

**ASIA-PACIFIC ECONOMIC COOPERATION 2013**  
**Second Senior Officials' Meeting**  
**Surabaya, Indonesia**  
**18-19 April 2013**

*Summary Notes*

**Overview**

The second Senior Officials' Meeting (SOM) for the Twenty-Fifth APEC Ministerial Meeting was convened in Surabaya on 18-19 April 2013. Senior Officials from Australia; Brunei Darussalam, Canada; Chile; the People's Republic of China; Hong Kong, China; Indonesia; Japan; Republic of Korea, Malaysia; Mexico; New Zealand; Papua New Guinea; Peru; the Republic of the Philippines; Russia; Singapore; Chinese Taipei; Thailand; the United States and Viet Nam participated in the meeting. The Chairs of the Committee on Trade and Investment (CTI); Economic Committee (EC); SOM Steering Committee on ECOTECH (SCE); the Vice-Chair of the Budget and Management Committee (BMC); APEC Business Advisory Council (ABAC), Pacific Economic Cooperation Council (PECC), and the APEC Secretariat were present. Members from the Pacific Islands' Forum (PIF) attended as guest of the Host during the session on Promoting Connectivity.

**I. Opening Session**

The SOM Chair opened the meeting by welcoming officials and briefly summarizing the work under the three priority areas. On the first priority, the Chair reminded officials of the continued focus and commitments to attain the Bogor Goals, whilst also providing strong support to the success of the 9<sup>th</sup> WTO ministerial conference to be held in Bali in December this year. In this respect, the Chair highlighted the discussions for the day, namely on priority trade and investment issues including work on supply chain connectivity, local content requirements, environmental goods list and its related capacity-building initiatives, global value chains, progress of ANSSR's mid-term report and implementation of good regulatory practices (GRPs) amongst other topics. The results of the public private dialogue on services held the day before would also be discussed.

On the second priority on sustainable growth with equity, the Chair reiterated the importance of focusing work to advance a development agenda which includes work on health, SMEs, women, food security, energy, environment, ocean-related issues, forestry, financial inclusion, renewable energies and science and technology amongst other topics. On the third priority on promoting connectivity, the Chair highlighted the launch of fresh initiatives and commitment to unleash new economic development in the region including on the idea of better connecting the Asia-Pacific region through physical, institutional, and people-to-people connectivity. The Chair thanked senior officials for their participation in the Dialogue on Infrastructure Development and Investment and the APEC SOM Symposium on Connectivity Framework held on 15<sup>th</sup> and 16<sup>th</sup> April respectively.

With the three priorities reflected in the agenda, the Chair observed that there would be approximately five months to prepare strong deliverables to ministers and leaders at the AELM in Bali in October and sought SOMs' cooperation and flexibility on important issues so as to achieve consensus.

*Adoption of the Agenda and Business Arrangements*

The agenda (Document No. 2013/SOM2/001) was adopted without amendments.

*Update by ABAC*

ABAC representative, Anthony Nightingale, updated the meeting on key outcomes and recent work following the second ABAC meeting held in Singapore from 3-6 April 2013. Key outcomes included finalizing the ABAC Letter to APEC Ministers Responsible for Trade which outlined ABAC's priorities and initial recommendations in the area of deepening regional cooperation (including pursuing an agenda on services liberalisation); infrastructure and sustainable development (including food security; SME development and Entrepreneurship; Development and Integration of Financial markets; and Action plan and Advocacy.

The recommendations would be fully developed for presentation to Leaders later in the year. The update primarily focused on the progress of ABAC's work under its four priorities of the year, namely, on deepening regional economic integration; promoting infrastructure and sustainable development; fostering SMME development and entrepreneurship; and promoting the development and integration of financial markets.

## II. Priority areas for 2013: Attaining the Bogor Goals

### *Committee on Trade and Investment (CTI) Report*

The CTI Chair reported on the results of the CTI2 and its related meetings that were held prior to SOM2 (see Document No. 2013/SOM2/016), highlighting the progress made in the following:

