

## **Asia-Pacific Economic Cooperation First Senior Officials' Meeting**

27-28 February 2014  
Ningbo, China

### *Summary Conclusions*

#### **1. Opening Session**

The First Senior Officials' Meeting was held on 27-28 February 2014 in Ningbo, chaired by His Excellency, Mr Li Baodong, Vice Minister of Foreign Affairs and APEC 2014 SOM Chair. Senior Officials from Australia; Brunei Darussalam; Canada; Chile; the People's Republic of China; Hong Kong, China; Indonesia; Japan; the Republic of Korea; Malaysia; Mexico; New Zealand; Papua New Guinea; Peru; the Republic of the Philippines; Russia; Singapore; Chinese Taipei; Thailand; the United States of America 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 APEC Business Advisory Council (ABAC), the Pacific Economic Cooperation Council (PECC), and the Pacific Islands Forum (PIF), as well as the APEC Secretariat, were also present.

The SOM Chair welcomed officials to the First Senior Officials' Meeting in Ningbo, a city renowned for its cultural heritage.

The Chair drew attention to the 2014 theme, "Shaping the Future through Asia-Pacific Partnership", and the three priority areas to take the APEC agenda forward. He further noted that the 2014 global economy was showing signs of recovery with a stronger growth momentum. Despite this upturn, risks and uncertainty still exist and the global economy is still facing many challenges. The Asia-Pacific region, as an engine of global growth in the world economy, is in a position to promote innovative development, economic reform and growth, thereby creating new modes of development and seeking new sources of growth. The Chair noted it was important that APEC speed up regional economic integration and bring it to a higher level. The Chair proposed to tackle the tangible bottleneck issues relating to infrastructure development, and emphasized the importance of building closer partnerships and developing the blueprint for future development for the Asia-Pacific.

The Chair further underscored the importance for APEC to address challenges, grasp opportunities and for SOM1 to discuss various issues, exchange views on initiatives and work plans and set the direction for Committees and Working Groups. These actions would lay a solid foundation for tangible outcomes of Leaders' Meeting in November this year. A concerted effort and win-win partnership would facilitate this year's AELM to achieve new results and breakthroughs, thereby promoting sustainable development, progress and prosperity of the Asia-Pacific region.

The Chair took the opportunity to introduce the new Senior Officials from Mexico, Mr Carlos Pinera, and from Thailand, Mrs Sasanee Sasangsahi.

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

The Chair outlined arrangements for the meeting. The agenda (Document No. 2014/SOM1/001) was adopted without amendment.

*Report by ABAC*

The 2014 ABAC Chair briefed on the outcomes of the first ABAC meeting held in Auckland from 11 to 14 February and ABAC's plans for 2014 (Document No. 2014/SOM1/019). The key priorities include i) accelerating regional economic cooperation; ii) strengthening infrastructure and connectivity; iii) promoting the development and integration of financial markets; iv) championing sustainable development; and v) supporting SMME and fostering entrepreneurship. The recent ABAC meeting agreed on a targeted and focused approach, finalised the work programs for its five working groups along 2014 priorities and the ABAC core agenda. A three-tiered approach to categorize working group priorities would include Tier One – infrastructure and connectivity; Tier Two – promoting Free Trade Area of the Asia-Pacific (FTAAP); and Tier Three – items in need of continuous attention.

## **2. Priority Areas for 2014: Advancing Regional Economic Integration**

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

The CTI Chair reported on the results of the CTI1 and its related meetings held prior to SOM1 (see Document No. 2014/SOM1/037). He reported that the CTI had a productive meeting and highlighted the progress and developments in the following key areas, amongst others:

- On work aiming to support the Multilateral Trading System (MTS) and the World Trade Organisation (WTO), there was broad support for preparing a statement by APEC economies on the implementation of new WTO Trade Facilitation Agreement (TFA) for Ministers Responsible for Trade (MRT) meeting in May. Several economies recalled the historic leadership role that APEC has played in trade facilitation and called on APEC economies to make ambitious notifications and early ratifications to support that multilateral effort. CTI noted China's intention, as host economy, to prepare a standalone statement for the MRT meeting covering the WTO TFA implementation, extending the standstill on protectionism for another two years (i.e. 2018), the post-Bali work plan, and encouraging wider participation in the environmental goods negotiation. Some economies also supported reference to the Information Technology Agreement (ITA) expansion negotiations in the statement. CTI also noted the importance of liaising closely with their representatives in Geneva in preparing the statement.
- There was broad support for work to start and take forward realization of FTAAP on a step-by-step basis, building on previous APEC work, with a view to translating Leaders' commitment into concrete actions. A new CTI FotC on Strengthening REI and Advancing FTAAP, co-led by China and the United States, was established to drive this work. CTI agreed in principle on a work plan for the FotC (Annex 2 to CTI Report) and to an information exchange mechanism on FTAs/RTAs with the details on format and structure to be developed. CTI will commence this information-sharing with a Policy Dialogue on Information Sharing of RTAs/FTAs in the margins of SOM2. CTI also discussed a paper by Korea for work to take stock of and discuss future direction of the REI Capacity Building Needs Initiative (CBNI).
- On Global Value Chains (GVCs), CTI discussed a number of proposals and initiatives including China's proposal for a Strategic Blueprint for Advancing Global Value Chains Development (Document No. 2014/SOM1/030). Some economies highlighted the importance of business perspectives as this work moves forward. A Dialogue on GVC Collaboration to support this effort is scheduled to take place in the margins of SOM2.
- On next generation trade and investment (NGeTI) issues, GVCs also featured in the discussions where members considered two possible ideas for work in 2014, namely, (i) proposal from Australia on Promoting Open and Competitive Services Markets to Support the Growth of Global Value Chains (Document No. 2014/SOM1/038), and (ii) a proposal from Japan on Manufacturing Related Services in Supply Chains/Value Chains (Document No. 2014/SOM1/036). CTI agreed that economies would submit comments to the proponents on the two proposals in 2014.
- On environmental goods and services (EGS), CTI discussed progress in implementing commitments, tariff reduction commitments set out in the 2012 EG list, capacity building to support the implementation, as well as a new proposal by Japan to advance the liberalization of

