

**Asia-Pacific Economic Cooperation
Third APEC Senior Officials' Meeting
20-21 August 2014
Beijing, China**

Summary Conclusions

1. Opening Session

The Third Senior Officials' Meeting was held on 20-21 August 2014 in Beijing, chaired by Mr. Li Baodong, Vice Minister of Foreign Affairs, China 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), Economic Committee (EC), SOM Steering Committee on ECOTECH (SCE), the APEC Business Advisory Council (ABAC), the ASEAN Secretariat, 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 Third Senior Officials' Meeting in Beijing. SOM received an address by China's State Councilor Mr. Yang Jiechi.

Upon commencing the meeting the SOM Chair drew attention to the 2014 theme and the three priority areas that had been agreed to at ISOM 2013 and recalled the results of SOM2, which had taken forward proposals, initiatives and discussions under the three priority areas with the objective of contributing to the 2014 deliverables. SOM2 outcomes included the adoption of work plans for committees, fora and working groups; the formulation of roadmaps for cooperation in 2014 and 2015; agreement to take concrete actions to realize an FTAAP and advance the process, strengthening regional economic integration; work around the identified five pillars of cooperation: economic reform, new economy, innovative growth, inclusive support and urbanization, and endorsement of an outline of the APEC Blueprint on Connectivity. The SOM Chair expressed optimism for a successful Leaders' Meeting and encouraged member economies to build on the previous achievements, make further headway and achieve as many tangible outcomes, as we can at SOM3. The SOM Chair called upon Senior Officials to have in-depth discussions on the remaining issues to find common ground and agree on the framework and major elements of the outcome documents of the Leaders' Meeting to lay a sound foundation for the success of Leaders' Meeting.

1.2. Business Arrangements and Adoption of the Agenda

- The SOM Chair outlined arrangements for the meeting and SOM adopted the agenda (Document No. 2014/SOM3/001).

1.3. Report by ABAC

The ABAC Chair 2014 briefed the meeting on the outcomes of the ABAC3 meeting held in Seattle from 7-10 July 2014. The main outcome was finalization 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 was centered 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 outcomes of the CTI3 meeting (see Document No. 2014/SOM3/045, including annexes), highlighting progress and developments in the following areas:

- *Strengthening Regional Economic Integration (REI) /Advancing the Free Trade Area of the Asia Pacific (FTAAP):* CTI agreed on tasks and timelines to operationalize the APEC Information Sharing Mechanism for FTAs/RTAs endorsed at SOM2, which involved amongst other things, an annual SOM-level Dialogue in the margins of SOM2. The dialogue will highlight trends and patterns in RTAs/FTAs, key WTO-plus elements and treatment of newer issues. CTI also agreed in-principle to the launch of the 2nd REI Capacity Building Needs Initiative (CBNI) led by Korea. However, CTI was unable to reach a consensus on China's proposals relating to a Roadmap for APEC's Contribution to the Realization of an FTAAP, particularly on the term of "feasibility study", and the proposed aspirational goal of 2025 for realizing an FTAAP. The consultations on these issues were still ongoing.
- *Global Value Chains (GVCs):* CTI worked through a new Friends of the Chair (FoTC) group, led by China to advance work to implement the APEC Strategic Blueprint for Promoting GVC development and cooperation, endorsed by Ministers during MRT in Qingdao. Several economies volunteered to lead work on one or more of the ten pillars identified in the Blueprint that contribute to GVC development, such as services, investment, SMEs and resilience. CTI also agreed on (i) an action plan, led by China in close cooperation with the United States, to boost data collection on measurement of trade in value added (TiVA) in the APEC region and our understanding of how GVCs operate as well as what kind of trade and investment barriers they face; and (ii) a proposal tabled by Korea on Capacity Building for SMEs integration into GVCs in major industries, in sectors such as automotive, ICT and electronics, health and textiles. This would involve mapping of the supply chains in those sectors to the actual networks between firms.
- *Next Generation Trade and Investment Issues:* CTI agreed on next steps to take forward the work on Manufacturing Related Services in Supply Chains/Value Chains, a next generation trade and investment proposal endorsed at SOM2. This work would include taking direct input from business on the services that matter most to them and to work further on actions that APEC could take to facilitate the provision of those services.
- *Green growth and Environmental Goods and Services (EGS):* CTI agreed to establish a new FoTC group on Implementation of the APEC EG list, following the successful conclusion of the Seminar on the Implementation of the APEC EG list commitments on 13 August. The Seminar highlighted the strong interest and appetite for greater coordination and transparency and deeper technical discussions on product coverage issues as economies intensify their work to implement the tariff reduction commitment that our Leaders committed in 2012 in their economies' tariff schedules. CTI convened the first Public-Private Partnership on EGS (PPEGS) dialogue and agreed on an *APEC Statement on Promoting Renewable and Clean Energy (RCE) Trade and Investment* that

focused on a range of measures to improve cooperation and reduce trade friction on a whole range of issues that affect the sector including standards, intellectual property, trade and investment barriers; and non-tariff barriers. CTI also agreed on terms of reference (TOR) for the APEC PPEGS (Document No. 2014/SOM3/053) as well as a proposal by China on establishing an APEC Cooperation Network on Green Supply Chain. This included an offer from the City of Tianjin to host the first pilot demonstration center of the network. CTI agreed on the proposal by Japan on "Environmental Services".

