

**Asia-Pacific Economic Cooperation
Second APEC Senior Officials' Meeting**

**14-15 May 2014
Qingdao, China**

Summary Conclusions

1.1 Opening Session

The Second Senior Officials' Meeting was held on 14-15 May 2014 in Qingdao, chaired by His Excellency, Mr Li Baodong, Vice Minister of Foreign Affairs and APEC 2014 SOM Chair ('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), SOM Steering Committee on ECOTECH (SCE), the APEC Business Advisory Council (ABAC), the Pacific Economic Cooperation Council (PECC), and the Pacific Islands Forum (PIF) were in attendance. The APEC Secretariat was also present.

The SOM Chair welcomed officials to the Second Senior Officials' Meeting in Qingdao, a city not only renowned for its beer but also for its scenery and cultural heritage. Attention was drawn to the 2014 theme and the three priority areas that had been agreed on at ISOM 2013. SOM1 had taken forward proposals, initiatives and discussions under the three priority areas with the objective of contributing to the 2014 deliverables. SOM1 outcomes included the adoption of work plans for committees, fora and working groups; the formulation of roadmaps for cooperation in 2014; agreement to take concrete actions to realize an FTAAP and advance the process, strengthening regional economic integration; and work around the identified five pillars of cooperation: economic reform, new economy, innovative growth, inclusive support and urbanization. SOM1 had also endorsed an outline of the APEC Blueprint on Connectivity.

The Chair emphasized that SOM2, back to back with MRT, offered a unique opportunity to take a mid-term stocktaking for our preparation for AELM.

The SOM Chair expressed confidence that in-depth discussions over the two days would produce concrete deliverables for trade ministers, laying a solid foundation for a successful AELM. Further, consolidated consensus would be sought on FTAAP, the Connectivity Blueprint, avoiding middle income trap, global value chains, information sharing on FTAs/RTAs and other initiatives to produce meaningful outcomes. The SOM Chair noted that with the APEC Economic Leaders' Meeting (AELM) six months away, concerted efforts guided by principles of inclusiveness, cooperation and mutual benefit would facilitate successful and fruitful outcomes for AELM, contributing to sustainable development, and long term prosperity and progress for the Asia Pacific region.

The SOM Chair took the opportunity to introduce two new Senior Officials: from New Zealand, Mr Nick Hurley; and from Chile, Ms Paulina Nazal.

1.2 Business Arrangements and Adoption of the Agenda

The SOM Chair outlined arrangements for the meeting. Indonesia informed that it had circulated a draft paper on regional economic architecture prior to the meeting and proposed that it could be discussed under the agenda item of 'Other Business'.

- SOM adopted the agenda (Document No. 2014/SOM2/001).

1.3 Report by ABAC

The ABAC 2014 Executive Director briefed the meeting on the outcomes of the ABAC2 meeting held in Santiago from 4-7 May 2014. The main outcome was finalisation of the ABAC Letter to APEC Ministers Responsible for Trade, which outlined ABAC's priorities and initial recommendations for 2014. Recommendations for Leaders later in the year were also considered. Discussions during the meeting had centred on ABAC's priorities for 2014: deepening regional economic integration; promoting infrastructure growth and connectivity; encouraging sustainable development; fostering SME development and entrepreneurship; and promoting the development and integration of financial markets.

- SOM noted the report provided by ABAC.

2. Priority Areas for 2014: Advancing Regional Economic Integration

2.1 Committee on Trade and Investment (CTI) Report

The Chair of the Committee on Trade and Investment ('CTI Chair') reported on the results of the CTI2 and related meetings that were held prior to SOM2 (see Document No. 2014/SOM2/049), highlighting the progress and developments in the following key areas, amongst others:

- **Free Trade Area of the Asia Pacific (FTAAP):** CTI had extensive discussions based on the work of the Friends of the Chair (FoTC) group co-led by China and the United States. CTI agreed on a proposal for an APEC Information Sharing Mechanism for FTAs/RTAs put forward by Australia, Chile, China, Hong Kong, China, and New Zealand and had welcomed the inaugural Information Sharing Dialogue on RTAs/FTAs held in Qingdao on 8 May. CTI also welcomed progress in preparing for a review of the REI Capacity Building Needs Initiative (CBNI) led by Korea, including the workshop scheduled for July to map out the future of this initiative. However, the Committee had been unable to reach agreement or consensus on China's proposals on (i) an APEC Framework of Strengthening Regional Economic Integration; (ii) a Roadmap for APEC's Contribution to the Realization of an FTAAP; and (iii) an Outline of the Feasibility Study on Realizing an FTAAP. While some economies supported the proposals, other economies had expressed concerns, including in relation to the name and contents of the proposed "feasibility study" and the specification of a date, 2025, as an aspirational goal for realizing an FTAAP. CTI noted that consultations on these proposals were continuing with a view to building consensus in the lead up to this meeting and, subsequent to that, the Meeting of Ministers Responsible for Trade (MRT).
- **Global Value Chains (GVCs):** CTI agreed on an APEC Strategic Blueprint for Promoting Global Value Chains Development and Cooperation through Asia-Pacific Partnership proposed by China and Canada and agreed to the Strategic Framework on Measurement of APEC Trade in Value Added (TiVA) under GVCs proposed by China. Those documents would be a strong basis for further detailed initiatives to address impediments to growth of GVCs in our region. There was also broad support for a new proposal by Korea on Capacity-building for SMEs' Integration into GVCs in Major Industries.
- **Next generation trade and investment issues:** CTI had selected "manufacturing related services in supply chains/value chains" as a next generation trade and investment issue for work in 2014 and 2015 and agreed to give further consideration at CTI3 to a proposal on Promoting Open and Competitive Services Markets to Support the Growth of GVCs by Australia.
- **Environmental goods and services (EGS):** 20 of the 21 economies had provided progress reports on their implementation of the 2012 APEC List of Environmental Goods. Those progress reports had been captured in a table which was to be uploaded to the CTI's ACS site as a "living" document for further updating and refinement after each CTI meeting. A capacity building workshop was being scheduled in the margins of CTI3 in Beijing to help economies address implementation issues in relation to the implementation of their commitments.
- CTI agreed to a Strategic Plan on Capacity Building to Promote Trade and Investment, which proposed to conduct analysis and review of APEC's capacity building to promote trade and investment.