environmental services (Document No. 2014/SOM1/035) and a new proposal by China to establish APEC Cooperation Platform on Green Supply Chain (Document No. 2014/SOM1/027).

- On supply-chain connectivity (SCC), there was a very strong body of work in the CTI to help members meet the target of 10% improvement in supply chain performance by 2015 in terms of time cost and uncertainty. A new SCC sub-fund has been established to support members' capacity needs while a capacity building plan was being developed to address shortcomings between optimal policy settings in relation to the chokepoints set out in the agreed policy inventories from Bali and actual practice of APEC economies. There is also a proposal on the table to establish a representative group of experts including business practitioners to advise on, and assist in, the capacity building efforts.

The CTI Chair also reported on the completion of the review of the efficiency and effectiveness of CTI sub-fora and the finalisation of the recommendations (as set out in pages 6-7 of Annex 5 to CTI Report) for Senior Officials' consideration. The CTI Chair noted that there were no major structural changes recommended or radical suggestions. The recommendations pointed to minor incremental fine-tuning of practices. He also commented that it was incumbent on all economies to take responsibility to ensure there are substantive agendas in sub-fora so that there are good initiatives and activities in line with APEC goals to energise those groups. The CTI also discussed many other issues, including taking forward Ministers' instructions on global data standards (GDS); a dialogue on electric vehicle standards to be held in the margins of SOM2; the terms of reference for the PSU study on promoting trade in products which contribute to sustainable development and inclusive growth through rural development and poverty alleviation"; as well as taking forward work to assess individual economies' performance against the Bogor Goals which will feature at SOM2 discussions.

While Senior Officials welcomed the review of the efficiency and effectiveness of CTI sub-fora and recommendations from the review, they stressed the importance of coordination and collaboration between CTI and sub-fora as well as amongst sub-fora in order to harness the expertise of sub-fora particularly on specific and/or cross-cutting issues. They encouraged CTI to work closely with sub-fora in this regard. Some economies saw merits in the use of video-conferencing and other e-tools and encouraged CTI and its sub-fora to explore these effectively. Some economies also saw a need to reinvigorate the work of the Group on Services (GOS) and encouraged CTI to work with the GOS on this.

SOM thanked the CTI Chair for his comprehensive report and endorsed the CTI Chair's Report and the recommendations contained therein.

Russia drew SOM's attention to an application submitted by the Eurasian Economic Commission (EEC) late last year for a 3-year guest status in the CTI and selected CTI sub-fora that did not receive a positive response from members. Russia noted that the EEC had previously participated in several CTI sub-fora meetings over the past two years as a guest on a one-off basis. To facilitate cooperation between APEC and the EEC on a more regular basis, Russia requested Senior Officials to consider granting a 3-year guest status to the EEC in the CTI and CTI sub-fora. Recognising that the issue of increased cooperation of different organisations with APEC was an important one, economies needed to bring the request back to capitals for inter-agency deliberations before a decision can be taken. In this regard, SOM agreed to return to the issue intersessionally or at SOM2.

#### *Support for the Multilateral Trading System*

China briefed the meeting on its plans and expectations for this year's possible deliverables with respect to supporting MTS and the WTO, noting the importance of maintaining the momentum from the Bali meeting with a view to finally concluding the Doha Round as well as giving impetus to progress in the development of the post-Bali work plan. China reported that it has launched the APEC Caucus process in Geneva. The APEC Geneva Caucus (AGC) has since had its first meeting in January. They were generally supportive of China's initial expectations for this year's deliverables (which were also reported upon by the CTI Chair) and several Ambassadors in the AGC have expressed the desire to complete the draft MRT standalone statement on the MTS in Geneva. China undertook to work closely with all delegations in Geneva and called on colleagues in the room to likewise keep in close touch with their respective delegations in Geneva on advancing the MTS work.

There was also broad support for the early implementation of WTO Trade Facilitation Agreement (TFA) as well as the proposal tabled by the US in the CTI on APEC Support for Implementation of the WTO TFA. Several economies also spoke in support of Canada's proposed elements for inclusion in the MRT statement as outlined in its discussion paper (Document No. 2014/SOM1/022), including on the negotiations to expand the WTO Information Technology Agreement.

