provisional agenda for the Bangkok Ministerial Meeting which appears as **Annex 18**.

DATE AND VENUE FOR THE THIRD APEC SOM

32. The Meeting agreed that prior to the Fourth Ministerial Meeting, Thailand would host the Third APEC SOM in Bangkok on 7 - 8 September 1992.

ADOPTION OF THE SUMMARY CONCLUSIONS

33. The Meeting adopted the Summary Conclusions of the Second APEC SOM, 22-24 June 1992.

ACKNOWLEDGEMENT

34. The Meeting expressed its appreciation to the Government of the Kingdom of Thailand for the warm hospitality and excellent facilities provided for the Meeting.