- Supply chain connectivity: CTI agreed to (i) the Capacity Building Plan to Improve Supply Chain Performance; (ii) establish a new advisory group - APEC Alliance for Supply Chain Connectivity (A2C2) - comprising officials, business practitioners and other experts to assist in the capacity building effort; and (iii) a proposal from China on Asia-Pacific Model E-Port Network (APMEN), which will advance connectivity between ports in our region. CTI also made progress in its work on improving supply chain performance through the use of global data standards and was close to completing all the diagnostic reports for the 8 chokepoints.
- CTI welcomed the outcomes of the 2014 ARCAM Dialogue on International Electric Vehicle Standards and the discussion on the proposal by China to establish APEC Cooperation Network on Green Supply Chain which aims to enhance the cooperation on green development.
- On the PSU study on promoting trade in products which contribute to sustainable development and inclusive growth through rural development and poverty alleviation, CTI was close to settling on a list of products for inclusion in the study. Consultations were continuing with a view to reaching resolution of those documents as soon as possible.

Indonesia took the opportunity to update Senior Officials on the progress in compiling the list of products for the PSU study on promoting trade in products which contribute to sustainable development and inclusive growth through rural development and poverty alleviation. Indonesia reported that 11 economies had contributed a total 144 products to the list and that economies were invited to provide comments on the compiled list of product nominations and its draft cover note by 1 pm, 14 May (day 1, SOM2).

- SOM noted the compiled list and cover note tabled as Document No. 2014/SOM2/057 and agreed to task the PSU to commence work on the study.

[Afternote: The compilation was updated post-SOM2 and finalised on 2 June. The final compilation comprises 157 products at HS 6-digit level, nominated by 13 economies].

Japan drew Senior Officials' attention to its revised proposal on Trade Liberalisation and Facilitation of Environment Services (see 2014/SOM2/003) which had attempted to incorporate most of the concerns and comments of economies. Japan noted that further comments from economies were welcome by 11 June, as agreed at CTI2.

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

2.2 Supporting the Multilateral Trading System

China briefed the meeting on the developments in Geneva with respect to discussions on implementation of Bali package agreements and formulating post-Bali work program. China noted that WTO colleagues in Geneva had completed the legal review of the WTO Trade Facilitation Agreement (TFA) and were working hard on further issues with a view to having the TFA implemented as scheduled in the agreement itself. China hoped that when the Ministers Responsible for Trade met in Qingdao, they would build on the outcomes of the Mini-Ministerial Meeting in Paris on 7 May by delivering a strong statement which demonstrated APEC's support to the multilateral trading system (MTS). China also noted that since January, the APEC Geneva Caucus had several rounds of negotiations and discussions on drafting the MRT standalone statement on the MTS and that its Geneva team would come to Qingdao to carry on the discussions with a view to finalising the draft before MRT ended.

Senior Officials exchanged views on how APEC could support the multilateral trading system and contribute to the post-Bali work plan as well as on elements of the standalone statement.

- SOM reaffirmed the importance of maintaining momentum from the Bali meeting and making substantial progress in the development of post Bali work program.

There was broad support that the draft standalone statement would include the following main elements:

- Commitment to actively implement the Bali package and make efforts towards implementation of the WTO Trade Facilitation Agreement (TFA). (However, some members called for the early ratification and enforcement of the TFA while some called on developing economies to schedule their TFA commitments under category A to ensure substantial coverage);
- A call to all parties to complete work on a post- Bali work plan before the end-2014 and send positive and clear signals for finally concluding the Doha Round;
- Reaffirmation of commitment to reduce tariffs on environmental goods to 5% or less by end-2015 and encourage more members to participate in the environmental goods negotiations in the WTO; and
- Agreement to extend a standstill on protectionism to the end of 2018.

There were also calls by some economies for inclusion of language on the WTO Information Technology Agreement (ITA) negotiations and on the Government Procurement Agreement (GPA).

2.3 *Strengthening REI and Advancing FTAAP*

China provided an update on their proposals (see Document Nos. 2014/SOM2/051 and 2014/SOM2/052) to advance the realization of an FTAAP, elaborating on their objectives and thinking behind (i) the feasibility study and (ii) proposed timeline of 2025 for the realization of an FTAAP. There were extensive discussions on the two proposals. While some economies supported the proposals, other economies continued to express concerns on the terminology relating to the launch of a feasibility study and the specification of a date (2025) for realizing an FTAAP.