### *Realizing an FTAAP*

China introduced its proposal on APEC Framework of Strengthening Regional Economic Integration (Document No. 2014/SOM1/029) to Senior Officials, noting that APEC economies had very intensive and constructive discussion in the CTI on the proposal. The proposed framework consists of four key elements:

- *Establishment of an APEC mechanism of information sharing on RTAs/FTAs.* The proposed information sharing activities would be conducted two to three times at SOM or CTI level every year;
- *Continued strengthening RTAs/FTAs negotiating capacity building activities;*
- *Formulation of a roadmap towards the realization of an FTAAP.* This would involve developing principles, identifying concrete actions, steps leading to the realization of an FTAAP, launching a feasibility study and setting a timeframe (2025, for example) to achieve an FTAAP.
- *Launch a feasibility study of an FTAAP at AELM this November.*

Korea took the opportunity to share with SOM their proposed plans to take the REI CBNI program it has been leading since 2012 beyond 2014. It would be undertaking a stocktake and assessment of its current CBNI program, due to end this year. It would then be discussing how to take forward future programs, including exploring new areas/sectors not previously covered.

SOM welcomed the proposal to develop the APEC Framework of Strengthening Regional Economic Integration and the decision of CTI to establish an FotC to drive this work. Noting the broad support for this work, with some economies expressing concerns on specific elements of the framework, including the proposed feasibility study and deadline for realizing an FTAAP, SOM agreed to further discuss the elements of the Framework and instructed CTI to deliver concrete results at SOM2&MRT. SOM also welcomed in-principle agreement by CTI to establish an APEC mechanism of information sharing on RTAs/FTAs which was to commence following the Policy Dialogue on Information Sharing of RTAs/FTAs to be held in the margins of SOM2. SOM looked forward to receiving a report on the progress of the various initiatives at SOM2.

### *Advancing Other REI Work*

China took the opportunity to brief SOM on the following proposals which had also been tabled in the CTI:

- Proposal on APEC Strategic Blueprint for Advancing GVCs' Development (Document No. 2014/SOM1/030). The proposed Blueprint covers trade and investment policies, development of SMEs, industrial transformation, trade statistics in value added, economic and technical cooperation, etc. At present, the work of other international organizations on value chains mostly touches upon the statistics and research aspects, rarely on policy matters. It is envisaged that APEC will undertake this work of global value chains (GVCs) and advance cooperation in a holistic manner. Before MRT, China will hold a public-private sector dialogue on GVCs, at which APEC economies will listen to the views of representatives from governments, business sectors and academia, and discuss possible policy recommendations on GVCs cooperation.
- On supply chain connectivity, China will work with the United States and other economies to promote the establishment of *APEC Supply Chain Alliance* and enhance the engagement of business sectors and academia. China has also put forward a proposal of promoting regional supply chain connectivity through a Model E-port initiative (see Document No. 2014/SOM1/031), which plans to share the developments and experiences of model platform of e-ports in the region through studies and dialogue, promote the connectivity of e-ports in the region, and explore effective pathways for realizing single window vision and promoting supply chain connectivity in the Asia-Pacific region. China has also proposed to construct APEC Cooperation Platform on

Green Supply Chain to promote cooperation partnership for green economic transformation in the Asia-Pacific region, promote public-private-partnership on green supply chain and promote the enterprise's environmental responsibilities (Document No. 2014/SOM1/027). Economies agreed to provide comments on this proposal by 21 March.

- On ECOTECH, China proposed to develop an APEC Strategic Plan on Capacity Building to Promote Trade and Investment Agenda based on APEC's previous work and the real needs of member economies, the developing economies in particular. (Document No. 2014/SOM1/023). The proposed Strategic Plan could include the following aspects: (i) Take stock and assess previous capacity building activities; (ii) Share best practice among APEC economies and other related agencies; (iii) Design integrated programs based on the identified capacity building needs, such as global value chains and supply chains, connectivity, customs and food security; and (iv) Encourage APEC members to make contributions to the existing APEC Funds or take individual actions to provide assistance. There is broad support for this proposal, and SOM tasked CTI to finalize this initiative before SOM2.

Under the topic of GVCs, Japan introduced its proposal on Manufacturing Related Services in Supply Chains/Value Chains (Document No. 2014/SOM1/036) while Australia spoke on its proposal on Promoting Open and Competitive Services Markets to Support the Growth of Global Value Chains (2014/SOM1/038). SOM took note of the various proposals and agreed to conduct further cooperation on GVCs and Global Supply Chains. SOM agreed to the establishment of the new sub-fund on supply-chain connectivity under the APEC Support Fund and welcomed the announcements by Singapore and Chinese Taipei to contribute USD100,000 and USD200,000 respectively to the sub-fund.

### **3. Senior Officials Working Lunch**

The APEC Secretariat Executive Director briefed SOMs on procedural issues that would be submitted for SOM's consideration the following day, namely, on voluntary contributions in light of the depleting reserves for project funding and the proposal for remote participation at meetings.

The Philippines Senior Official noted that the Policy Support Unit (PSU) had also raised the issue of voluntary contributions to the unit. She highlighted that under Philippines budgetary commitments, only mandatory contributions could be approved. She suggested that some thought be given to allowing private sector contributions.

### **4. Priority Areas for 2014: Promoting Innovative Development, Economic Reform and Growth**

SOM discussed work to promote Innovative Development, Economic Reform and Growth in the Asia-Pacific Region as instructed by Leaders and Ministers. China stressed the importance of an "open" economy. China cited three categories of important work in this area: enhancing traditional work like ANSSR; expanding and upgrading existing cooperative work, such as from ICT to Internet Economy; and exploring new cooperative work that will ensure growth will be sustainable, such as urbanization. China cited five pillars of cooperation: economic reform; new economy; innovative growth; inclusive support; and urbanization. China emphasized that the priority area of Promoting Innovative Development, Economic Reform and Growth is critical for the long-term vision and framework for the economic cooperation in the Asia-Pacific region.