- On Support for the Multilateral Trading System, CTI exchanged views and perspectives on an appropriate APEC statement supporting the multilateral trading system. This included a proposal by Japan to extend the APEC commitment on the standstill on protectionism to 2016; expansion of WTO Information Technology Agreement (ITA); and prospect of deliverables by the WTO 9<sup>th</sup> Ministerial Conference (MC9) on issues such as trade facilitation;
- CTI discussed a new proposal by Australia and proponents for a voluntary pathfinder on improving transparency and information-sharing on fisheries assistance programs in APEC economies (Document No. 2013/SOM2/CTI/020);
- CTI took forward Ministers' mandate on studying the trade impact of Local Content Requirements (LCRs) through a Trade Policy Dialogue (TPD) held on 12 April in which member economies exchanged views and perspectives on alternative policies and measures to LCRs. CTI agreed that the US will prepare a list of such alternatives for discussion at CTI3;
- CTI agreed to undertake more focused work on non-tariff measures (NTMs) in support of the "Attaining the Bogor Goals" priority and in the lead up to the IAP reporting on progress towards the Bogor Goals in 2014. CTI also agreed to the public release of the PSU's updated Bogor Goals Dashboard of Indicators (Document No. 2013/SOM2/CTI/004) on the APEC website;
- CTI continued to progress work on next generation trade and investment (NGTI) issues. An *APEC Conference on Innovation and Trade: Implementation Practices* would be held in the margins of CTI3 in Medan. In Medan, CTI will also review the final report by the PSU on global supply chains and its case study on electrical and electronic industry;
- With regards to the issue concerning environmental goods and services, CTI members reiterated the importance of implementing the commitments to reduce tariffs to 5% or less by 2015 on the APEC List of Environmental Goods (EG). CTI also reviewed work underway to take forward capacity building and pursue other initiatives to support APEC's green growth objectives. This work included a proposal by China and Indonesia on a framework for capacity building to support implementation of economies environmental goods tariff reduction commitments and proposals by China for public-private partnerships and dialogues on green growth & environmental goods;
- CTI discussed the two proposals by Indonesia: (i) a study by the PSU and a TPD on agriculture and forest-based goods to provide more clarity on these products in supporting the environmental trade expansion development and poverty reduction; and (ii) to add crude palm oil and rubber to the APEC list of environmental goods. While there is a timeframe for further comment on (i), there were no expressions for support by economies for (ii) and hence, deemed as no consensus in the CTI to add the two products to the EG list and Indonesia expressed its intention to build support for the proposal intersessionally.
- CTI considered a range of activities underway to promote connectivity. CTI endorsed the 2013 interim assessment report prepared by the PSU on APEC's progress towards achieving a 10% in supply chain performance by 2015 (Document No. 2013/SOM2/CTI/029) and agreed to re-double efforts to build capacity and improve systems to achieve our region-wide target. CTI will also continue to work on opportunities for collaboration with ABAC on their global data standards (GDS) proposal;
- CTI agreed to change the process for the APEC Regulatory Cooperation Advancement Mechanism (ARCAM) to a two-year cycle rather than an annual one. CTI also received a new proposal on electric vehicles as a possible topic under that mechanism for 2014, which will be discussed at CTI3 along with any other proposals that economies might have.

The CTI Chair added that the Committee also looked for ways where it could contribute to cross-cutting issues such as infrastructure investment and development; and cross-border education and drew Senior Officials' attention to the recommendations in his report including the status report on the implementation of the Globally Harmonized System of Classification and Labelling of Chemicals (GHS) to be included in the package of documents for the MRT, if so agreed by SOM.

Senior Officials reaffirmed their commitment against protectionism through a standstill. They also committed to delivering a strong statement in support of the multilateral trading system and WTO DDA negotiations as well as to support the on-going work in Geneva to ensure good outcomes at MC9 in Bali in December 2013, including in the areas of trade facilitation, a proposal from Japan to extend the standstill on protectionism until 2016, and expansion negotiations on the Information Technology Agreement for those APEC members. Senior Officials took note of Indonesia's intention to work with members to build consensus on a credible package for Bali.

SOM took note of Papua New Guinea's statement that it has expressed its interest in the IEG to take on the role as the new IEG Convenor.

On the issue relating to the inclusion of two products in the EG list, noting the sensitivity and the many opinions expressed, the SOM Chair concluded that he would in his report to MRT, mention that SOM took note of Indonesia's proposal, will continue to consider the issue through consensus building and seek guidance from the Ministers.

SOM noted that there was some support for corporate social responsibility (CSR) issues to be retained on the agenda for discussion.

SOM thanked the CTI Chair for his comprehensive report and the hard work of Committee.

Prior to endorsing the CTI Chair's Report and the recommendations contained therein, Senior Officials had an extensive exchange of views on the need to streamline the work of CTI sub-fora and prioritize the issues to be addressed/worked on. They acknowledged that it was timely to have a discussion about it given that much of the CTI work feeds into the SOM's work program. In this regard, SOM called on CTI to explore how this may be carried out, and to encourage CTI to look into streamlining, consolidating and prioritizing its agenda, taking into consideration the views/ideas expressed which included suggestions, such as, focusing the agenda on remaining elements/issues that would complement and contribute to the achievement of the Bogor Goals other than issues mandated by APEC Leaders and Ministers; looking at issues in terms of its continuity in support of those host economies from now to 2021; finishing off initiatives/work activities before starting new ones; sunset clauses for activities/agenda items; and more effective prioritization of work activities.