- SOM agreed to translate the APEC's Leaders' commitment into concrete actions to realize the FTAAP and to kick off and advance the process towards the realization of an FTAAP through following elements:

Establishment of an information sharing mechanism on FTAs/RTAs
Strengthening of capacity building activities through the review of the 1st REI Capacity Building Needs Initiative (CBNI) Action Plan (2012-2014) and the drafting of a 2nd REI CBNI Action Plan beyond 2014.
Formulation of a Roadmap for APEC's contribution to the Realization of an FTAAP.

- On the two "outstanding" specific issues, SOM encouraged economies to continue consultations with a view to building consensus in the lead up to MRT and AELM.

[Afternote: In the SOM Chair's Report to MRT, it was reported that SOM would intensify efforts and continue consultations on remaining issues, including the name of "feasibility study" and the target year (2025) for realizing an FTAAP].

2.4 and 2.5 *Advancing Other REI Work*

China recounted the good discussion and outcomes reached at CTI2 on the following proposals/initiatives led or co-led by them:

- APEC Strategic Blueprint for Promoting Global Value Chains Development and Cooperation;
- Strategic Framework on Measurement of APEC TiVA under Global Value Chains;
- Public-Private Dialogue on Building Asia-Pacific Partnership through Global Value Chain Collaboration held on 12 May;
- Strategic Plan on Capacity Building to Promote Trade and Investment;
- Capacity Building Plan to Improve Supply Chain Performance;
- Establishment of APEC Alliance for Supply Chain Connectivity (A2C2);
- Establishment of APEC Cooperation Network on Green Supply Chain;
- Initiative on Asia-Pacific Model E-Port Network (APMEN).

China also expressed its readiness to collaborate with member economies to advance and further promote cooperation in the above-mentioned areas.

2.6 2014 Bogor Goals/IAP Peer Review

SOM received a presentation from the Policy Support Unit (PSU) on the 2014 Bogor Goals Progress Reports. The PSU reported that the results of 2014 Bogor Goals assessment were mixed in comparison to the previous 2012 assessment. Good progress was reported in areas such as services, customs procedures (time), government procurement, competition policy, intellectual property (IPR), regulatory reform, mobility of business people, and RTA/FTAs, while in contrast there was not much progress reported in traditional areas such as tariffs, non-tariff measures (NTMs), standards and conformance, and customs procedures (cost). Despite progress, there was room for improvement and more work needed to be done. Some ideas were floated on how to make better use and leverage of the information in the IAPs/progress reports. These included (i) examining in depth, some of thematic areas/issues identified in reports; (ii) identifying systemic patterns of tariff and non-tariff barriers and discussing ways in which these can be addressed, including by further tasking to working groups/sub-fora and (iii) identifying new themes or initiatives that can be undertaken to address barriers to trade and investment.

- SOM thanked and commended PSU for its hard work on the 2014 Bogor Goals Report, noting that PSU would finalise the reports (see Document Nos. 2014/SOM2/005 through to 2014/SOM2/027) intersessionally for public release by CSOM.

3. Senior Officials' Working Lunch

China took the opportunity to brief Senior Officials on the preliminary arrangements for Leaders' Week. CSOM will take place 5-6 November, AMM on 7-8 November, AELM on 10-11 November and business related events from 4-10 November. With the exception of the AELM which would be held in Yanqi Lake, most events would be held at the China National Convention Center in Beijing. A side event centered on the theme of 'Equal Access, Inclusive Development' for the participation of people with disabilities would also be organized in the margins of Leaders' Week. AELM outcomes by Leaders would tentatively be in the form of the Beijing Declaration, focusing on the three priorities for the year and a Standalone Statement marking the 25th Anniversary of APEC.

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

4.1 APEC Economic Trends Analysis Report

PSU briefed on its latest APEC Economic Trends Analysis report (Document No. 2014/SOM2/028). The Director of PSU presented and indicated that the report would also be presented at the MRT meeting. Dr Hew indicated that APEC GDP growth strengthened last year but the pace was not uniform. Much of the growth was coming from industrialized economies. He explained that the global financial crisis left APEC with reduced labour input and productivity growth. He also indicated that innovation was boosting competitiveness while preserving healthy employment growth. Innovation had been important in APEC's work agenda, and the report contained related recommendations.

Indonesia indicated its appreciation of the work of PSU in providing this information. The SOM Chair found the report insightful and informative regarding the current macroeconomic situation in the Asia-Pacific Region.

- SOM noted the PSU's briefing on the APEC Economic Trends Analysis report.

4.2 Economic Reform including Structural Reform work (ANSSR), Regulatory coherence, Financial and Taxation Policy support and Middle Income Trap

Senior Officials discussed the pillar of Economic Reform, including Structural Reform work (ANSSR) and regulatory coherence, Financial and Taxation Policy support and the outcomes of the Policy Dialogue on Middle Income Trap.

China briefed on the Policy Dialogue on the Middle Income Trap (MIT), held on 10 May, 2014 (Document No. 2014/SOM2/039). The policy dialogue was a follow-up to the concept paper submitted by China to SOM1. Several academic and international financial institutions contributed to better understanding the MIT issue.

Thailand commended China for highlighting MIT in this Policy Dialogue. Thailand stressed the importance of human capital, and suggested the need to focus on innovation, competitiveness, and education. Thailand suggested that this work be integrated into various APEC working groups.