The EC Chair reported on results of the EC1 and highlighted the following:

- The Economic Committee (EC) held its first meeting of 2014 on 23 and 24 February in Ningbo. At the meeting, the Committee approved the EC Work Plan for 2014, which consists of the collection of the FotC work plans on Competition Policy, Public Sector Governance, Regulatory Reform, Corporate Law and Governance, as well as the work plan submitted by the Competition Policy and Law Group. The FotC work plan on Ease of Doing Business is still pending.

- Two principal themes emerged during EC1. First, a clear focus was provided by China's Senior Official, who highlighted for the EC the linkages between the EC's work plan and China's 2014 APEC Priorities. In particular, he drew attention to the importance of Priority 2: Promoting Innovative Development, Economic Reform and Growth for the work programme of the Committee. Suggested areas for cooperation under this priority include: economic structural reform, innovative growth, and the internet economy.
- Under the second priority, the importance of interconnectedness of EC's work with the work of other APEC fora was clearly evident. The EC will continue to keep in mind the integrated nature of APEC's work programme, and will seek to reach out to other groups such as CTI, on an ongoing basis.
- The EC held a policy discussion on the state of the regional economy and its policy implications. This included speakers from the OECD, IMF, PSU, the APEC Secretariat, and China.
- China tabled a proposal to explore the theme of the Reform: Avoiding the Middle Income Trap during 2014. It highlighted the connections between the challenges presented by the Middle Income Trap and many areas of the EC's work and noted that it would seek to organise a policy dialogue on this topic in the margins of SOM2.
- The EC held a discussion and assessment of APEC's EODB initiatives. EC members discussed what directions EODB work should take after 2015. It was proposed that US-ATAARI should follow up after the meeting with a questionnaire to members on the future direction of EODB.
- Economies presented case studies on individual ANSSR initiatives, and Australia proposed to hold a workshop in Bali to concentrate on Pillar 1 of ANSSR — promoting “more open, well-functioning, transparent, and competitive markets.” The workshop is intended to help economies develop structural reform project proposals for ANSSR funding.
- The focus of 2014's AEPR will be Good Regulatory Practice (GRP). The EC discussed the approach developed by China, Japan and the United States, who will collaborate on the production of the report in 2014. EC members provided feedback, which will inform the development of the report. Themes for the 2015 AEPR were also discussed. A final decision on the 2015 theme will be made at EC2.
- A number of new projects were proposed for information and consideration at EC1:
  - The United States proposed a “United Nations Commission on International Trade Law (UNCITRAL) Instruments and the Ease of Doing Business Initiative.”
  - Mexico proposed a “Capacity Building System for Regulatory Impact Evaluation.”
  - New Zealand proposed “Regulatory Coherence/ (International) Regulatory Cooperation Workshop Aimed at Improving Regional Connectivity and Economic Integration in the Asia-Pacific Region.”
  - Hong Kong, China proposed “Enhanced Ease of Doing Business Through the Use of Hague Conventions.”
  - The Competition Policy and Law Group endorsed Russia's proposal, “APEC Training Course on Competition Policy.”

All of the project proposals were endorsed by the EC. The project proposals from the United States, New Zealand, and Hong Kong, China would involve holding workshops in the margins of EC2.

The SOM Chair noted the important role of EC within APEC and indicated that EC would be shouldering a heavy load this year. Several economies noted EC's hard work and especially appreciated the work on good regulatory practices and structural reform. China expressed appreciation for economies' interest in its “Middle Income Trap” paper (Document No. 2014/SOM1/013), and plans to present a roundtable or policy dialogue on this topic in the margins of SOM2.

The US presented its proposal on public consultations (Document No. 2014/SOM1/002). Mexico, Australia, Vietnam, Canada and PNG indicated support for the US proposal. As no objections were raised, the paper was endorsed by SOM.

The SOM also considered ways to promote Innovative Growth through science and technology, ICT, Internet economy and urbanization. China presented its paper, "Toward Innovation-driven Development: Consensus and Action" (Document No. 2014/SOM1/014), the annual work plan of the Policy Partnership on Science, Technology and Innovation (PPSTI), and the concept paper "Shaping the Future through Asia-Pacific Partnership for Urbanization and Sustainable City Development" (Document No. 2014/SOM1/015). China asked PSU to help with the second study, and based on that, proposed to have a dialogue on urbanization at SOM2 or SOM3.

Many economies commended China on these areas of focus. Some economies encouraged China to look at work already done and planned to be accomplished in this area, such as the knowledge mapping project done by Russia and the 2<sup>nd</sup> APEC Chief Science Advisors and Equivalent Meeting co-chaired by New Zealand. The SOM then considered work and exchanged views on inclusive development including food security, human resources, small and medium-sized enterprises (SMEs), anti-corruption, women and health.

The PPFS 2014 Chair presented a Report of Policy Partnership on Food Security (PPFS) First Management Council Meeting and Government-Business Dialogue Conference on Food Security and Trade. The Dialogue Conference was under the theme of PPFS 2014: "Strengthening Partnerships for Food Security", with three highlights:

- a) How to allow the market to play a decisive role in food security and how to better define the government's role in ensuring food security in APEC member economies;
- b) How to reduce food losses and waste through improving the supply chain management;
- c) How to promote regional cooperation on food quality/safety management and standardization.