- *Supply-Chain Connectivity:* CTI continued to progress work on supply chain connectivity which included amongst other things (i) near final diagnostic reports for each of 8 chokepoints under the Supply-Chain Connectivity Framework Action Plan (SCFAP), which will be a strong basis for taking forward targeted capacity building activities needed to address supply chain weaknesses in the region, drawing on the new sub-fund that Ministers welcomed during MRT in Qingdao; (ii) the first meeting of the APEC Alliance for Supply Chain Connectivity (A2C2) co-convened by China and the United States; (iii) the agreement on the terms of reference of Asia-Pacific Model E-Port Network (APMEN) and call on economies to volunteer more ports join this new network, to be formally launched at AMM and AELM this November; and (iv) the agreement on the establishment of APEC Cooperation Network on Green Supply Chain, including an offer from the city of Tianjin, China to host the first pilot demonstration center of the network; and (v) considerable advances in the work on global data standards (GDS) led by Hong Kong, China and New Zealand, which will involve pathfinder initiatives and pilot projects on product traceability in 2015 to showcase and help members better understand the potential benefits to government and business of the greater use of GDS, an important trade facilitation tool.
- *Regulatory cooperation:* CTI progressed work on standards for electric vehicles and advertising standards.
- CTI also agreed to an Action Agenda on Promoting Infrastructure Investment through Public-Private Partnership and APEC Cross Border e-Commerce Innovation and Development Initiative.

As host of the next of PPEGS dialogue in 2015, Philippines noted that it would be important that the dialogue continued to ensure the active participation in a wide range of sectors, to encourage broader private/public representation and better examination of issues that help economies deliver on APEC Leaders' commitment on environment goods.

The United States drew the meeting's attention to "*electric vehicles; environmental goods and services; and trade secrets*" as three areas where it envisaged cooperation amongst economies would be necessary to yield concrete results for APEC Leaders and Ministers in November. On electrical vehicles, a proposal on the use of the same plug or charging connector in each APEC economy at some point in the future is being recommended for consideration in the CTI. On EGS, the United States expressed the view that economies should capitalize on the inaugural meeting of the PPEGS by initiating new work next year to address non-tariff barriers. On trade secrets, a proposal on identifying best practices in trade secrets protection and enforcement in 2015 is under consideration in the CTI's Intellectual Property Experts Group (IPEG).

Japan took the opportunity to highlight the importance of the service trade and the work streams (manufacturing-related services and environmental sectors) it was leading in support of the areas.

New Zealand drew attention to the work, it was co-leading with Hong Kong, China on encouraging the wider use of interoperable global data standards (GDS) as a contribution to

improving supply chain connectivity and sought support for the proposal (under consideration in CTI) to include a simple statement on GDS as an Annex to AMM Statement.

The SOM Chair commended the productive work by the CTI in promoting APEC trade and investment agenda and thanked the CTI Chair for his comprehensive report and able leadership.

- SOM endorsed the CTI Chair's Report and its annexes and the recommendations contained therein, including the TOR for the PPEGS found in 2014/SOM3/053. SOM welcomed the extension of Mr. John Larkin's term as CTI Chair until end of 2015.

2.2 Supporting the Multilateral Trading System

Senior Officials had an extensive exchange of views on the developments relating to the implementation of the Bali package and the development of the post-Bali work program. They expressed disappointment and regret over the WTO's failure to adopt the Protocol of Amendment on the Trade Facilitation Agreement (TFA) by 31 July 2014, as mandated by Ministers in Bali.

- SOM reaffirmed the importance of maintaining momentum from the MC9 and completing the post-Bali work program this year and reiterated their commitments to participate actively and constructively to move forward the DDA negotiations.
- SOM agreed that APEC should continue playing a leading role in supporting the multilateral trading system and facilitating the post-Bali work, and supported APEC sending a strong message in this regard at the Ministers/Leaders Meetings in November in Beijing covering amongst others elements included in the MRT statement from Qingdao. SOM also agreed to follow closely developments in Geneva and maintain close cooperation and communications through the APEC Caucus in Geneva to develop appropriate recommendations and draft texts for APEC Ministers and Leaders in November.

2.3 Strengthening REI and Advancing an FTAAP.

China provided an update on the progress in advancing REI priority, particularly on the issue with respect to APEC's contribution to the realization of an FTAAP. Regarding the Roadmap on APEC's Contribution to the Realization of an FTAAP, China has circulated a revised paper incorporating comments of all members since MRT. While there was broad understanding reached in CTI on most parts of the latest proposal (see document 2014/SOM3/042), some economies still had different views on the term "feasibility study" and the timeline for realizing an FTAAP. China was of the view that the use of the term "feasibility study" and the identification of the timeline for the final realization of an FTAAP was a reflection of urgency and the seriousness of all APEC member economies to set up a new benchmark for APEC to pursue after it finalizes the Bogor Goals in 2020. China called on Senior Officials to revisit their positions and show flexibility on this issue with a view to finalizing the Roadmap during SOM3.

Senior Officials had an extensive discussion on the subject. While economies generally welcomed the progress/efforts made towards the realization of an FTAAP, including the support expressed by several economies in setting an aspirational date and launching of an analytical study, several economies emphasized the importance of maintaining the

consensus agreed to at the MRT. Accordingly, some economies continued to have concerns over the specification of a timeline and the terminology associated with the launch of a “feasibility study”.

