

**Asia-Pacific Economic Cooperation**  
**Second Senior Officials Meeting**  
**For the Twentieth APEC Ministerial Meeting**

*29 May 2008, Arequipa, Peru*

**CHAIR'S SUMMARY CONCLUSIONS**

The Second Senior Officials Meeting for the Twentieth APEC Ministerial Meeting was convened in Arequipa, Peru on 29 May 2008. Senior Officials from Australia; Brunei Darussalam; Canada; Chile; the People's Republic of China; Hong Kong, China; Indonesia; Japan; Korea; Malaysia; Mexico; New Zealand; Papua New Guinea; Peru; the Republic of the Philippines; the Russian Federation; Singapore; Chinese Taipei; Thailand; the United States of America and Vietnam participated in the meeting. The Chairs of the Committee on Trade and Investment (CTI), SOM Steering Committee on ECOTECH (SCE), the Budget and Management Committee (BMC) and the ABAC Chair also attended the meeting. The APEC Secretariat Executive Director was in attendance.

During the Informal SOM (ISOM) held on 28 May, the SOM Chair and all economies expressed their deepest condolences to the Chinese delegation over the devastation caused by the recent earthquake in Sichuan Province. China expressed its appreciation for the sympathy, support and assistance received from other member economies following the earthquake. SOM Chair noted the important role of the Emergency Preparedness Task Force and SOM agreed to reconsider the ongoing importance of this part of the APEC agenda.

**I Adoption of the Agenda and Business Arrangements**

The agenda was adopted without amendment.

**II Support for the WTO**

SOM Chair noted that Senior Officials had an extensive discussion at the Informal SOM (ISOM) on the developments in the Doha Development Agenda (DDA) and agreed that it would be important for Ministers Responsible for Trade to issue a strong stand-alone statement in support of an early and successful conclusion to the Doha Round. Senior Officials also discussed the recent escalation in food prices and agreed to task the responsible sub-fora to conduct an urgent review of the APEC Food System (AFS) and report to SOM3 on the outcomes.

**III Regional Economic Integration (REI)**

Senior Officials had a productive discussion at ISOM on progress made in implementing the 2008 priority list of Regional Economic Integration Agreed Actions. SOM welcomed the completion of three additional APEC Model Measures for RTAs and FTAs, and preliminary work on examining the options and prospects for a Free Trade Area of the Asia Pacific (FTAAP).

Senior Officials had an extensive discussion on an initial inventory of issues relevant to an FTAAP prepared by New Zealand and China. The SOM focused on the relationship between an FTAAP and the Doha Round, the Bogor Goals, RTAs and FTAs, and existing APEC

processes. There was a view that the continued examination of an FTAAP was unlikely to have any significant impact on the Doha Round. The timing envisaged for the completion of the Doha Round is much earlier than the longer term prospect of an FTAAP. Most APEC economies had pursued FTAs or RTAs since the Doha Round was launched in 2001 while maintaining the WTO negotiations as the first priority. Many important bilateral and regional trade and economic initiatives had also been pursued around the world in tandem with the Doha Round.

There was a view that the pursuit of an FTAAP should complement and support the achievement of the Bogor Goals. It was also important that an FTAAP help address the complexity (spaghetti bowl effect) created by the ever increasing number of bilateral FTAs and RTAs in the region. There was a view that APEC is not designed for trade negotiations so further consideration should be given to the institutional framework required for pursuing a possible FTAAP. SOM agreed to continue to examine the options and prospects for an FTAAP and that New Zealand and China should lead work on developing a revised inventory of issues relevant to an FTAAP to be considered at SOM3.

SOM endorsed the outcomes of the 6th SOM Trade Policy Dialogue held in Arequipa on Identifying Convergences and Divergences in APEC's RTAs/FTAs on 27 May 2008 (2008/SOM2/010). SOM agreed that the Dialogue enhanced the understanding of similarities and differences in existing FTAs in the region.

SOM Chair briefed the meeting on the plans for drafting the report to Leaders in November on progress taken to implement the REI Agreed Actions. SOM Chair intended to request a short progress report from the relevant fora that would summarise the progress made. Peru and Singapore (as 2009 host economy) would also work together to translate the REI matrix into a multi-year work program to be attached to the progress report. The first draft would be circulated around SOM3.

SOM endorsed the draft revised work plan on Private Sector Development (Ease of Doing Business) (2008/SOM2/014). SOM noted that the work plan has been approved by the relevant forum and would remain under the supervision of the SME-WG, in close cooperation with the IEG, the EC/SELI, the CTI and the SCE.