At PPFS First Management Council Meeting, the agreed top priorities for cooperation include but are not limited to:

- a) Technology cooperation and transfer in food production; (Hong Kong, China to lead the work);
- b) Technology exchanges and cooperation in food storage, supply chain and loss reduction (The United States to lead the work);
- c) Food trade cooperation and facilitation (New Zealand to lead the work);
- d) Investment and infrastructure development and cooperation on food security (Russia to lead the work);
- e) Food standards and quality/safety assurance (China to lead the work, assisted by Australia and New Zealand and in co-operation with the APEC Food Safety Co-operation Forum).

The PPFS 2014 Chair also reported on the various activities that PPFS plans for 2014. Many economies supported the activities proposed for PPFS this year, as well as activities for SMEs, human resources development and related ministerial meetings. Several economies noted the importance of engaging with the private sector to achieve optimal results. Some economies (Japan) stressed the importance of supply chain to minimize food losses. Some economies (Indonesia and the Philippines) underlined the role of small farmers and fishers in ensuring food security in the region. Many economies also applauded China's focus on universal health coverage. Economies also emphasized the importance of SMEs as an engine of economic growth. The US and other economies also commended China's attention to anti-corruption efforts.

The SOM went on to consider its agenda items and exchange views on issues related to green growth, including sustainable energy, environment, forestry, mining, ocean-related issues and disaster management.

China presented a concept paper, "APEC High-Level Roundtable on Green Development" (Document No. 2014/SOM1/017). Green development is an important component of sustainable growth. China stressed that it is experiencing a unique point in time with regard to sustainable development and wants to focus on green development. To this end, China indicated that it will host a high level round table on May 8 on green development in Tianjin. Some economies expressed the interest in and support for the roundtable.

China also expressed its support for sustainable energy development, describing its efforts to promote low carbon strategies. China also stated it will host the 47th EWG and the 11th APEC Energy Ministerial Meeting. China proposes to establish a Sustainable Energy Center in China. In addition, China presented two concept papers on forestry. "Assessment of the Progress towards the APEC 2020 Forest Cover Objective" (Document No. 2014/SOM1/016) and "Establishing a Regional Timber Legality Recognition Mechanism" (Document No. 2014/SOM1/020).

China also indicated that it would continue Indonesia's good work on mainstreaming ocean-related issues. China stated its intent to continue to promote ocean cooperation.

As no objections were voiced, SOM adopted the following papers and initiatives: holding an APEC Roundtable on Green Development (Document No. 2014/SOM1/017); "Assessment of the Progress towards the APEC 2020 Forest Cover Objective" (Document No. 2014/SOM1/016); and "Shaping the Future through Asia-Pacific Partnership for Urbanization and Sustainable City Development" (Document No. 2014/SOM1/015). The other concept papers and initiatives mentioned in this section will be considered in the appropriate working groups.

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

The SOM Chair noted the importance of ECOTECH in bridging development gaps and that capacity building support for building REI is APEC's comparative advantage.

The SCE Chair presented her report of the SCE-COW and SCE meetings (Document No. 2014/SOM1/039 and 2014/SOM1/040). She noted that the SCE would be reviewing the ECOTECH Medium-term Priorities, which was done every five years. The SCE Chair noted that SCE was tasked with managing some areas of work that run across other committees, for example the Multi-Year Plan on Infrastructure Development and Investment. Some thought would need to be given to how that could be best coordinated.

Economies noted the importance of SCE for strategic plans focusing on APEC priorities as established by Leaders' Declarations; focusing on outcomes rather than outputs; and containing specific and measurable KPIs. Economies noted the plan to hold a technical level FotC at SCE2 to review the strategic plans. The review of ECOTECH Medium-term priorities, which is carried out every five years, was welcomed, as were plans to have a set of draft APEC capacity building guidelines available at SCE2. China noted the proposal to develop a capacity building strategic plan in CTI.

Indonesia noted the growing trend of developing work on cross-cutting issues and the difficulties in identifying which committees should take responsibility for the work. To assist in defining responsibilities, Indonesia suggested there should be a mechanism whereby committee chairs meet informally or that SCE be given more authority to oversee cross-cutting work falling within the scope of other committees.

SOM endorsed the SCE Chair's reports.

## **6. Interaction with Chair of the Finance Deputies Meeting**

A representative of the Chair of the Finance Deputies Meeting gave a briefing on the Finance Deputies Meeting held on 18-19 February 2014 in Bo'ao, China. The Finance Ministers' Process in 2014 is focusing on: (i) the current economic situation and outlook; (ii) cooperation on infrastructure investment and financing; (iii) fiscal and taxation policy and reform for economic restructuring; and (iv) improving financial services for regional real economy.

The Finance Deputies Meeting recognized that the economic outlook was positive but some downside risks still loomed and economies needed to deal with risks from a return to normal monetary policy. Deputies further recognized that the gap between demand and availability of finance for infrastructure was huge and Public-Private Partnership (PPP) was a useful way to help. The public sector needed to facilitate a favorable environment for PPP, including lowering risks, developing institutional investors and strengthening project planning. A PPP Experts Advisory Panel had been established and held its first meeting. The G20 was also working on this area, making collaboration important.