#### *Public-Private Dialogue on Services*

ABAC reported on behalf of ABAC/PECC on the outcomes of the Public-Private Dialogue on Services that took place on 17 April, highlighting some of the key points that came out from the presentations and subsequent discussion:

- There are several trade agreements underway – the TPP, RCEP, TTIP, globally TISA that have the potential to provide significant benefits for the region, including through services liberalization.
- While recognizing that in many cases trade agreements only codify existing commitments, the interplay among them has the potential to ratchet upwards progress on services and enable the region to meet the Bogor Goals
- There are big economic gains to be had through the improved delivery of services – lower costs to consumers, improved competitiveness, including in export markets. Barriers to services development are mostly regulatory in nature, so regulatory changes that facilitate services can deliver enormous economic gains; they can also deliver lower prices and wider choice for consumers.
- The rapid evolution of regional and global value chains shows that services sector value-added, including competitive telecoms and infrastructure as well as other supportive services – is essential if businesses especially SMEs are going to capture tasks in that value chain.

- Skill shortages often inhibit business and employment growth, so training and skills upgrading are key, as is facilitating the temporary movement of people, and international recognition of qualifications to allow global industry to deploy talent where it is needed.
- Governments face complexity and pressures on liberalizing services which need to be balanced against overall benefits to the economy and for consumers who face higher costs from the uncompetitive provision of services.

As a way forward, the dialogue noted that:

- Greater understanding was needed between the different agreements dealing with services – including TPP, TISA, TTIP and RCEP and recommended that ABAC, PECC and the APEC PSU should monitor developments and report regularly;
- Building on the skills mapping exercise, ABAC and APEC need to deepen their work on people to people connectivity and labour mobility;
- There was a need to support government promotion of services. An invitation to a public forum held by ABAC and the Indonesian Services Dialogue on 19 April was extended to Senior Officials. ABAC through the Indonesian Services Dialogue and ABAC Indonesia with the support of the ITC will produce a report examining private sector engagement in services policy formation across APEC, and the types of partnerships that have been developed by stakeholders.
- Capacity building is a key priority, creating greater understanding of services and engendering the confidence needed for significant reform.

ABAC expressed that it would be keen to pursue the suggestion it received about convening the dialogue on an annual basis if there was support from Senior Officials for doing it. It also encouraged inputs from SOM on how ABAC and APEC further the cause of enhancing the services activity; regulatory reform; facilitation and liberalization.

SOM thanked ABAC for its report on the outcomes of the PPD and supported further work in this area and greater private sector engagement. ABAC outlined the success of the dialogue and the important gains that can flow from an improved delivery of services. There should be a holistic approach to services, including addressing issues such as regulatory practices through the EC. SOM took note of the recommendations of the Dialogue and called on CTI to take them forward. Senior Officials' suggestions for future work included an annual Public Private Dialogue in consultation with economies and future hosts and continued focus on best practice on facilitating trade and investment in different sectors.

#### *Economic Committee (EC) Report*

The EC Chair reported on intersessional work undertaken by the EC since its last meeting in Jakarta and referred to the objectives for EC2 in Medan as outlined in his written report tabled as 2013/SOM2/015. In terms of Inter-sessional work, the EC Chair drew the SOM's attention to the following:

- On-going collection by Russia of inputs for the APEC New Strategy for Structural Reform (ANSSR) mid-term review. The EC will work with Russia to draw out some of the key lessons and challenges going forward and reporting to SOM3 about how EC can assist economies reach their 2015 goals.
- EC's intention to review the outcomes of the Dialogue on Infrastructure Investment as well as the Symposium on Connectivity and discuss how the EC can assist in each in achieving the multiyear work plan on connectivity. The EC Chair noted that under ANSSR, developing financial markets is one of the key priority areas. The existence of deep and stable financial markets is key to unlocking long-term investment capital and serve to help reduce the risks for foreign investors looking at infrastructure projects.
- In the area of connectivity, the EC would need to do more work on addressing behind the border issues particularly regulatory issues.
- In terms of capacity building in support of the connectivity/infrastructure investment objectives, the EC Chair highlighted the EC's experience in the EODB initiative where different champion economies were chosen to assist in the capacity building of the different EODB areas.
- Update on preparatory work for the 2014 APEC Economic Policy Report (AEPR), including work on Promoting Fiscal Transparency and Public Accountability to be reported to SOM3. The 2014 AEPR with a focus on good regulatory practice (GRP) would be a good

opportunity to stock take the progress made since 2011 as well as some of the directions APEC can go to in the future.

The EC Chair also alerted SOM on the upcoming year-end expiry of the terms for the EC Chair and two Vice Chairs and encouraged economies to come forward with strong candidates for future leadership with the Committee when the EC2 meets in Medan.

Korea provided a brief update on its plans as the champion economy of EODB's priority area of enforcing contracts while Mexico briefed on progress in implementing its ANSSR commitments.

SOM thanked the EC Chair for the very hard work and endorsed the summary report as presented in Document No. 2013/SOM1/016.