#### **IV Trade and Investment Liberalisation and Business Facilitation (TILF)**

The CTI Chair provided an update on progress in the 2008 CTI work program. The CTI Chair noted that CTI and its sub-fora were responsible for 24 of the 53 REI Agreed Actions. CTI had agreed to establish a REI Friends of the Chair (FOTC) Group to replace the current FOTC Group on RTAs/FTAs to work with relevant sub-fora to advance the implementation of the CTI Agreed Actions. The FOTC agreed to focus its initial work in 3 areas: Rules of Origin (ROOs); Convergences/Divergences of FTAs; and Docking, Merging and Enlargement of FTAs. A half day policy dialogue is planned on the effects of ROOs on trade to be held in the margins of CTI3.

The CTI Chair also reported that following intensive intersessional work between SOM1 and SOM2, CTI was able to present the following deliverables for SOM/MRT: 3 sets of RTA/FTA model measures for competition policy, environment and temporary entry of business persons; the Investment Facilitation Action Plan (IFAP); and the second Trade Facilitation Action Plan (TFAPII) Key Performance Indicators (KPIs) and reporting methodologies to measure progress. SOM Chair noted that the IFAP was a significant achievement for APEC and thanked those who worked on its development.

The CTI Chair also reported on the Trade Policy Dialogue on enlargement, docking or merging free-trade agreements (FTAs) held on 24 May 2008 which helped members to better understand the concepts of docking or merging FTAs. SOM Chair thanked the CTI for the significant amount of work it has done to advance the REI agenda. SOM endorsed the CTI Chair's Report (2008/SOM2/011) and its recommendations.

## **V Structural Reform/Behind-the-Border Issues**

SOM Chair noted the report received during ISOM from the EC Chair's representative on progress in implementing the LAISR multi-year work programme (2008/SOM2/004). SOM agreed to note the report and progress made towards the Structural Reform Ministerial Meeting (2008/SOM2/003). SOM agreed that it was important to ensure strong high level attendance at the SRMM and for economies to work together to deliver concrete outcomes from the meeting.

SOM noted that the work programmes of the Strengthening Economic and Legal Infrastructure Coordinating Group (SELI) and the EC's Friends of the Chair Group on SELI have become completely aligned in recent years. The EC Chair and SELI Chair are consulting intersessionally with their members about the links between the two groups and a report will be presented to SOM3 on the results.

SOM Chair noted that Mr Bob Buckle (New Zealand) will finish his term as Chair of the Economic Committee at the end of 2008 and that the APEC Secretariat had invited nominations from economies for the EC Chair from 2009-10 to be considered intersessionally prior to SOM3.

## **VI Corporate Social Responsibility**

SOM Chair summarised the outcomes of the ISOM discussion on Corporate Social Responsibility (CSR), including the report on the state of CSR in the Asia Pacific (2008/ISOM2/004). The SOM Chair emphasised the importance of the voluntary nature of many CSR activities and that CSR initiatives had to reflect the differences between SMEs and MNEs, different sectors and industries, and economies in different stages of development. SOM endorsed the report and possible elements for an APEC Agenda on CSR and agreed to continue consideration of this issue in preparation for the AELM in November.

Peru (working with ABAC, Canada and New Zealand) will report back at SOM3 with an update on CSR that may include a mapping exercise of APEC work that is relevant to CSR. SOM Chair noted that he intended to write to APEC sub-fora to inform them about the SOM discussion and seek an update on past, present and future work that has been undertaken or planned that is related to CSR. SOM Chair also noted that he would continue to stay in close contact with ABAC to maintain the excellent level of private sector cooperation on CSR.

## **VII Economic and Technical Cooperation (ECOTECH)**

The representative of the Steering Committee on Economic and Technical Cooperation (SCE) Chair presented the SCE report to SOM (2008/SOM2/010). SOM Chair welcomed the SCE's continuing focus on developing its policy role with a view to providing better guidance to APEC fora on ECOTECH activities and enhancing APEC's collaboration with ABAC and other international organisations. SOM noted the SCE report.