Deputies had agreed that economic restructuring was key to promoting growth, especially through the fiscal and taxation policies to support SMEs and services sector development, encourage innovation and promote sustainable growth. At the same time economies needed to remain vigilant on fiscal risks. To promote sound economic growth it would be important to attract financial resources to the real economy. Focus areas included developing disaster and agricultural insurance, SME financing and supply chain finance.

The design of the FMP policy themes took into account the themes for 2014, aiming to contribute directly to the Leaders' Meeting and be consistent with previous FMP themes and member economy interests.

Under the FMP in 2014 six seminars were scheduled to support work on the themes. The expected outcomes include: a joint ministerial statement; success stories on infrastructure financing, showcasing economies' successful infrastructure PPPs; strengthening of the capacity of existing PPP centres; establishing new pilot PPP centres and promoting a network of regional PPP centres; and upgrading the Asia-Pacific Finance and Development Centre to an institute to further promote capacity building and offer masters degree programs.

Economies expressed support for the work planned for the FMP in 2014. Progress on developing PPP centres was particularly welcomed. The importance of continued coordination between the SOM and the FMP was emphasised. Some economies suggested inviting FMP Chair to meetings of the Friends of the Chair on Connectivity to make the process more productive. The EC Chair noted that the EC and FMP worked on similar issues but from different perspectives making greater contact between the two groups important.

The SOM Chair noted the great emphasis that the FMP placed on infrastructure financing, increasing regional financial cooperation and developing financing channels. He hoped for continuing close cooperation in support of tangible results.

## **7. Priority Areas for 2014: Strengthening Comprehensive Connectivity and Infrastructure Development**

Indonesia recalled that leaders in Bali had endorsed the Framework on Connectivity, which also included the Multi-year Plan on Infrastructure Development and Investment (MYPIDI). To follow up on the framework, joint Indonesia and China papers: "APEC Blueprint of Connectivity: Suggested General Outline" (Doc No. 2014/SOM1/041) and "The Workplan to Develop the 2014 APEC Blueprint of Connectivity" (Doc. No. 2014/SOM1/042) had been developed and were also discussed during the 1<sup>st</sup> SOM FotC meeting on Connectivity on 26 February 2014. The meeting also agreed for the FotC on Connectivity to function as the mechanism to oversee the development and implementation of the Connectivity Blueprint at the SOM level. The timeframe proposed for the development of the blueprint was also regarded as achievable.

China noted that economies were mandated to provide a blueprint on connectivity to leaders this year. The blueprint was intended to be a living document and ideas could be incorporated during its development. The 1<sup>st</sup> SOM FotC meeting on connectivity had agreed for PSU to take the lead in developing the blueprint with inputs and guidance from the FotC.

Within the MYPIDI there were four workstreams, with the first two addressing work that the SOM process is primarily responsible for and the last two addressing work primarily covered by the Finance Ministers' Process (FMP). The SOM FotC on Connectivity would oversee the work on implementing the workstreams that SOM is responsible for. Overarching responsibility for the SOM workstreams of the MYPIDI remains with SOM and the SOM FotC on Connectivity would report to SOM. Representatives from the FMP would be invited to participate in the FotC to help ensure smooth collaboration and coordination across all four workstreams of the plan.

Australia requested that the subtitle of section II C ii of (Document No. 2014/SOM1/041) be amended to read "Student, Researcher and Provider Mobility" to make it consistent with the annex to the Bali Leaders' Declaration. Furthermore, there should be reference to GOS in the document. Russia indicated that in the same section the reference to the APEC 2013 initiative on Cross-Border

Education Cooperation should be amended, replacing 2013 with 2012 (the year the initiative was adopted in the Annex to the Leaders' Declaration).

Indonesia noted the MYPIDI, pointing out that Indonesia was working with interested economies to establish a PPP Experts Advisory Panel to support the establishment of a PPP Unit in the Indonesian Ministry of Finance. Indonesia expressed appreciation to China for hosting the first PPP panel meeting and thanked both China and Canada for taking on the Co-Chair role. The Panel would focus on supporting the PPP Unit, including through mentoring and strategic advice, encourage a future APEC wide market for PPPs, and develop a regional network of PPP centres. Indonesia further noted the work taking place in the IEG to develop a guidebook on PPP frameworks in the APEC region to help facilitate more investment, which was viewed as a good example of a concrete follow-up, fitting within workstream 1 of the MYPIDI.

China commented that the benefits from soft connectivity could be as immense as those from hard connectivity. There was already free movement of goods but movement of people was more limited and it was time to promote freer movement of people. The APEC Business Travel Card (ABTC) was a good selling point and should be built upon. It should be possible to at least facilitate more movement if not liberalize it. The draft blueprint contained the main elements of what needed to be done. China also made a presentation on a CTI workshop on realizing the benefits of supply chain connectivity through E-ports.

Australia noted the progress on the Workplan on Cross Border education with 27 projects underway so far. This being a living document, an update on it would be provided later in the year. Australia would also arrange for a conference to support the topic in 2014.

Economies exchanged views on, and supported work to advance cross-border education, institutional and intellectual connectivity and free movement initiatives including ABTC progress.

The SOM Chair noted the importance of work on strengthening infrastructure and on people-to-people and institutional connectivity to contributing to substantially realizing the Bogor Goals and REI. The work to date had laid a good foundation.