Chinese Taipei stated that good governance and transparency were critical to achieving structural reform. Chinese Taipei emphasized anti-corruption as an important area of work and mentioned the anti-corruption roundtable held in January. Chinese Taipei suggested that economies need to establish anticorruption agencies to encourage transparency and sound regulatory environments. Chinese Taipei also noted that APEC economies needed to continue efforts to have business-friendly environments at the same time. Chinese Taipei observed that the MIT Policy Dialogue was very productive. Chinese Taipei also suggested that ANSSR was a way to narrow the gap between middle income and high income economies, and suggested that the Economic Committee should review ANSSR and incorporate the MIT into its post 2015 agenda.

The United States indicated its support for the work done on encouraging structural reform and thanked China for putting emphasis on reform - not only for middle income but also for high income economies. The United States noted that it would be sponsoring several workshops on the margins of Economic Committee 2 (EC2) in August on Ease of Doing Business and Good Regulatory Practices. In particular, the United States drew Senior Officials' attention to Document No. 2014/SOM2/037 (APEC Actions on Public Consultations on Proposed Regulations in the Internet Era) and requested support for this proposal.

Papua New Guinea voiced its support for the proposal addressing the MIT. It also thanked the United States for capacity building initiatives. It also stated that regulatory reforms needed to be diligently pursued in a way so as not to increase costs.

Australia welcomed China's commitment to innovation and the MIT policy dialogue. Australia mentioned its twinning program, which aimed to strengthen institutional capacity for structural reform. Australia also mentioned that it was leading new work to support access to export markets for women SMEs.

Japan thanked China for organizing the policy dialogue on MIT, and noted OECD's work in this area. Japan indicated its appreciation of the steady progress of ANSSR to 2015.

Mexico mentioned that it had been pursuing regulatory reforms and had been sharing its experiences with other APEC economies. Mexico indicated its interest in the post-ANSSR era, as well as its interest in institutionalizing regulatory reform by forming a group within the Economic Committee.

Canada shared that its departments published a forward regulatory plan on their websites that gave early indications of proposed regulatory changes. Canada indicated its support for the American initiative.

Indonesia echoed Canada's sentiments and voiced its desire for an MIT workshop for building capacity.

China noted the importance of a cooperative approach, taking into account the conditions of each economy. It also indicated its support in principle for the United States' initiative, emphasized the importance of capacity building in this area and the consensus-based and step-by-step approach, and noted its intent to consult with the United States as the initiative is prepared for SOM3's endorsement.

Malaysia thanked China for holding the MIT dialogue. Malaysia noted the importance of structural regulatory reform for escaping the MIT. In addition, Malaysia thanked Australia for leading the ANSSR training program in Kuala Lumpur.

New Zealand observed that the MIT discussion revealed that these issues were relevant to high income economies as well as middle income economies. It indicated its support of good regulatory practices and regulatory coherence, and mentioned an upcoming workshop on this on the margins of SOM3.

Chile welcomed the MIT policy dialogue and highlighted the many structural reforms of education taking place now in Chile.

- SOM noted the proposal made by the United States and indicated its intent to consult further intersessionally.
- In addition, SOM, noting the importance of the MIT for member economies, directed the EC to incorporate MIT into EC's work priority and carry out further actions to address this issue. SOM indicated the high importance and relevance of the MIT for formulating the structural reform agenda post 2015 and expressed its hope that more policy dialogues and capacity building would take place around the MIT.

4.3 *New Economy, including Green Economy, Blue Economy, Internet Economy, Sustainable Energy, Environment, Forestry, Mining*

Senior Officials discussed the pillar of New Economy, including Green Economy, Blue Economy, Internet Economy, Sustainable Energy, Environment, Forestry and Mining.

China submitted a concept note on promoting internet economy through information communication and technology (ICTs) at SOM1. During the 49th meeting of the Telecommunications Working Group (TEL 49), a follow-up Roundtable had been held. The TEL Plenary considered favourably the Roundtable's findings. TEL reached consensus on two counts: first, they authorized reporting to SOM2; second, they agreed that the TEL work plan should be submitted to SOM Steering Committee on ECOTECH (SCE) Chair.

China then reported the outcomes from the APEC High Level Roundtable on Green Development, held 8 May 2014 in Tianjin. The roundtable was the result of a concept paper presented by China and endorsed at SOM1. At the end of the Roundtable, a Declaration of APEC High-Level Roundtable on Green Development was adopted, and was presented to SOM and MRT (Document No. 2014/SOM2/040).

China noted that the Ministers Responsible for Mining (MRM5) would meet in June 2014. The theme would be closer cooperation for transformation and growth. MRM5 was expected to issue a joint declaration from ministers. The draft has been circulated to economies for comments.

China also addressed ocean issues. Document Nos. 2014/SOM2/041 and 2014/SOM2/042 were submitted for SOM2's consideration. The Oceans Ministerial was scheduled for August 2014. A draft agenda for this ministerial would be distributed in mid-June for comments.

Several economies thanked China for proposing these themes under the New Economy pillar. The Philippines noted that food security would be carried forward next year in a high level dialogue.

Japan reported that it was preparing a few initiatives, including an initiative on clean coal technology, and a workshop on impact of climate change on ocean and fisheries resources. The United States noted its Oceans Conference being held in Washington, DC. Russia stated that APEC economies needed to reach consensus on regional markets for raw resources, and indicated its intent on tabling this for deliberation within the Mining Task Force and the Ministers Responsible for Mining meetings. New Zealand noted that it would be hosting a capacity building workshop on rural development to start dialogue on this issue. Chile supported China's draft declaration on mining, and suggested that the Mining Task Force become a permanent Working Group.