- SOM agreed to continue consultations on these two outstanding issues with a view to achieving a consensus by CSOM.

Korea provided an update on progress in the work it was leading on capacity building relating to FTAAP. It was noted that as of August 2014, 11 workshops under the First REI Capacity Building Needs Initiative (CBNI) Action Plan (2012-2014) had been successfully held, preparations were underway for additional workshops on non-conforming measures on services and investment and intellectual property rights later in the year. It was also noted that the draft action plan framework for 2nd REI CBNI was agreed in principle by member economies at CTI3 and will be further developed intersessionally for endorsement at CSOM. Korea also indicated they would initiate the first workshop under the 2nd CBNI at the end of 2014.

The PECC took the opportunity to brief the meeting on its work that is of relevance to APEC. (A copy of detailed report is contained at document no. 2014/SOM3/052). It drew SOM's attention to the establishment of a taskforce on FTAAP in PECC, which would oversee a project that will use new literature from GVCs to analyze how an FTAAP can further promote regional economic integration beyond existing modalities including unilateral reforms, bilateral trade agreements, regional trade agreements and the WTO. The taskforce will organize a high-level roundtable in Beijing on 8 September, just before the PECC General Meeting scheduled for 10-11 September.

2.4 SOM to discuss next steps on global value chains development, including new initiatives under the APEC Strategic Blueprint for Promoting Global Value Chain Development and Cooperation, and progress made in implementation of the Strategic Framework on Measurement of APEC TiVA under Global Value Chains.

2.5 SOM to review progress made in promoting supply chain connectivity, including the outcomes of the inaugural meeting of the APEC Alliance for Supply Chain Connectivity (A2C2), next steps to advance the APEC Initiative on Asia-Pacific Model E-Port Network (APMEN) and implementation of the supply chain performance capacity building plan.

2.6 SOM to review progress made in other priority trade and investment work covered under the REI priority.

China updated the meeting on the developments and progress made since MRT in the those initiatives in the areas relating to GVCs, supply chain connectivity and EGS led or co-led by them, highlighting amongst others the following:

- Implementation of the *APEC Strategic Blueprint for Promoting Global Value Chain Development and Cooperation*, which established policy guidelines and cooperative framework for GVC development in the Asia-Pacific region. As the Chair of the CTI FotC on GVC Cooperation and Development, China undertook to enhance coordination and communication with all members to fully implement the strategic blueprint. They aimed to accelerate concrete cooperation activities, including launching a capacity building program to help developing economies develop trade and investment, with a view to pursuing open, efficient, resilient and equitable GVCs in this region.

- *Asia-Pacific Model E-port Network (APMEN)*: China was pleased that besides the establishment of an operational center of the network in Shanghai Model E-port, a number of model e-ports were nominated by Hong Kong, China, Mexico and Chinese Taipei to be part of the network. Other economies were encouraged to make nominations with a view to making the network, which is to be formally launched at AMM and AELM in November, a platform to promote regional connectivity and realize a seamless regional economy.
- *EGS and other elements under REI priority*: China drew SOMs attention to the various outcome documents and the APEC Statement on Promoting Renewable and Clean Energy Trade and Investment from the 1st PPEGS Dialogue on Renewable and Clean Energy; APEC Action Agenda on Advertising Standards and Practice Development from APEC Advertising Standards Forum and Mentoring Workshop; and Action Agenda on Promoting Infrastructure Investment through PPP from the EG Public Private Dialogue on promoting infrastructure investment through PPP. China also informed the meeting that it will hold the inaugural meeting of the APEC Cooperation Network of Green Supply Chain in Tianjin later this year or early next year, and welcomed the active participation of all economies.

The United States briefed Senior Officials on its proposal on *Addressing Barriers to Trade and Investment in the Context of GVCs: Localization Barriers to Trade*, seeking that APEC consider undertaking work in 2015 on a common definition of localization barriers to trade and examine their impact on economic growth, trade and investment. The United States will be seeking members' agreement by CSOM to launch this work next year. With regards to supply chain connectivity issues, the United States noted a need to redouble efforts if APEC was to achieve the 10% performance improvement goal mandated by APEC Leaders in 2010. It sought to encourage (i) economies who have not yet volunteered to receive technical assistance under approved Supply Chain Capacity Building projects; (ii) economies to make additional contributions to the Supply Chain Connectivity sub-fund in order to adequately help economies who request assistance. The United States also drew attention to the APEC Action Agenda on Advertising Standards and Practice Development as an important business deliverable this year.

Korea provided an update on its proposal on promoting SMEs' integration into GVCs in major industries (see Document no. 2014/SOM3/002) noting that there had been broad support on the objective, scope and approach of the proposal in the CTI and its FOTC on GVC. It further noted that so far the Philippines and Malaysia have agreed to lead work in the automotive sector, Viet Nam in textiles, and Korea in IT and electronics. Recognizing the cross-cutting nature of the proposal, Korea acknowledged that its implementation would need to be carried out in close coordination between CTI, SMEWG, and other industry work groups.