SOM endorsed both documents as they were presented, on the basis that they were living documents, with economies able to express views and negotiate about the final form of the blueprint.

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

The Budget and Management Committee (BMC) Chair presented the major outcomes of the BMC meeting held on 23 February 2014 ( Document No. 2014/SOM1/009 and annexes) and sought Senior Officials' endorsement on the following:

- The BMC's work plan for 2014;
- Note the key discussions related to budget and financial management as follows:
  - i) Sub-fund on supply chain connectivity: Following APEC Leaders instructions in 2013 in Bali to set up an APEC sub-fund on supply chain connectivity, the BMC meeting supported and noted the establishment of the sub-fund on supply chain connectivity under the APEC Support Fund (ASF). With the establishment of the sub-fund, project proposals under the sub-fund would be processed along the theme related to supply-chain connectivity. BMC also noted the pledges and contributions to the sub-fund that were made by individual economies, namely, the United States, Hong Kong, China, New Zealand, Chinese Taipei and Singapore. Member economies are encouraged to make contributions to this new sub-fund.
  - ii) Aspirational target for voluntary contributions: The BMC Chair highlighted the current challenges of APEC funding particularly in project funding commitments from multi-year projects, the reliance of consistent contributions from a small number of economies and the depletion of most existing funds and sub-funds. As endorsed by CSOM last year, the APEC Secretariat in consultation with the Steering Group was tasked to find ways to address the

funding issue and was delegated to find a modus operandi for coordinating voluntary contributions from economies.

Existing APEC project funds, particularly in Trade and Investment Liberalisation (TILF) and ASF general funds would face a sharp decrease of about 70% in the number of projects that could be approved under these funds in 2014 as reflected in Annex B of the Chair's report. There was a general need for further untied funding to address the funding availability issue identified. BMC endorsed the aspirational target of voluntary contributions of US\$6.3 million for 2014 computed by the Secretariat. Some individual economies had already made pledges of voluntary contributions for this year, totalling US\$4.8 million, but mostly to the existing/new sub-funds that were tied to specific areas and could not alleviate the current funding pressure of TILF and ASF General Fund which faced a shortage of US\$1.5 million for 2014.

- iii) BMC also endorsed the cap on the value of project funding for disbursement in 2014 based on the formula approved in 2013, with a view to reserving a portion of the funding available for at least the next one to two years.

The BMC Chair encouraged APEC economies to consider making voluntary contributions to support APEC project funds particularly the TILF and ASF general funds to sustain the growing number of project proposals in the years to come. In addition, the BMC tasked the Secretariat to start the process of engaging member economies individually to garner their support in making voluntary contributions for APEC project funding, and to refine the modus operandi for coordinating voluntary contributions for BMC's further consideration intersessionally.

The issue of project management was also highlighted. With decreasing project funds, there would be a need to improve the project selection process. The BMC meeting had discussed at length the proposal submitted by Canada to institute a scoring system and to promote more transparency within the project ranking and prioritization system in an effort to improve the project selection process. BMC tasked the Secretariat to develop appropriate mechanisms and templates to implement this system, which will be circulated to BMC members intersessionally. Canada and the United States agreed to informally pilot the system for the first project session in 2014 and to provide feedback to BMC on its implementation. Other economies agreed to confirm their participation in this process intersessionally after the templates and systems have been developed by the Secretariat. BMC will work towards the implementation of a full pilot for session 2 through intersessional discussion on the specifics of the mechanism.

SOM was invited to take note of other details captured in the Chair's Report. The Chair expressed his thanks to economies, the APEC Secretariat Executive Director and the Secretariat for the hard work in advancing the various budget and finance initiatives.

The United States took the opportunity to express appreciation to other contributors of the supply-chain sub-fund and the efforts of the Secretariat in rendering the administrative arrangements, and expressed support for Canada's proposed prioritizing scoring system. The Philippines and New Zealand acknowledged the challenges around project funding and would explore the issue of voluntary contributions with their economies to address the need.

The Executive Director of the APEC Secretariat took the opportunity to thank the BMC Chair for his work on voluntary contributions. He noted that he would be looking to engage individual economies informally and welcomed any advice on the economy by economy approach that might work for voluntary contributions.

The SOM Chair thanked the BMC Chair for the report. SOM took note of BMC's priorities for 2014 and the work plan reported by APEC's steering group on voluntary contributions. He further encouraged members to address the ongoing efforts to increase financial sustainability.

#### *Report by the APEC Secretariat*

The Executive Director of the APEC Secretariat drew attention to the papers on "APEC Secretariat's Strategic Plan 2014 – 2016" (Document No. 2014/SOM1/004) for approval and "Developing the APEC Communications Strategy 2014-2016" (Document No. 2014/SOM1/005) submitted for information.

The latter paper comprised a summary of the communications consultancy report in developing the Communications' strategy for 2014 and 2016. The full paper will be tabled for SOM2's consideration.

The APEC Secretariat's Operational Plan for 2014 (Document No. 2014/SOM1/006) was presented for endorsement. The Executive Director also reported on the "Guidelines for Hosting APEC Meetings" (Document No. 2014/SOM1/008) noting that it was an updated document over the last approved guidelines in 2004. The document offers guidance on host responsibilities, chairing and participation issues, the calendars of meetings, meeting logistics, efficiency issues, documentation including paperless meetings, the role of the Secretariat and links to other APEC guidelines among other things. The guidelines will remain a living document as updates for inclusion are expected in the future to keep information current. Communications guidelines would also be developed for SOM2.