- SOM welcomed the declaration from the High Level Roundtable on Green Development.

4.4 *Innovative Growth, including Science and Technology cooperation, ICT Cooperation and SMEs*

Senior Officials discussed the pillar of Innovative Growth, including Science and Technology cooperation, ICT Cooperation and SMEs.

China reported on progress toward innovation-driven-development. This followed up on the Innovation Initiative circulated at SOM1. Comments had been submitted, and PPSTI would work to improve the initiative. China had since circulated a second draft (Document No, 2014/SOM2/045) and welcomed further feedback on the draft.

Many economies indicated their support for China's initiative on the pillar of Innovative Growth. Korea noted that it would be hosting an APEC conference on appropriate technology in Seoul in mid-2014, where economies would have the opportunity to share best practices and ideas for developing technology usage. Many economies indicated their intent to participate in this conference. New Zealand noted that APEC chief science advisors had been invited for the Second Chief Science Advisors Meeting at the end of August. Thailand stated that it would be holding a workshop to give SMEs better access to venture capital and financing, and would also host a seminar for SMEs and smart IP policies that would encourage innovation and competitiveness among SMEs. Thailand was also organizing a seminar on leveraging ICT to encourage resilient supply chains.

- SOM welcomed work in this pillar, and emphasized the importance of a favourable environment for innovative growth.

4.5 *Inclusive Support including Human Resources, Food Security, Youth, Women, Employment, Health and Anti-corruption*

Senior Officials discussed the pillar of Inclusive Support, including Human Resources, Food Security, Youth, Women, Employment, Health and Anti-corruption.

China presented for information a proposal contained in Document No. 2014/SOM2/046 on Youth Skills Development. Many economies indicated their support for this proposal. Japan drew attention to Document No. 2014/SOM2/030, containing Japan's proposals on Women and the Economy, and asked for cooperation from each economy to help select companies that exemplify achievement in furthering women's participation. Korea stated that it would hold a seminar related to Women and Economy - Women's Business and Smart Technology, to be held May 23 in Beijing. The Philippines welcomed the proposal to study barriers for women in leadership, and indicated its desire to see how economies could encourage women to study Science, Technology, Engineering and Mathematics (STEM) courses. Chinese Taipei indicated that it would hold a conference on better medical services for the elderly which would look at business opportunities in this area. Japan and Indonesia underlined the importance of development of global food value chains to ensure food security. The United States commended China for its focus on anti-corruption and stated its intent to circulate materials on this before SOM3.

- SOM welcomed efforts undertaken under this pillar.

4.6 *Urbanization*

Senior Officials discussed the pillar of Urbanization.

China noted that 54 percent of the world's population lived in urban areas, and that urbanization spurred important economic and social transformations. Consequently, China would convene a policy dialogue on urbanization on the margins of SOM3, as agreed upon at SOM1.

Several economies commended China for taking up this issue. PSU noted that it had been tasked by SOM1 to carry out a study on urbanization by SOM3. Japan noted its own period of rapid urbanization and offered to share experience on this as well as use of smart cities technologies and low carbon model town best practices. Thailand noted the importance of capacity building in this area.

- SOM welcomed the work being done at PSU and by several economies in this Pillar.

SOM Chair thanked all for the good discussion, dialogue, and active participation under this agenda item. The SOM Chair emphasized that APEC was viewed as an incubator and testing ground for many new initiatives. He stated that APEC could overcome differences and cooperate to achieve pragmatic goals.

5. Economic and Technical Cooperation (ECOTECH)

Report by SCE Chair

The SOM Chair noted SCE's role as a management and leadership committee and the work from two years ago on streamlining fora. The focus now was on: strategic planning to help move forward on leaders' instructions; looking at annual workplans; and updating the ECOTECH medium-term priorities. The importance of SCE was reflected by senior official attendance.

The SCE Chair reported on the SCE meeting held on 11 May (Document No. 2014/SOM2/056). The SCE Chair noted that SCE:

- was continuing its review of the ECOTECH Medium-term Priorities and was on track to finalise the revised priorities by SCE3;
- had discussed and noted progress on the development of APEC capacity building guidelines, which were expected to be finalised at SCE3;
- had endorsed the recommendations in the Report on Synergies on Cross Cutting Work in Economic and Technical Cooperation Fora prepared by the APEC Secretariat;
- had supported a proposal from Indonesia to establish a Mainstreaming Ocean Related Issues (MOI) Initiative Steering Council, which would be further developed by Indonesia with a view to a final decision at SOM3 and having the Council established by CSOM 2014;
- had noted the discussion that had occurred at the Friends of the Chair Meeting on Strategic Planning held on the morning of 11 May 2014 and endorsed the recommendations arising from it; and
- had noted progress on the implementation of the 2014 independent assessments.

The subsequent discussion among economies evidenced support for the work of SCE, especially the focus on ECOTECH Medium-term Priorities and capacity building guidelines, noting that SOM had already endorsed an APEC Strategic Plan on Capacity Building to promote Trade and Investment (Document No. 2014/SOM2/049anx6).

The SOM Chair noted the valuable role SCE played in guiding coordination on cross-cutting issues and welcomed the development of capacity building guidelines and the outcome of the FotC on strategic planning. He commented on the importance of strengthening the link between ECOTECH and other priorities.

- SOM adopted the SCE Chair's Report.