Chinese Taipei briefed the meeting of the Workshop on Advancing REI in the GVC era, a self-funded activity, to be held in Taipei in September. Chinese Taipei added that it will be inviting experts from private, public and academic sectors of various APEC member economies as well as from important organizations like the OECD, the Asian Disaster Reduction Center, and the ITC to serve as speakers and welcomed member economies to participate in the workshop.

Japan spoke on the resilience of value chains work stream that it was leading under the GVCs Strategic Blueprint on GVC, and briefed Senior Officials on Phase 4 of the Study on Enhanced Resiliency of Cross-Border Value Chains, which Japan intends to finalize before

CSOM in November. Australia briefed on its potential contributions to the “trade in services within GVCs” work stream.

Chile, as the lead for Chokepoint 8 of the Supply-Chain Connectivity Framework Action Plan (SCFAP), reported on the outcome of the Seminar on proposed guidelines to overcome the lack of regional cross-border customs-transit arrangements, held on 10 -11 Aug in the margins of SCCP2. It noted that the proposed guidelines would be subject to intersessional consideration in the SCCP with a view to reaching consensus by 15 September.

Indonesia spoke briefly on the progress made in relation to the PSU study on promoting products which contribute to sustainable and inclusive growth through rural development and poverty alleviations. It looked forward to working with colleagues to recommend appropriate language for the AMM/AELM that would be appropriate for setting the direction for the next year. In accordance with the agreed terms of reference for the study, Indonesia will proceed with conducting a Trade Policy Dialogue once the study has been completed.

The SOM Chair thanked economies for their comments and interventions. He reiterated SOM's appreciation with the progress in various initiatives under the “advancing REI” priority and the fruitful outcomes of activities held in the margins of SOM3. He expects that the relevant conclusions and recommendation will be incorporated into AMM and AELM outcome documents.

2.7 2014 Bogor Goals Progress Reports and Dashboard/IAP Review.

SOM received an update from the Policy Support Unit on the status of the Bogor Goals Progress reports and Dashboards presented at SOM2 in Qingdao. A set of the revised documents taking into account comments received and verified intersessionally were presented in document numbers 2014/SOM3/003- 2014/SOM3/025. SOM agreed that economies wishing to submit any additional comments may do so by 5 September, following which the reports and dashboards would be finalized and made publicly available on the APEC website ahead of CSOM, in accordance with the schedule (see 2013/SOM3/027 Anx3) agreed at SOM3 in Medan in 2013.

3. Senior Officials' Working Lunch

Papua New Guinea (PNG) briefed Senior Officials on the progress it had made in preparation for hosting APEC 2018. Senior Officials exchanged views on the issues of new membership, observership and etc.

4. Promoting Innovative Development, Economic Reform and Growth

4.1 EC Chair to report on results of the EC2 and relevant meetings.

The EC Chair presented highlights of the EC2 meeting and submitted the EC Chair's Report for SOM consideration (Document No. 2014/SOM3/043). In particular, the EC Chair mentioned the four workshops that were held:

- Enhanced Ease of Doing Business through Hague Conventions Workshop, organized by Hong Kong China.

- International Regulatory Cooperation Workshop, organized by New Zealand. In conjunction with the workshop, New Zealand released a toolkit for use by member economies.
- Workshop on Good Regulatory Practices: Public Consultations in the Internet Era, organized by the United States. Draft APEC principles were submitted by the workshop organizers, and will circulate for intersessional approval. EC expects to submit these principles to CSOM for consideration.
- Ease of Doing Business Stocktake Workshop, organized by the United States. Results from the workshop will be used during consideration of EODB's next steps during EC1 in 2015.

The EC Chair briefed the progress of the 2014 APEC Economic Policy Report (AEPR), coordinated by Japan, with the United States and China. Based on EC's feedback, the 2014 AEPR will be ready for the Leaders' Week. In addition, discussion of topics for the 2015 AEPR took place, and EC recommended structural reform and innovation as a topic, which should include some focus on the "Middle Income Trap" (MIT) and productivity issues. The EC Chair would set up a team including the FOTC convenors to produce the 2015 AEPR.

The EC Chair shared that Australia had presented a paper for consideration reviewing ANSSR next year. The current ANSSR program is due to conclude in 2015. EC considered the Australian proposal on options for the process and timeline for advancing the ANSSR agenda in 2015 and beyond. The Economic Committee agreed to recommend that SOM propose a second APEC Ministerial Meeting on Structural Reform to be held in 2015. The Ministerial Meeting would set the future direction of ANSSR. It would also give strategic direction to a post-ANSSR structural reform framework.

A successful policy dialogue on the MIT was organized by China in the margins of SOM2. At SOM2 in Qingdao, the SOM instructed the EC to report back to SOM3 on options to progress future APEC work on the MIT. A paper on how the MIT issues related to the EC's work was circulated by the EC Chair to the Committee. It was emphasized that MIT issues such as growth traps and low productivity are faced by all economies, not just middle income economies. At EC2, the Committee endorsed the approach in the EC Chair's paper on this issue. It was noted that the structural reform and innovation theme for the 2015 AEPR would support the work on the MIT. The Committee agreed that the MIT issues should be discussed further at an APEC Ministerial Meeting on Structural Reform if agreed by Leaders.

The EC Chair explained that EC plans several events on the margins of EC1, 2015:

- The Competition Policy and Law Group;
- Workshop on ANSSR activities arising from Individual Economy Reports (to be organized by Australia);
- Seminar on UNCITRAL Model Law Instruments (to be organized by the United States).