The Executive Director drew attention to the information paper on Remote Participation in APEC (Document No. 2014/SOM1/007) with the objectives of making use of the possibility of new technologies to reduce cost, improve flexibility, improve time use, and also to reduce the environmental footprint of APEC meetings. The paper offered a range of remote participation and remote listening options using the Microsoft Lync system, a technological improvement and advanced sophistication over the Skype medium. Given there would be bandwidth, time zones, participation and confidentiality issues involved, agreed governance on process and rules, a harmonised technical system and standardised approach to this facility would need to be addressed, details of which would be furnished later. Certain fora have indicated interest in trialling the remote participation facility.

Canada noted with appreciation that much effort had gone into Communications initiatives and the Executive Director's efforts to deliver coherent messages on APEC and its work through media and op-ed publications.

The SOM Chair thanked the Executive Director for his presentations, the support rendered by the Secretariat and looked forward to further reform, increased efficiency and improved project deliverables.

SOM approved the following APEC Secretariat documents: The Strategic Plan 2014-2016, the Operational Plan 2014, the revised Guidelines for Hosting APEC meetings and agreed on the approach outlined in the paper on Remote Participation in APEC.

## **9. Other Business**

### *Future meeting arrangements*

China briefed on the meeting dates for the ten ministerial meetings that would be held over the coming months. The revised timelines would be circulated in due course and would be updated on the APEC website. The meetings (with the exception of AMM) include:

Ministers Responsible for Trade (MRT) - 17-18 May, Qingdao  
Women and Economy Forum (WEF) - 21-23 May, Beijing  
Ministers Responsible for Mining – 27-28 June, Beijing  
Ocean-Related Ministerial Meeting – 27-28 Aug, Xiamen  
Tourism Ministerial Meeting - early September, Macau  
Energy Ministerial Meeting - 2-3 September, Beijing  
Small and Medium Enterprises Ministerial Meeting - 5 September, Nanjing.  
Food Security Ministerial Meeting - 18-19 September, Beijing  
Finance Ministers Meeting – after September, Beijing

China took the opportunity to give an update on the Women and Economy Forum which would be held on 21-23 May in Beijing. The general information for the meeting had been circulated and invitations would be distributed soon. The main theme would be "Harnessing the Power of Women for Asia-Pacific Prosperity" and there would be three sub-themes, namely, Women and Green Development; Women and Regional Trade and Technology Cooperation and Policy Support; and Women's Economic Empowerment. The three-day event would include the PPWE meeting and Public-Private Dialogue on Women and Economy, High Level Policy Dialogue on Women and

Economy and a seminar on women in business community. The forum will look forward to policies and recommendations.

#### *Classification of documents*

The Document Classification list (Document No. 2014/SOM1/000) was adopted without amendment.

#### *Farewell and Appreciation*

New Zealand Senior Official, Claire Fearnley informed that she would be moving on to a new role and took the opportunity to bid farewell. She thanked members for their collegiality, willingness to discuss issues, informality and support. She expressed hope that the wine-tasting event would be brought back following the old tradition and wished the host a successful 2014.

SOM expressed appreciation for her kind contributions to APEC and for organising the recent ABAC-SOM dialogue in Auckland.

The APEC Secretariat Executive Director extended best wishes to Ms Fearnley on behalf of the Secretariat and expressed appreciation for her kind support. He also took the opportunity to thank the host on behalf of all members for the kind hospitality, efficient meeting arrangements and substantive initiatives, noting that 2014 looked to be a busy, energetic and fruitful year for APEC.

#### **Closing**

The Chair provided a summary of expected deliverables under the 2014 theme and the three priority areas following the SOM plenary discussions.

Under the priority area of Advancing Regional Economic Integration, he noted the meeting had affirmed the initiatives to develop the APEC framework to strengthen regional economic cooperation, to kick off and advance the FTAAP process through a CTI-established FotC; support for a strong and firm signal to the multilateral trading system; agreement to establish a RTAs/FTAs information sharing mechanism. The Meeting also had fruitful discussions on global value chains, supply chains, ECOTECH and capacity building.

Under the priority area of Promoting Innovative Development, Economic Reform and Growth, member economies had echoed their support and expectations to have tangible outcomes around economic reform, new economy, innovative growth, inclusive support and urbanisation. Work would also be done to explore new growth areas, reform and innovation by promoting information sharing, policy dialogue, capacity building and practical cooperation. Discussions on structural reform, regulatory coherence, green economy, blue economy, internet economy, food security, SMEs, anti-corruption, women, health, sustainable energy, environment, urbanization, forestry, disaster management and other areas would be included in the work program for the year.

Under the third priority of Strengthening Comprehensive Connectivity and Infrastructure Development, the Chair noted SOM's endorsement of the draft outline of the APEC Blueprint on Connectivity and the Workplan to Develop the Blueprint, and the establishment of FotC on Connectivity. The FotC on Connectivity had conducted substantive discussions on ways and means to facilitate infrastructure financing, strengthen public-private partnership, and promote institutional connectivity and cooperation on cross-border education and travel facilitation among other issues.

The Chair further expressed appreciation to officials for their active cooperation during SOM1 and looked forward to welcoming members to Qingdao in May for SOM2.