6. Priority Areas for 2014: Strengthening Comprehensive Connectivity and Infrastructure Development

6.1 Outcomes of the SOM Symposium on Connectivity Blueprint; information gathering exercise on connectivity initiatives by PSU; and the draft roles and functions for FotC on Connectivity

The SOM Chair noted agreement in SOM 1 in Ningbo to establish a FotC on Connectivity. The PSU had worked on a blueprint to enhance connectivity in the region and had arranged a symposium on 12 May on that topic, followed by the FotC meeting on 13 May.

The Chair of the SOM Friends of the Chair Meeting on Connectivity ('FotC Chair') reported on the FotC meeting (Document No. 2014/SOM2/055). The meeting had discussed six items:

- a summary of the symposium;
- a briefing on the request for information (RFI) exercise;
- progress and next steps in the development of the blueprint;
- progress on the implementation of the Multi-Year Plan on Infrastructure Development and Investment (MYPIDI);
- the roles and functions of the FotC; and
- a briefing from TELWG and ABAC.

The FotC Chair asked SOM to: note the outcomes of the Symposium on the APEC Blueprint on Connectivity; note the progress of drafting the APEC Blueprint on Connectivity; and endorse the consensus reached at the FotC including extending the deadline for the Request for Information (RFI) exercise to 31 May; endorse that timelines and targets would be included in the blueprint; and endorse the roles and functions of the FotC.

The PSU reported that the RFI exercise had received submissions from 17 economies and 13 out of 18 working groups. For physical connectivity 83 items had been identified, 209 items for institutional connectivity and 110 items for people-to-people. A first draft of the blueprint would be circulated intersessionally with a second draft to be ready for the FotC meeting at SOM3.

Economies expressed support for the work undertaken through the FotC. The importance of the blueprint becoming a strategic vision for future work rather than just a compendium of activity was highlighted. Supporting work on connectivity with capacity building was emphasised, with Japan noting its proposal to hold a capacity building seminar on the quality of infrastructure development and investment in early August 2014. APEC would need to coordinate and work with other international organisations such as the G20 which also focused on aspects of connectivity. The blueprint would benefit from more focus on the Americas.

The FotC Chair thanked members for their support and the PSU for the work done so far noting that the blueprint was a major deliverable for 2014.

The SOM Chair noted the steady progress being made on the blueprint.

- SOM endorsed the FoTC report.

6.2 *APEC Public Private Partnership (PPP) Framework*

Indonesia noted the ongoing implementation of the MYPIDI and work to increase the use of PPP investment for infrastructure development. With SOM looking after workstreams 1 and 2 and the Finance Ministers Process (FMP) looking after workstreams 3 and 4 of MYPIDI, it would be important for the two groups to continue to attend each other's meetings. The PPP Expert Advisory Panel had already been established and in the short-term was supporting the establishment of a PPP Unit in Indonesia and in the longer-term could support other economies. A PPP guidebook was being developed with 11 economies so far responding to the questionnaire released last year.

Economies expressed support for work to increase the use of PPP investments. China noted that representatives of the Ministry of Finance had attended the connectivity blueprint symposium and the FotC meeting. Promoting PPPs was high on the agenda of the finance track. The FMP in 2014 was working towards showcasing successful PPP projects through joint case studies; developing an implementation road map to guide APEC's future work in developing infrastructure PP projects; continuing to strengthen the capacity of PPP centres, promoting networking among PPP centers and encouraging setting up new PPP centers, China was considering to set up a pilot PPP centre.

The SOM Chair was pleased that economies had made substantial progress on implementing the MYPIDI. China attached importance to infrastructure financing work in 2014.

- SOM noted progress on APEC Public Private Partnership (PPP) Framework.

6.3 *Proposal on promoting the construction of APEC's Think Tank Network*

The Chair of the APEC Studies Centre Consortium (ASCC) provided a report on the groups meeting on 11-12 May. Papua New Guinea had participated for the first time and indicated that they may set up a study centre. On regional economic integration, the members had suggested that the TPP be open to more participants and should not undermine WTO integrity. APEC needed to show leadership on developing a path to achieve the FTAAP, requiring a comprehensive approach.

The ASCC members had considered how to be a more effective think tank. They were currently more like a loose association, meaning that capabilities were not fully utilised. It was time for self-reform and they would possibly set up an executive committee with focal points nominated by economies. They suggested that APEC create more opportunities for ASSC to build into dialogue with Ministers and Leaders.

Economies expressed support for the proposal.

The Chair noted that consultation would continue at the working level. He acknowledged the importance of think tanks to APEC's work and expected a louder voice and more contribution from academia. Intersessional work towards developing the network was encouraged and an update would be made at SOM3. Education was important for developing work on soft connectivity, which was an area where more progress was sought.

6.4 *Promoting Soft Connectivity and People-to-People Connectivity*

Senior Officials discussed the various initiatives underway to promote soft connectivity.

A representative of the Ministry of Education of China briefed on the progress of establishing Higher Education Research Center (Document No. 2014/SOM2/47). The Center is expected to serve as a joint study platform and an information exchange network for higher education reform and development in each economy. This proposal had been discussed by EDNET in SOM1 and endorsed by the HRDWG. China was proposing to fund a secretariat and locate it in Beijing. A management committee and an academic committee consisting of government official, institutions and experts from member economies will also be set up. Economies expressed support for the proposal.

The United States noted their concept paper on Facilitating Student Mobility in the APEC Region: APEC Scholarships and Internships (Document No. 2014/SOM2/038). The paper was being considered in the Human Resources Development Working Group (HRDWG) and would be brought to SOM3 with a view to it being launched during Leaders' Week. The aim was to have scholarship and internship opportunities available on an APEC website. Economies expressed support for this initiative.