The EC Chair also indicated that at EC1 2015 it was anticipated that the following sessions will take place:

- Policy Dialogue on State of the Regional Economy and its Policy Implications (to be led by the PSU);
- Policy Discussion on Improving the Quality of Public Service (to be organized by Chinese Taipei).

EC agreed to put a proposal to CSOM along with the Group on Services (GOS) to hold a joint meeting between GOS, EC and PECC on the subject of regulatory reform and services.

Australia indicated its interest in structural reform, good regulatory practices and MIT. The Philippines commented that the term “innovation” in the 2015 topic includes “institutional” not just technological innovation. The Philippines also indicated its support of a structural reform ministerial in 2015, as well as a joint meeting of GOS/PECC/EC. Indonesia commented that EC’s FOTC meetings should be rejuvenated, and indicated its support for the 2015 AEPR theme. Japan commented on its contribution to the growth strategy in its role as coordinator of the FOTC on Regulatory Reform, and indicated its hope that the recent case studies done with PSU on innovation will be a good reference in the future. Thailand thanked the EC and China for organizing the MIT policy dialogue. Thailand supports specific capacity-building programs that help economies accomplish specific reforms. China indicated its support of the EC’s work and suggested endorsement of the EC Chair’s report.

- SOM endorsed the EC Chair’s Report.

4.2 *PPFS Chair to report on the results of the PPFS on Food Security.*

The PPFS Chair presented his report (Document No. 2014/SOM3/027anx1.1). Areas for cooperation include agriculture and food technology exchanges and cooperation, trade cooperation and facilitation, investment and infrastructure development, and food standards and safety assurance. Several items were endorsed by PPFS, including *the APEC Food Security Road Map Toward 2020* (2014 version); *APEC Food Security Business Plan*; *APEC Action Plan for Reducing Food Loss*; *Action Plan to Enhance Connectivity of APEC Food Standards and Safety Assurance*, and more recommendations to improve food security.

Chinese Taipei shared that it is implementing a multiyear project to develop a toolkit to help with better food security and less food waste. Japan expressed appreciation for the high level public private dialogue held, which encouraged private participation in food discussion. Japan emphasized that cold chains need to be established to help reduce food waste. Peru commented that harmonization of food standards was key including phytosanitary standards and indicated it would enlist help in this work for line agencies.

The United States shared that it was launching an analysis to establish a benchmark for post-harvest loss, which it believed would help to establish a target for reduction of post-harvest loss. It also noted that the fish supply chain must be examined and suggested that economies involve the private sector using the model established by the United States, New Zealand and China. ABAC should also be consulted on this issue.

- SOM endorsed the PPFS Chair’s report.

4.3 *SOM to discuss the Accord on Promoting Innovative Development, Economic Reform and Growth, including the proposal to hold a Ministerial Meeting for Structural Reform.*

China presented *the Accord on Promoting Innovative Development, Economic Reform and Growth* (Document No. 2014/SOM3/049) and reiterated the importance of clarifying deliverables within this pillar.

Canada welcomed the Accord, but suggested that if a structural reform ministerial was held, that it be held in conjunction with the finance minister’s meeting.

Indonesia supported the idea of the Accord and a PSU study on the idea of structural reforms, more particularly in the form of a stock take. Indonesia indicated its desire for more information about a potential structural reform ministerial before proceeding so that it could send the appropriate official.

New Zealand thanked China for the useful paper and supported more work on structural reform, as well as the concept of a structural reform ministerial. It indicated that it would like to see both finance and structural reform ministers involved. Vietnam indicated appreciation for China's efforts and asked for more deliberation on definitions of "blue economy" and "internet economy". Thailand stated its support for a structural reform ministerial.

Russia stated that proposed ministerial meeting would give impulse to APEC's work on structural reforms. It suggested that it would be useful if the meeting was preceded by a high level dialogue to prepare the issues. Papua New Guinea indicated its support for a structural reform ministerial in 2015.

The EC Chair thanked China for its efforts and related that China provided substantial challenges to EC and has energized the EC's work and deliverables. Picking up on comments from Canada and New Zealand, the EC Chair observed that there are a couple of macroeconomic issues in structural reform, noting that was the domain of the finance minister's process. He related that the EC focus is more on the microeconomic side of structural reform. Other issues within the paper are squarely within the EC mandate. One option he mentioned was to seek to refer structural reform on the macroeconomic side to the finance minister's process.

Korea indicated its support for a structural reform ministerial. It noted the need to set a clear agenda at an early stage because of the broad range of issues to be covered. Australia indicated its strong support of the idea of a structural reform ministerial. Australia stated that it would like the Accord to better recognize the role of women. In this vein, it stated it is keen to see progress in the data metrics framework impacting on women's empowerment.

The United States indicated that it would provide more input and expect agreement on the Accord to be reached intersessionally.

Japan indicated support for the initiative and its intention to continue to be actively engaged to get concrete results.

China thanked colleagues for their input. China stated that it would seek consensus and approval of the Accord intersessionally.

4.4 SOM to discuss the pillar of Economic Reform, including EC's Proposal on the Middle Income Trap, Structural Reform work (ANSSR), the proposal on new APEC actions to strengthen the conduct of public consultations on proposed regulations, regulatory coherence, Financial and Taxation Policy support, and promoting macroeconomic policy communication and coordination.