### *Good Regulatory Practices*

SOM took note of the progress made in implementing Good Regulatory Practices (GRPs) as instructed by Leaders and Ministers in 2011 and the exchange of ideas on future GRP work:

8. The United States updated the meeting on their approach for strengthening the implementation of GRPs, particularly in the areas of public consultations and internal coordination of rule-making through their e-rulemaking project and public website ([www.regulations.gov](http://www.regulations.gov)). (see PowerPoint slides at Document No. 2013/SOM2/013); the United States also indicated it would offer GRP capacity building ideas regarding e-rulemaking at SOM 3.
9. Canada briefed the meeting on their new Cabinet directive on regulatory management;
10. New Zealand provided a snapshot of developments in their regulatory practices be it in the area of interagency consultations; regulatory impact analyses or stakeholder consultations. It also expressed an interest to work with economies on capacity building initiatives to take forward their GRP commitments.
11. Australia briefed on the reforms made in their regulatory impact assessment processes.
12. Russia spoke on the need to continue work on harmonisation of technical regulations and the creation of an APEC information portal on best regulatory practices;
13. Malaysia touched on their national policy on development and implementation of regulations and their best practice regulations handbook;
14. Viet Nam briefed on the creation of a single portal for all regulations that are in place in Viet Nam;
15. Papua New Guinea's update on the review of its legal and policy frameworks to streamline and achieve national development agenda and priorities;
16. Chinese Taipei encouraged economies' participation to the APEC Regional Seminar of ANSSR Initiative against Anti-Competitive Practices for Ensuring an Open, Well-Functioning and Competitive Market it was hosting in October;
17. Hong Kong, China updated the meeting on the establishment of a business compliance framework and enhancement of the business consultation e-platform to facilitate the assessment of regulatory impacts and public consultations, respectively; and
18. ABAC spoke of its regulatory coherence work and interest to engage with APEC to address some of the regulatory issues identified. ABAC also highlighted its proposal to establish a regulatory sciences centre of excellence in the LSIF as an area which they would like to continue to do work on;;

### *Most Recent Developments in FTAs/RTAs in the Region*

SOM took note of the following updates since SOM1 on the developments in FTAs/RTAs in the region:

- Indonesia's update on the Regional Comprehensive Economic Partnership (RCEP). The terms of reference for the RCEP Trade Negotiating Committee were finalized by senior officials from 16 members at a meeting in Bali last February and endorsed by the ASEAN Economic Ministers in Hanoi on 8 March. A scoping paper for negotiating trade in goods, trade in services and investment under the RCEP, discussed in Bali, was being finalized for the first round of RCEP negotiations scheduled in Brunei Darussalam on 9-13 May;

- Mexico's update on the outcomes of the 14<sup>th</sup> High Level Group meeting of the Pacific Alliance in Mexico City in April with progress in the technical groups for trade and integration; services and capital; cooperation; movement of persons; and institutional affairs. The Leaders of the Pacific Alliance are due to meet in Cali, Colombia on 23 May to take stock of progress and provide instructions to eventually conclude initiative (target: summer 2013);
- Japan's reiteration of Prime Minister's Abe's announcement of Japan's decision to take part in the Trans-Pacific Partnership (TPP) negotiations and update on the 1<sup>st</sup> rounds of negotiations of the Japan-Korea-China trilateral agreement and of the bilateral Japan-EU agreement as well as developments in the bilateral agreement with Canada;
- Brunei's update on the progress towards the realization of the ASEAN Economic Community (AEC) and the developments in the ASEAN plus 1 FTAs. ASEAN has completed its negotiations with India and will sign the agreement in August 2013 when the Economic Ministers meet. ASEAN will intensify negotiations with Japan with the view to completing the negotiations by December 2013;
- Singapore's update on the outcomes of the 16<sup>th</sup> Round of negotiations in the Trans-Pacific Partnership (TPP) in Singapore in March 2013 with good progress in four groups, namely regulatory coherence; telecommunications; customs and development. The next round of negotiations will be held in Lima in May;
- Peru's update on the 15 FTAs including with EFTA and EU that are already place; developments in negotiations with Costa Rica; Guatemala; Venezuela; El Salvador; Honduras; and Thailand and the TPP negotiations scheduled in Lima on 14-25 May;
- Russia's update on the developments within the Customs Union and Common Economic Space towards a common market for goods, services, capital and labor and adoption of a mechanism for concluding FTAs as well as negotiations with Viet Nam and New Zealand; and
- Papua New Guinea's update on its engagement with bilateral partners in formalizing some key investment promotion and protection agreements.

PECC took the opportunity to share with SOM their observations on RTAs developments in the Asia Pacific as well as ideas to reconcile the TPP and RCEP. PECC also suggested that APEC economies might consider going beyond just updating on their FTA/RTA negotiations for transparency purposes into technical or more substantive exchanges or discussions about convergence between different agreements. The ideas of establishing a high level dialogue to guide the development of the different agreements or formation of an eminent persons group that address complex issues that are common to regional trading arrangements or groups in the region were floated. Senior Officials were generally open to the idea of having more frank and technical exchanges of how the different agreements were approaching different issues.