Economies noted work underway on emergency preparedness, expressing support for the emergency response travel facilitation initiative.

Economies supported work underway to review the operation of the APEC Business Travel Card, including considering an extension of its validity period and making the application process easier. The United States announced that they would begin issuing the cards to US Citizens from 12 June. Economies expressed support for working on the development of an APEC mobility card for students and academics.

Australia raised the Workplan on Promoting Cross-border Education and the momentum that had continued since last year. They suggested that the workplan be updated with the revised plan to be submitted at AMM. Australia indicated that they were happy to continue to lead that work. Economies supported the proposal.

The SOM Chair thanked economies for the continuing efforts on the many soft connectivity initiatives.

7. Budget and Other Management Issues

7.1 Update on Secretariat matters including progress on voluntary funding

The Executive Director (ED) of the APEC Secretariat provided a brief update on Secretariat matters including the progress of program director secondments. He took the opportunity to introduce the new Chief of Staff, Irene Sim, who would be a focal point in helping to develop the role of program directors.

On progress of voluntary funding, (Document No. 2014/SOM2/032), the ED noted the shortfall on project funding availability for APEC projects. The first half year of project funding resulted in only 22% of concept notes being able to be funded from available project funding. In terms of projects that applied for untied funding, only 17% were able to be funded compared to some 50% or more of concept notes funded previously. Sub-fora and working groups had expressed disappointment at not being able to obtain funding even for priority one project applications.

Noting that this was an ongoing issue, a steering group had been set up to help look for further voluntary funding with a target of around \$6 million for 2014. Some progress in this regard had been met primarily through the United States' proposal on the supply chain connectivity sub-fund, contributed to by the United States, Hong Kong, China, Singapore, New Zealand, and Chinese Taipei. In addition, other significant contributions had been made by Japan to the Energy sub-fund, and by Australia to the ANSSR sub-fund, the APEC Support Fund and untied funds. The greatest shortfall remained in untied funding. The ED expressed appreciation for the frank discussions with senior officials on difficulties accessing funds from respective ministries and governments but noted some prospects for future funding.

The Philippines noted the update on project funding and expressed disappointment at the number of projects funded for Session 1, further observing that the drafting of SCE high quality strategic plans and workplans were affected by the lack of support for projects. The Steering Group on Voluntary Contributions, of which Philippines was a member, would continue to work with the Budget and Management Committee (BMC) on the issue.

Singapore thanked the ED for his good work and noted the reality of member economies having to operate in much tighter fiscal conditions. Singapore observed that the solution should not just be on increasing funding contributions but consideration should be given to ways to manage the demand for project funding. In this respect, he suggested that when considering proposals, thought should also be given to how economies themselves could provide for funding in the form of financial co-payments or in-kind contributions.

The ED thanked Singapore for its suggestion noting that Annex B of the paper in Document No. 2014/SOM2/032 provided ideas for contributions from Russia on a proposal for self-funding and some other prospects as well. He also noted that in addition to contributions for project funding, economies were also contributing their membership fees. Singapore had contributed some very specific items around buildings and infrastructure and many of the economies were also putting in voluntary contributions to the PSU.

The SOM Chair thanked the ED for his report noting that SOM was keenly aware of the need for increased funding. At SOM1 in Ningbo, an approach to ensure that APEC had voluntary project funding in untied funds had been discussed with the Secretariat tasked to engage member economies on the issue. The SOM Chair thanked the Secretariat for its work and expressed hope for voluntary contributions from member economies in the near future.

7.2 Communications Guidelines and the APEC Communications and Public Affairs Strategic Plan 2014-2016

The ED presented a paper on 'APEC Meetings Communications Guidelines' (Document No. 2014/SOM2/034) which provided guidance on online communications, media management,

confidentiality issues and associated event guidelines. As a living document, the Secretariat would continue to gather and document information on the technical aspects and update the guidelines intersessionally as needed.

- SOM approved the APEC Meetings Communications Guidelines without comment.

The ED also took the opportunity to present the Communications and Public Affairs Strategic Plan 2014-2016 (Document No. 2014/SOM2/033). Since the expiry of the last Communications Strategic Plan, a major consultancy study had been undertaken which subsequently identified APEC's good work in the communications area but noted the growing volume of APEC work, under-exploitation of communication opportunities throughout the year aside from Leaders' Week when there was most media coverage, and that APEC was not leading on social media channels. The strategic plan proposed further work in those identified areas.

The ED requested that SOM discuss and approve the strategic plan at the meeting with the exception of Annex A of the document which outlined financial implications that would seek BMC's consideration and approval in July at the second BMC meeting.

Peru expressed appreciation of the efforts made by the ED and the Secretariat's Communications and Public Affairs Unit, noting that both the meeting communications guidelines and the communications strategic plan would support incoming host economies and other members through better outreach mechanisms.

- SOM endorsed the Public Affairs Strategic Plan 2014-2016 with the exception of Annex A of the paper describing financial implications which would be subject to BMC's views at its second meeting for 2014 in July.

7.3 Remote Participation Governance Guidelines in APEC

The ED also presented the Remote Participation Governance Guidelines in APEC (Document No. 2014/SOM2/035). The guidelines attempted to provide governance on issues relating to the different requirements with some form of remote participation, registration, participation, confidentiality and recording of material. Some pilot testing had begun with the Counter-Terrorism Working Group (CTWG) however the paper proposed limited remote participation possibilities such as remote listening or viewing a physical meeting either in real time or potentially recorded time. The initial general approach was to use existing software which the Secretariat already owned (MS Lync) and which could be used by guests at no additional cost.