China first discussed the "Middle Income Trap" (MIT) work tasked to the Economic Committee. China stated that as covered in the EC Chair's report, the MIT will be included in EC's work and the proposed structural reform ministerial.

China also highlighted some of the synergy between the EC and the Finance Minister's Process (FMP) in the area of financial and taxation support.

Mexico relayed its belief that APEC needs to advance on ANSSR post 2015. Mexico stated it would continue to work on EoDB indicators, including at the local level. Mexico thanked Korea for its help as champion economy on enforcing contracts. Mexico welcomed U.S. inputs on public consultation in the internet era.

The United States expressed appreciation for feedback on its initial draft actions on public consultation in the internet era and conveyed its belief that the actions, if implemented, would strengthen the content of public consultations. The U.S. clarified that the language in the draft actions are aspirational and flexible, and looked forward to receiving comments through 12 September 2014 so that a final draft may be presented at CSOM.

Chinese Taipei shared its intent to hold a workshop next year regarding experiences and best practices on Free Economic Zones to support work in this area. It thanked Japan, Vietnam and Indonesia for co-sponsoring this initiative. Russia indicated support of Australia's paper on the future of the ANSSR program. Russia stressed the importance of information-sharing on structural reform. Russia also highlighted that fair competition in the region is quite important, and shared its plan to hold a workshop in the coming year on anti-competitive practices. Japan supported the work in ANSSR and indicated its intention to work with economies intensively on this issue.

Canada commended work on structural reform and indicated its support for improvements in transparency, indicating the example of its own regulatory scheme.

Malaysia echoed other economies' observation that regulatory and structural reforms are important and thanked Australia for its work in this area, as well as for the recently held workshop in Kuala Lumpur. Malaysia also voiced its support for the proposal for a structural reform ministerial.

New Zealand indicated its support of structural reform, especially in the area of regulatory cooperation. New Zealand thanked economies for their participation in the regulatory cooperation workshop. New Zealand welcomed work on the MIT and expressed its hope that this work will feed into a structural reform ministerial.

Thailand stressed the importance of structural reform, since it can lift economies out of the MIT. Thailand's National Reform Council will focus on areas of reform, including anticorruption, just, energy, transport, education, environmental management, morals, ethics, and virtues. Thailand noted that it has submitted a Concept Note on Regulatory Impact Assessments and is seeking member support for this.

Australia expressed support for APEC's structural reform agenda. Australia referred to its significant reform agenda, focused on removing regulations and improving economic performance. Australia also shared that it was developing an online training course and proposed to hold two self-funded workshops on good regulatory practices. Australia thanked China for introducing MIT as a topic of discussion and thanked EC for its work on advancing progress in this area.

Papua New Guinea (PNG) indicated its support for EC's work on MIT, ANSSR and EoDB, and conveyed its belief that this work will assist PNG to move into middle income status. PNG indicated its interest in engaging in more collaboration with other economies to help reduce the entry of dangerous products into PNG and would like to implement work standards to improve services.

Chile indicated its support for structural reform. With a new government in place, Chile shared that it is engaged in a deep exercise of structural reform, and is looking forward to continuing to participate in the ANSSR program as it moves beyond 2015.

China thanked the members for a very intensive discussion of this topic. The SOM Chair stated that agreement had been reached that APEC should continue to advance ANSSR and pursue structural reform post 2015.

4.5 SOM to discuss the pillar of New Economy, including Green Economy, Oceans and Blue Economy, Sustainable Energy, Environment, Forestry, Mining and Internet Economy, including the outcomes of the Multi-Stakeholder Dialogue on APEC Cooperation on Internet Economy, focusing on the Initiative of Cooperation to Promote Internet Economy.

China updated SOM on developments of the work under this pillar. On the green economy, CTI had adopted a network on green supply chain. On oceans and blue economy, the preparation for oceans ministerial is under way. On sustainable energy, China has proposed the establishment of an APEC Sustainable Energy Center, and expected more detail to emerge from the energy ministerial. The mining ministerial was held in June and a joint statement was delivered.

China also updated on progress of the internet economy. China organized a dialogue on APEC cooperation on the internet economy, which included multiple stakeholders. This dialogue underscored the social dimension of internet economy, and potential for leveling the playing field. China referred to two papers, one on the summary report (Document No. 2014/SOM3/050); and a second, *the APEC Initiative of Cooperation to Promote Internet Economy* (Document No. 2014/SOM3/047), for SOM consideration and adoption.

Japan thanked China for the dialogue and suggested involving both Electronic Commerce Steering Group (ECSG) and the Telecommunications Working Group (TEL) on the technical side. On green energy, Japan noted that the ministerial meeting would be held in September but is interested in discussing deliverables at CSOM. On blue economy, Japan reiterated that ocean resources are very essential for the APEC region. Japan proposed an APEC project on climate change in the oceans, which has been approved.

Chinese Taipei suggested that the use of ICT can help empower disadvantaged groups so can be a key for inclusive growth. Chinese Taipei also indicated its support for marine focus and expressed thanks to the United States for the Oceans Conference it hosted in June. Australia stated its support for the focus on the digital economy, and expressed its willingness to co-sponsor the proposal with Chinese Taipei and the United States. Australia also welcomed the SOM-level ad hoc steering committee on the internet economy, drawing on the Electronic Commerce and the Telecommunication working groups.