## **VIII Human Security**

The representative of the CTTF Chair presented the CTTF report on progress in implementing the 2008 work plan and the outcomes of the 16th CTTF meeting (2008/SOM2/007). Members endorsed the workshop proposed by Vietnam on aviation security and welcomed the food defence pilot project proposed by the United States to be held in Peru. Members also welcomed the workshops proposed by Australia on detecting and deterring cash couriers and bulk cash smuggling and a workshop to improve regulation of non-profit organizations to prevent misuse by terrorist groups. Members also noted the best practice paper from Russia under its Critical Energy Infrastructure initiative. Peru agreed to conduct a further test of the Aviation Security Emergency Points of Contact Network in 2008. Members also discussed ways to increase the efficiency of CTTF meetings.

SOM expressed support for the on-going initiatives, on trade recovery, counter-terrorism financing, transport security, cyber security and terrorism, critical energy infrastructure and effective public-private partnership in counter-terrorism. SOM welcomed progress made in the implementation of the 2008 CTTF work plan and noted the report. SOM agreed to encourage strong participation in the upcoming STAR6 Conference and other capacity building initiatives on counter-terrorism to be implemented this year.

SOM highlighted the ongoing importance of the Task Force on Emergency Preparedness (TFEP) given the ongoing incidence of natural disasters in the region. SOM agreed to continue support for capacity building activities and to engage the public and private sectors in increasing emergency preparedness and improving recovery responses following natural disasters and other emergencies. SOM also noted that a CEO Seminar will be held in Lima in August with the participation of high-level emergency management practitioners.

## **IX APEC Reform**

SOM Chair noted that the ISOM made good progress on reform issues and noted that APEC reform was an ongoing process. SOM welcomed Singapore's plans to change the APEC calendar in 2009 to streamline APEC meetings and enhance the effectiveness of APEC processes. SOM agreed that Singapore would revise the paper on the fixed term ED and present it again at SOM3. SOM welcomed Phillip Gaetjens as the new Policy Support Unit (PSU) Manager and the progress on the establishment of the PSU. SOM noted that the Secretariat would also prepare some advice for SOM3 on possible commemorative activities for the 20th anniversary of APEC in 2009 (including activities being considered by Singapore as the 2009 host economy).

## **X Budget and Other Management Issues**

The BMC Chair reported on the last BMC meeting and progress made on the BMC work plan for 2008. BMC Chair presented the financial statements for FY 2007 and highlighted the ongoing BMC work with the Secretariat to generate budget efficiencies and manage costs. The review of the role of the COO had been postponed until later in the year to enable the DED to participate in the process. The BMC recommended the re-appointment of Ernst & Young as the Secretariat's auditors for the 2008 accounts. The BMC also recommended the approval of US\$3.5 million as the affordable level of expenditure for the 2009 TILF projects. BMC Chair welcomed Australia's special contribution of AUD\$400 000 to improve project management capacity. Several economies expressed an interest in being involved in the development of a strategy to undertake longer term projects. SOM Chair commended the BMC for the hard

work it had done in managing APEC's finances and administration. SOM noted the report (2008/SOM2/006) and agreed to the recommendations.

## **XI Other Business**

### *i. Reports of outcomes and updates on Sectoral Ministerial Meetings.*

SOM noted reports on outcomes of the 5<sup>th</sup> APEC Ministerial Meeting on Tourism and the 7th APEC Ministerial Meeting on the Telecommunications and Information Industry. SOM noted the report on the upcoming Education Ministerial Meeting and the upcoming Ministerial Meeting on Structural Reform (2008/SOM2/003).

### *ii. Issues for SOM Endorsement*

SOM endorsed the majority of the SOM Chair's Report to MRT noting that some minor amendments would be made prior to finalisation (2008/SOM2/008). SOM noted the outcomes of the 7th APEC High Level Policy Dialogue on Agricultural Biotechnology (2008/SOM2/008) and commended the HLPDAB for the work undertaken.

### *iii. Acknowledgement of "For Information" Items*

SOM acknowledged the progress report on the APEC Digital Opportunity Center (2008/SOM2/002) and noted the upcoming International Workshop on Sustainable Forest Management: Asia-Pacific Network for Sustainable Forest Management and Rehabilitation (2008/SOM2/005).

SOM Chair reminded SOM of the letter received from the PECC Chair, Charles Morrison, dated 9 May requesting APEC Economies to provide inputs and any issues we would like to see included this year and encouraged members to participate.

SOM acknowledged the for information items including a communication from some international organization regarding a possible MOU with APEC. China had indicated it unnecessary for APEC to sign MOUs with other multilateral organizations at SCE II held on 26<sup>th</sup> May.

### *iv. Classification of documents.*

SOM agreed to the proposed classification of documents as outlined in the document list.