### **III. Senior Officials' Working Lunch**

SOMs exchanged views on a suitable format for the APEC Ministerial Meeting with a view to identifying a breakout session for Foreign Ministers with a possible topic of APEC and the Evolving Regional Economic Architecture for discussion.

The APEC Secretariat Executive Director (ED) briefed SOMs on his observations of APEC groups, projects and governance; the Secretariat in relation to funding and budgeting, staffing, management and governance structure and clearer seconding arrangements. There was broad support for the ED's papers with SOMs exchanging views on specific proposals related to secondment arrangements and a deputy-type person to assist in managing directors. SOMs suggested further clarity be provided on the deputy role and its related issues. There would be an opportunity for further discussions under the agenda item the next day.

### **IV. Priority areas for 2013: Promoting Connectivity**

#### *APEC Framework on Connectivity*

The Session on "Promoting Connectivity" was attended by guests of the host, participants of the Bandung Spirit Program, including Marshall Islands, Papua New Guinea, Fiji, Cook Islands and Solomon Islands.

The SOM Chair presented a general overview of the outcome of the Symposium held on 16 April 2013 that discussed the three pillars to connectivity suggested for attention during 2013: physical, people-to-people, and institutional (summary: 2013/SOM2/021). The Symposium identified the need of a unifying connectivity framework that is built on existing work in APEC and elsewhere, as APEC progresses to a more seamless region. The SOM Chair suggested a forward looking and ambitious Framework for Connectivity that strengthens connections around and across the Asia Pacific, provides long-term objectives, establishes a comprehensive approach throughout APEC workstreams, and guides all APEC mechanisms in advancing the connectivity agenda.

The APEC PSU Director provided a presentation on the progress and its preliminary findings of the PSU Study on the State of Connectivity in the Asia-Pacific Region (2013/SOM2/019). The PSU presentation covered various connectivity initiatives of various organizations in the Asia-Pacific. PSU suggested leveraging APEC's connectivity agenda on institutional connectivity. Indonesia noted that they would prepare a multi-year framework on connectivity for economies to comment on.

Economies reiterated the importance of working to develop greater connectivity in the region and supported the concept of preparing a multi-year framework to support that aim. Senior Officials expect the Connectivity Framework to serve as an umbrella to a long-term process in which work should be substantive and meaningful. The Framework should focus and drive more coordinated work in APEC, particularly in facilitating growth before and after crisis. Several economies emphasized on the need for accompanying capacity building initiatives in the framework. Several economies suggested learning from Master Plan on ASEAN Connectivity. China commented that they support the focus on infrastructure this year and would positively consider this topic when developing their priorities for 2014.

The SOM Chair noted the progress on the PSU study on connectivity and looked forward to final study report ahead of SOM3. SOM agreed that Indonesia should prepare a multi-year framework on promoting connectivity in the Asia Pacific. Indonesia would release a draft following SOM2 to be finalized at SOM3.

#### *APEC Workstreams on Infrastructure Investment and Development*

The SOM Chair presented the salient points of the Dialogue on Infrastructure Development and Investment held on 15 April 2013. SOM Chair conveyed that there was general agreement on the five aims that Indonesia proposed. These aims will become the building blocks for future work of APEC in Infrastructure Development and Investment. The Dialogue identified impediments to infrastructure investment and development that go beyond the issue of financing, including the issue of better coordination among related agencies, better coordination between the central government and local government, investment climate, introducing PPP into infrastructure projects, procurement and legal issues related to land clearing.

The Dialogue noted work done by multilateral development banks, bilateral assistance programs, and the G20. APEC could add value by formatting the multi-year plan in tackling the impediments through tailor made and matching capacity building work. A model that could be considered is that of "champion economies with specific expertise sharing their experience with economies seeking assistance". The SOM Chair suggested the multi-year plan on Infrastructure Development should span at least 4 years, and the issue should be provided with an appropriate placement in the Funding Criteria of 2014. The SOM Chair suggested that work be coordinated under the SCE, with the assistance of APEC Secretariat. The SOM Chair tabled a document setting out proposed next steps on infrastructure development and investment (2013/SOM2/018).

SOM supported Indonesia's proposal to prepare a multi-year work plan on infrastructure investment and development. Several economies highlighted the infrastructure gaps and needs in the region and the value add that APEC can bring by creating capacity building through matching the needs of economies with economies with expertise. In order to support and stimulate the discussion on connectivity, Japan introduced the three basic principles to promote development and investment of sustainable and resilient infrastructure. The expected framework should have clear and sequenced objectives, with a sound conceptual basis. The SOM Chair indicated a draft paper would be available following SOM2 for consideration.

### *Promoting Cross-Border Education Cooperation*

Indonesia presented an update on the proposal for Cross-Border Education, including several activities which could be included in the draft work plan on promoting cross-border education cooperation (2013/SOM2/020). The plan is intended to improve the mobility of students, researchers, education providers and improve the existing network of bilateral agreements. Economies were encouraged to nominate activities that could further the work. The intention was to have the work plan endorsed at SOM3 and present concrete ideas to the AMM.