Indonesia conveyed its belief that cooperation in oceans should be in the mainstreaming of oceans process. Indonesia thanked China for the dialogue on the internet economy. Indonesia indicated its support of inclusive growth for SMEs.

Canada thanked China for the green growth roundtable in May, and indicated its support for renewable energy goals, including the new center established by China. Canada also stated its support of the workshop on illegal marketing in wildlife. On forestry, Canada conveyed its support on combatting illegal trade in forest products. On mining, Canada shared that it has strengthened its anticorruption laws regarding extractive industries. On oceans, Canada

welcomed the oceans and fisheries working groups' work. On the internet economy, Canada committed to collaboration in this area, including the dialogue in this area.

Thailand indicated its support of this pillar, especially for green economy and sustainable energy. Thailand thanked China for its proposal and dialogue on the internet economy. Thailand shared its view that this should open up opportunities for SMEs and those in remote areas. Russia communicated its support of outcomes of all the major events within the pillar of "new economy". Regarding mining, Russia explained that it is advancing its work on adding value in mining within the APEC region. Russia expressed its appreciation for the comments and concerns expressed and that it is open for discussion in this area.

Korea expressed support for China's proposal on the internet economy. Korea welcomed the idea of a SOM-level ad hoc committee, but cautioned that this committee should coordinate with existing relevant fora. Chile welcomed China's initiative, mentioning that green economy and trade liberalization of environmental goods are not isolated issues, and touch on MAG, IEG, IPR and other working groups. On mining, Chile welcomed the Mining Task Force's (MTF) extension for two more years and supported SOM's approval of the extension. Chile called on members to review the funding criteria and the current rank given to MTF in order to help the MTF access project funds.

The United States congratulated Peru for having recently undergone a fossil fuel subsidy peer review. The United States shared that it has volunteered to do so under G20 context in 2015. The United States highlighted the report of the "Our Ocean" conference that it hosted (Document No. 2014/SOM3/029), and suggested that some of the bolded texts could be progressed within APEC. The United States shared that a workshop on reducing demand for illegally traded wildlife would be held in Viet Nam this October. On the internet economy, the United States noted appreciation for China's efforts and indicated its co-sponsorship to the initiative.

Peru shared its experience with its recently completed peer review on fossil fuel subsidies. New Zealand expressed congratulations to Peru and voiced interest in learnings from this process. On the internet economy, New Zealand thanked China for its efforts. Papua New Guinea lent its support to diverse initiatives in the new economy pillar. The Philippines thanked the United States for its conference on Oceans and subsequent development of an action plan. The Philippines see that this intersects well with work it intends to embark upon next year.

China thanked economies for their interventions, summarizing that there was general support for *the APEC Initiative of Cooperation to Promote Internet Economy* (Document No. 2014/SOM3/047).

- SOM adopted *the APEC Initiative of Cooperation to Promote Internet Economy*. .

4.6 SOM to discuss the pillar of Innovative Growth, including the initiative of "Toward Innovation-driven Development", Science and Technology cooperation, ICT Cooperation, e-Commerce and SMEs.

China reiterated that his topic was discussed in SOM1 and SOM2. China presented its paper on *Innovation-Driven Development* (Document No. 2014/SOM3/030.) China gave a presentation on this topic, and briefed on the development of PPSTI discussion on this paper.

New Zealand welcomed this initiative and highlighted the importance of chief science advisors within the APEC framework.

Chinese Taipei also welcomed this initiative and focused on ICT participation. Chinese Taipei shared its long experience with the APEC Digital Opportunity Center project (ADOC) with 2014 marking the 10th anniversary, and a conference would be held to review achievements and consider future directions.

Russia shared that it was working with the Eurasian Economic Foundation on transboundary exchange of electronic documents.

The Philippines acknowledged Chinese Taipei's work on the ADOC project.

China stated that SME Ministerial Meeting would be held on 5 September 2014 in Nanjing, to be preceded by a series of events related to SMEs. Based on China's second priority, the SME Ministerial Meeting will be themed on innovation and sustainable development. Three subthemes will be the focus: enhancing innovation capacity of SMEs; improving policy environment for SME innovation; and facilitating sustainable development of SMEs. Draft documents on this are circulating for a Nanjing declaration. China is consulting with financial institutions to help SMEs with finance issues.

4.7 SOM to discuss the pillar of Inclusive Support, including Human Resources, Agriculture and Food Security, Youth, Women, Employment, Emergency Preparedness, Anti-corruption and Health, including the outcomes of 4th APEC High Level Meeting on Health and Economy and the initiative of "Healthy Asia-Pacific 2020".

China discussed deliverables in this area and introduced the Beijing Declaration on Anti-Corruption endorsed by ACTWG.

China also presented the initiative "Healthy Asia-Pacific 2020." (Document No. 2014/SOM3/031). A document has been developed to guide the strategic direction for future APEC health cooperation and regional health development. Several key areas for action were identified. The document includes several actions within the framework proposed in the Concept Paper that was endorsed in SOM1. The full text has been endorsed by LSIF and HWG, as well as the 4th High Level Meeting on Health and the Economy. China stated that it intends to seek endorsement at SOM3 and submission to the ministerial meeting and Leaders' meeting as appropriate.