The ED also noted that if remote participation were to be extended further than the initial general approach, significant expenditure would then be required and the Secretariat would seek BMC's consideration at that stage.

- SOM noted and adopted the paper on governance guidance for limited remote participation.

8. Other Business

8.1 SOM Chair's Report to the MRT Meeting

The SOM Chair informed the meeting that Ministers Responsible for Trade would be briefed on the theme, three priority areas, initiatives and work program for 2014 with a draft prepared by the APEC Secretariat. The report would be presented at the opening session of the MRT, thereafter Ministers would provide guidance on the report. The report would be circulated after the SOM meeting for information.

8.2 Acknowledgement of "For information" issues

Papers by Indonesia

i) Enhancing APEC's Synergy with Regional and International Cooperation Fora and Processes

Indonesia briefed the meeting on the background with respect to Document No. 2014/SOM2/054, "Enhancing APEC's Synergy with Regional and International Cooperation Fora and Processes". Ministers in Bali, in October 2013, had called for better synergy and complementarity between APEC and regional and international fora and processes and had requested Senior Officials to discuss and make concrete suggestions when they meet in November 2014 on ways to track synergies with these organisations' fora and processes.

Indonesia also suggested that once ministers endorsed the paper, APEC Guidelines on Managing Cooperation with Other Global and Regional Fora could be developed. In essence, APEC would build on the work APEC has been doing in forging relations with other regional and international fora but should be doing so now in a more systematic, mindful and purposeful way.

Australia, New Zealand and Viet Nam expressed support for the initiative and willingness to work with Indonesia and other economies to further develop the actions asked of Ministers to improve this cooperation. New Zealand added that a workshop on regulatory cooperation planned for SOM3 would be a useful example of collaborating with other organisations in this respect.

ii) Compiled List of Products Pertaining to the Terms of Reference of Policy Support Unit Study on Promoting Trade in Products Which Contribute to Sustainable and Inclusive Growth through Rural Development and Poverty Alleviation

Indonesia also presented Document No. 2014/SOM2/057 "Compiled List of Products Pertaining to the Terms of Reference of Policy Support Unit Study on Promoting Trade in Products Which Contribute to Sustainable and Inclusive Growth through Rural Development and Poverty Alleviation".

- SOM noted the document setting out the scope of work and tasked the PSU to commence the study.

8.3 Classification of documents

- SOM adopted the Document Classification list (Document No. 2014/SOM2/000) without amendment.

Closing

The SOM Chair provided a summary of the discussions over the three priority areas for 2014 held over the past two days, namely, regional economic integration, innovative development, economic reform and growth and comprehensive infrastructure and connectivity development. He noted the extensive exchange of views on the various initiatives and consensus reached on some frameworks on deliverables for the year.

On regional economic integration, firm support had been expressed to advance post-Bali work and facilitating an early conclusion to the Doha Round; agreement was reached to take concrete steps to translate Leaders' commitments into actions; and SOM had commended the progress made by the CTI FotC and endorsement of its workplan. SOM had also achieved consensus to kick off and advance the process for the realisation of an FTAAP and had agreed to formulate a roadmap on APEC's contribution to the realisation of an FTAAP. There had also been agreement among SOM to establish an information sharing mechanism on FTAs and RTAs, strengthen capacity building activities and enhance the analytical work in pursuit of an FTAAP. The SOM Chair noted the diverse views with respect to specific issues including the terminology of a feasibility study and a possible timeframe.

There had also been agreement among SOM to intensify efforts to garner synergies to continue discussions on regulatory issues with a view to achieving consensus in the following days. SOM had also endorsed APEC's strategic blueprint for promoting global value chains, development and

cooperation; had adopted the APEC Strategic Plan on Capacity Building to promote the trade and investment agenda; had endorsed the proposal on establishing APEC lines for supply chain connectivity; and had endorsed the initiative of the Asia Pacific model e-port network.

Under the priority area of Promoting Innovative Development, Economic Reform and Growth, the SOM Chair highlighted the emphasis placed on the cooperation framework underpinned by the five pillars of economic reform, new economy, innovative growth, inclusive support and urbanisation. SOM had agreed to conduct further cooperation on experience-sharing policy dialogues and capacity building in the relevant fields under the priority item. Outcomes and recommendations had also been considered from the Policy Dialogue on Middle Income Trap which had explored effective ways to avoid the middle income trap. There was an agreement to incorporate MIT into the Economic Committee agenda and task the Economic Committee to take forward work on this important issue.

Under the third priority of Strengthening Comprehensive Connectivity and Infrastructure Development, the PSU had informed SOM of an information-gathering exercise among APEC members to gather information around ongoing and future initiatives for enhancing connectivity in the region. SOM had noted the drafting work on the Blueprint on Connectivity and agreed that the timelines, targets and benchmarks that could be included in the Blueprint. There had also been discussions on specific proposals on soft and people-to-people connectivity. The SOM Chair expressed hope that by working together, meaningful deliverables in the field of connectivity and infrastructure development for APEC in 2014 could be produced.

The SOM Chair further expressed appreciation to all officials for their active participation and cooperation during SOM2 and looked forward to welcoming members to Beijing in August for SOM3.