Russia presented plans for the Second APEC Conference on Cooperation in Higher Education in the Asia-Pacific in Vladivostok, June 2013, as a continuation of the Asia-Pacific Higher APEC Education Common Space initiative. Korea presented its initiative on Education Cooperation Project and invited economies to provide comments intersessionally.

Australia noted the challenge involved in pulling together the work plan and suggested that an *ad hoc* coordinating committee could be established to help progress the work. The committee would include the chairs of relevant sub-fora, for example the HRDWG EDNET, CTI, GOS and a small number of interested economies. The committee would be required to ensure transparency between fora; to facilitate coordination, collaboration and discussion intersessionally; assist the SOM Chair compile the document that is presented to leaders. Australia indicated that it would be happy to take the lead if this approach was supported.

SOM supported the Indonesian proposal for a work plan on promoting cross border education cooperation to be finalized in time for endorsement at SOM3 and supported Australia's proposal for an *ad hoc* coordinating committee.

### *Emergency Response Travel Facilitation Initiative*

Indonesia updated SOM on progress of the outcome from a policy dialogue held on 5 February, in developing work on Emergency Response Travel Facilitation. A stock take would be undertaken to bring together a report aimed at: improving understanding of current cross border movement of emergency personnel in the region; highlighting best practice of moving of emergency responders across borders; and identifying the best people to receive movement priority.

Economies expressed support for the planned work. SOM agreed that the stock take exercise should be drafted and ready for endorsement at CSOM, noting that further work would be required by EPWG, BMG and SCCP.

### *Special Session of Tourism Ministerial Meeting*

Indonesia made a presentation on travel facilitation for tourism (2013/SOM2/022), including plans for a Special Session of the APEC Tourism Ministers' Meeting to be held on 1-2 October. SOM noted the proposal.

## **V. Economic and Technical Cooperation (ECOTECH)**

The SCE Chair reported on the results of the SCE2 meeting (2013/SOM2/023), highlighting key outcomes of the meeting as follows:

The SCE survey commissioned at SCE1 to assess the effectiveness of SCE's work, capacity building and communication was now underway. The survey was designed to provide fora an opportunity to provide bottom-up feedback and for economies to communicate with each other and to lay the ground for improvement of future work. Economies noted that the survey was a useful opportunity to identify ways to improve APEC's activities. The survey report would be circulated before and discussed at SCE3.

Emphasis was made on the importance of synergy on capacity building efforts in APEC which could be achieved through coordination of cross-cutting issues and multi-year approach. SCE had noted the capacity building evaluation tools tabled by the APEC Secretariat and the work underway in the



Budget and Management Committee concerning project monitoring and evaluation. SCE noted that further focus on the evaluation tools, the BMC work and the survey responses may come together to provide improved project design and evaluation by SCE fora. SCE is to further discuss capacity building evaluation at SCE 3.

SCE received briefings and noted work underway on cross-cutting issues, including on mainstreaming ocean related issues and infrastructure development and financing. Indonesia informed that it would submit a work plan for discussion at SCE3.

SCE considered progress to date by SCE fora in preparing draft strategic plans. SCE resolved to provide assistance and comment, as required, to fora to improve the focus of their plans and expressed an expectation that the APEC Secretariat would follow up more strongly with fora that were behind schedule on preparing draft strategic plans.

SCE received the APEC Secretariat Executive Director's update on the implementation of fora workplans. As SCE2 was held a bit earlier in the year, it was not clear whether all fora were on track with their work this. The situation would be clearer by SCE3 in July. The SCE also received and endorsed the Human Resource Development Working Group's 2013 work plan.

SCE endorsed the Anti-Corruption and Transparency Working Group's responses to the recommendations of its independent assessment undertaken in 2012. SCE noted progress on the conduct of the 2013 independent assessments of the Counter Terrorism Task Force; Experts Group on Illegal Logging and Associated Trade; Energy Working Group; and Transportation Working Group.

Thailand emphasized the importance of ECOTECH as an enabler for an inclusive APEC, helping people to understand some of the key concepts of trade and investment discussed in APEC. Some streamlining was also necessary in ECOTECH where more could be done on quality control and selection of better participants.

The PECC reported that ECOTECH was commonly discussed at their meetings. Over the years PECC members had noticed a disconnection between some ECOTECH activities and the regional economic integration work. Much of the work in CTI was capacity building that helped to explain concepts and possibly some of that CTI work could be cross fertilized with SCE's work.

SOM endorsed the SCE Chair's report.

## **VI. Priority areas for 2013: Achieving Sustainable Growth with Equity**

Indonesia provided an update to SOM on progress in a number of areas.

### *Health*

On health the HWG had meet to progress work on the Policy Dialogue on Getting to Zero on HIV and AIDS to Support Sustainable Growth in Asia Pacific Region and the development of a Model of Sustainable Healthcare System in APEC, with further work continuing intersessionally. Economies expressed interest in the planned High Level Meeting on Health and the Economy which is a joint effort between the HWG and LSIF to engage the Finance Ministers Process in a conversation about investments in health that would assure financial sustainability. The meeting will take place on the margins of the Finance Ministers' Meeting in Bali in September. The US noted its support of the health and life science agenda, including innovation in medical and life sciences, as well as work on the innovation roadmap. Economies spoke in support of work on healthcare financing.

### *SMEs*

Indonesia would circulate a draft SMEMM Statement on Enhancing SMEs Global Competitiveness and the Terms of Reference for the Joint Ministerial Meeting on SME and Women to all economies intersessionally. Chinese Taipei reported progress on the APEC digital opportunity project, and the proposed APEC SME Week, which would include the APEC start up accelerator initiative, in cooperation with INTEL, and a workshop on business continuity. As Chair of the SMEWG, Thailand

outlined some initiatives the group had undertaken, including future workshops on financing SME innovation, and tax incentive law reform. Economies, including Vietnam, Russia and the US strongly supported the Joint Ministerial Meeting on SME and Women initiative. Since the issue of women was cross cutting, the United States encouraged economies to consider how each sub forum can integrate women issues into their workplans.

### *Food Security*

Indonesia reported on the Policy Partnership on Food Security (PPFS) Management Council that was held in Singapore on 6 April and a further meeting, including a Farmers' Day that would be held at SOM3 and the development of a Road Map for Food Security 2020. Some economies, as well as ABAC urged APEC to demonstrate leadership in order to overcome its preoccupation with issues of process and procedure. In order to succeed the PPFS had to be more sensitive to concerns of time constraints from the business community. They noted the importance of the policy partnership approach being a success and the need for economies to be flexible and mindful of how business operated. ABAC reported that many business members were committed to the issue but frustrated by the current organization of the PPFS. On the other hand, some economies expressed their recognition that PPFS has been properly promoted and implemented.

### *Energy*

On Renewable Energy, Indonesia proposed a concept paper for a Conference on Clean, Renewable Energy, and Sustainability in the APEC Region to be held during Leaders' Week in Bali, on 30 September – 2 October. The aim of the high level Conference was to organize a regional discussion on clean renewable energy development and sustainability issues, including discussion on new technology; sharing regional experiences and best practices; and exploring effective measures to reduce dependence on fossil fuels. Economies were encouraged to provide comments on the proposal intersessionally. The US spoke in support, suggesting a strategic session on Private-Public cooperation on renewable energy during the CEO Summit. Viet Nam informed SOM that they were hosting a workshop on best practices on financing of renewable energy on 4-5 June. ABAC urged strong collaboration with business to discuss issues such as how to create financial mechanisms to support new investment in renewable energy, and efforts to improve the energy mix.

### *Mainstreaming of Ocean-related Issues*

On Mainstreaming Ocean Related Issues, Indonesia was preparing a template of APEC Ocean-related Activities Work Plan to be distributed intersessionally. Economies and Working Groups were encouraged to contribute to the work plan. US noted that the US Secretary of State had prioritised ocean-related issues and the US was keen to elevate cooperation in this area. Japan supported the sustainable use of marine resources as a starting point in discussions regarding fishery issues.

### *Joint Crediting Mechanism (JCM) Seminar*

Indonesia and Japan updated SOM on their plan to hold a Seminar on Joint Crediting Mechanism (JCM) project to help disseminate low carbon technologies. A seminar supporting this project would be held at SOM3. Japan noted that, at present, APEC does not have any fora/working group that discuss on climate change cooperation. Japan requested any comments or questions from economies on the JCM by 15 May. A number of economies expressed support for this initiative and their interest in being involved.

### *Financial Inclusion*

Financial inclusion was being progressed through the Finance Ministers' Process. During 2013 two workshops would be held as well as the annual financial inclusion forum. The first workshop was held in February in conjunction with the Finance Deputies meeting with the theme of promoting financial access for SMEs through innovative delivery channels. The second workshop would be held in conjunction with the Senior Finance Officials meeting in Manado in May with the theme of promoting financial eligibility of poor households and SMEs through innovative approaches to enhance financial inclusion. The 2013 Financial Inclusion Forum would be held in June on Batam Island.

### *Chief Science Advisors Meeting*

New Zealand reported that a good discussion about plans for this meeting was held at the PPSTI. Revised plans would be distributed for further comment. The intention was to provide a forum for key scientific advisors in the region to discuss how key challenges were being dealt with and share knowledge and experience. Economies were free to identify the appropriate person to attend, recognizing that practices varied across the region.

Indonesia informed the SOM that the meeting would be held in the margins of SOM3 on 29-30 June. New Zealand and Indonesia would co-chair the meeting. Participants should be senior, with up to three support staff, attending on a self-funding basis and be focused on science policy not technical work. Several Economies spoke in support, underlining the importance of promoting science and technology in the APEC Region. SOM noted the progress.

SOM noted progress so far on the seven topics and noted that a seminar on the Joint Crediting Mechanism would be held at SOM3. The SOM Chair noted that the Indonesian PPFS chair looked forward to working with friends to make progress for the PPFS.

#### *APEC Forestry Ministerial Meeting*

Peru informed SOM on the preparation for the APEC Forestry Ministerial Meeting to be held on 14-16 August. EGILAT had developed an advisory group to prepare for the meeting and was tailoring the themes. The long term objectives of this forum were to increase forests by 20 million hectare by 2020 and promote conservation and reforestation, forest industries CSR practices, which were in line with the APEC priority of promoting Sustainable Growth and Equity. Topics would include: promoting sustainable management, reforestation, improving the industry and technical innovation. China expressed its support to the meeting. SOM noted the progress.

## **VII. Budget and Other Management Issues**

#### *Budget and Management Committee (BMC) Report*

The BMC Vice-Chair delivered a brief update on BMC's intersessional work since the last BMC meeting in Jakarta, highlighting key points in the report (Document No. 2013/SOM2/004). Following BMC1, the BMC agreed on the Terms of Reference of the Small Working Group on Financial Realignment that would review the different aspects of APEC finances intersessionally, with the findings and recommendations to be considered and endorsed at the second BMC meeting at SOM3 in July 2013.

Five groups had been selected for the long term pilot evaluation of APEC projects which would test the draft methodology and framework prepared and presented by the consultants and endorsed by members at BMC1. The pilot evaluation would be completed by the end of June and the findings would be shared with members at BMC2. Other key decisions by members in BMC1 included the agreement to amalgamate the existing Small Working Group on Evaluation with the proposed new working group on Project Ranking and Prioritization. The additional focus of the group was to review the current ranking and prioritization system to select and prioritise APEC projects, with a view to streamlining the system and refining aspects of it.

BMC2 would next meet in the margins of SOM3 in Medan to consider, amongst others, the 2014-16 APEC budget and the recommendations of the Small Working Group on Financial Realignment and the outcomes of the pilot evaluation of APEC-projects overseen by the Small Working Group on Evaluation. SOM thanked the BMC Vice-Chair for the readout and endorsed the report.

#### *APEC Secretariat's Paper on Secondment Arrangements*

The Executive Director (ED) of APEC Secretariat drew reference to the paper on Improved Arrangements for Seconding Program Directors to the APEC Secretariat (Document No. 2013/SOM2/002). He noted the good discussion the day before at the working lunch across a range of issues around the Secretariat, APEC and to some extent, the secondment issue. Since then, having had some useful comments back, the ED proposed that senior officials note the paper and

consider further recommendations intersessionally following further discussions. The Secretariat had some incremental views and minor changes underway in addition to the work of the Small Working Group on Evaluation on a number of small reform issues with respect to budgeting, finance and related administrative issues.

Several economies expressed support of the paper and the need for consultation with the Executive Director on secondment of officers. Member economies underlined the need to exercise flexibility with respect to the different types of situations in place and different arrangements used by sending economies and on the issue of formalising a secondment contract. Going forward, member economies suggested working with the ED and his team intersessionally on the various proposals to get a better understanding of them with a view to discussing further at SOM3 and to have BMC provide some input into the process.

Thailand and Brunei further observed that the APEC Secretariat was seen as a benchmark model international organisation for other frameworks to follow.

The Chair thanked the ED for the report, urged member economies to communicate their views with respect to the paper and looked forward to receiving comments from BMC on the issue and paper for consideration at SOM3.

### **VIII. Other business**

#### *SOM Report to the MRT*

The Chair informed officials that he would present a report to the MRT meeting the next day on SOM's work in 2013.

#### *Acknowledgement of "For information" issues*

Papua New Guinea (PNG) took the opportunity to brief on its hosting and chairing preparations for 2018 including the establishment of the PNG APEC Secretariat, mandated to coordinate PNG's participation and planning for the host year in 2018; upgrading premier educational institutions to host APEC meetings; launch of investment and infrastructure development programs in Port Moresby to support both the Pacific Games in 2015 as well as APEC in 2018. A formal announcement by PNG's Prime Minister on hosting APEC in 2018 will be made at the AELM in Bali.

The SOM also expressed PNG delegation's interest in more meaningful engagement in the APEC process and sought support from economies for PNG's hosting preparations going forward.

The Chair welcomed the announcement and offered to share the host's experience in organising APEC meetings with PNG.

#### *Classification of documents*

The Document Classification list (Document No. 2013/SOM1/000) was adopted without amendment.

### **Closing**

The Chair expressed appreciation to officials for their active participation, support and rich discussions during SOM2 and to the APEC Executive Director on his leadership and assistance. The Chair further expressed hope for strong and tangible outcomes in October 2013 and looked forward to working with economies to achieve this goal.