Chinese Taipei flagged the need to strengthen regional supply chains related to natural disasters such as tsunamis and earthquakes. Chinese Taipei suggested the application of big and open data to emergency preparedness initiatives. Papua New Guinea expressed support of the pillar of inclusive growth, taking particular note of anticorruption work. On health, PNG expressed its support to the initiative "Healthy Asia-Pacific 2020" and stated that PNG's economy was edging toward the lower end of middle economy, and shared that it will turn to a whole of government health plan. Although it was aiming for 2050, but PNG is now encouraged to move its target up to 2020.

Thailand stated that the pillar of inclusive support was significant. Thailand shared that it hosted a seminar on leveraging communication and information systems related to disaster in the APEC region. Under EPWG. Thailand was also proposing a seminar on anticorruption as part of a multiyear project. Thailand indicated its support of the 2020 health initiative.

Vietnam indicated its appreciation of Healthy Asia Pacific 2020, as well as the inclusive and sustainable growth pillars. Russia suggested that assistance should be given to unemployed people so that they may access labor markets. Russia also stated its support for women's leadership in the innovation sphere. It suggested that due to differences in data collection, economies should continue cooperation on data indicators that will be useful in the area of measuring women's leadership in innovation.

The United States expressed its appreciation of the Chinese report on anti-corruption and applauded China's President's efforts to fight corruption in China. The United States tabled two papers at the ACT working group; APEC Principles on the Prevention of Bribery and Enforcement of Anti-bribery Laws; and APEC General Elements of Effective Corporate Compliance Programs which will provide guidance to businesses on how to prevent and detect corruption. The United States expressed its appreciation for the Healthy Asia Pacific 2020 initiative, and welcomed work on medical products and regulatory convergences. The United States also thanked China for hosting the 4th High Level Meeting on Health and the Economy, noting the large number of high level participants, including Ministers and the robust set of recommendations, including endorsement of Healthy Asia Pacific 2020, and future work on the medical products supply chain.

On women's economic empowerment, the United States thanked Japan and other economies such as Australia for taking leadership in this area. The United States updated SOMs on two initiatives, developing data metrics and launching the Women's Entrepreneurship in APEC (WE-APEC) network (Document No. 2014/SOM3/035). The United States observed that the PPWE lacks economic data in this area, and identified the need to establish a baseline to identify gaps and develop evidence based policy recommendations. The United States shared that it had hosted a workshop for in-depth discussions on the framework and indicators (Document No. 2014/SOM3/034). The United States indicated that it would send out the full, revised framework incorporating feedback from the workshop intersessionally to PPWE for endorsement, in the hope that it will be ready for endorsement by CSOM. The United States also drew attention to emerging work on the impact of health on women's economic empowerment, including a "Healthy Women, Healthy Economies" workshop with HWG and PPWE officials on the margins of SOM3. The United States drew attention to two papers it had submitted on emergency preparedness, APEC Guidelines for Appropriate Donations in Times of Disaster (2014/SOM3/032) and Efforts to Support Emergency and Disaster Preparedness, Recovery, and Resilience in APEC (Documents No. 2014/SOM3/033).

Korea shared that it had held three symposia to share information on technology. Japan expressed its support for the Beijing Declaration on anti-corruption, as well as for the U.S. papers submitted, indicating the desire to further discuss. Japan relayed its belief that women's participation is key to Japan's growth strategy and plans to hold symposium on this topic in September. Japan also asked for cooperation from each economy to nominate companies that exemplify achievement in furthering women's participation.

Chile observed that universal coverage is critical and indicated its support of Healthy Asia Pacific 2020. China shared that it has introduced an initiative on physical infrastructure resilience. It is looking at private/public partnerships and seeking to incorporate a methodology for assessing risk.

Canada relayed its support for ACTWG deliverables and the initiative "Healthy Asia-Pacific 2020.". It also encouraged APEC efforts to support global initiatives on maternal health. Canada expressed its support for universal health coverage as appropriate to each economy,

but warned that APEC should not preempt the UN process. Canada also expressed support for women's empowerment and the U.S. work in this area.

Australia welcomed China's work on the Healthy Asia Pacific 2020 initiative and on anticorruption. Australia also indicated support for the US papers from ACTNET, as well as the nonpapers on emergency preparedness. On women and the economy, Australia voiced support for the US work on developing APEC indicators.

SOM endorsed the Healthy Asia-Pacific 2020 initiative (Document No. 2014/SOM3/031) and the Statement by the Fourth APEC High Level Meeting on Health and the Economy (Document No. 2014/SOM3/046).

4.8 SOM to discuss the pillar of Urbanization, including the outcomes of the Policy Dialogue on Urbanization, and the Initiative on Promoting Cooperation on Urbanization

PSU presented on its study on urbanization and on the Policy Dialogue on Urbanization. China drew attention to its proposal on an APEC cooperation organization, as detailed in the Document No. 2014/SOM3/048.

Japan supported the initiative and reminded economies that the low carbon model town project is currently under way and being discussed in the Energy Ministerial meeting, in coordination with the EWG. ABAC commended China for proposing this partnership. ABAC shared that it has also identified urbanization as a key issue for this year, and that ABAC has a network that will be meeting biennially for this issue. This network will meet in Melbourne in September.

Australia indicated its support for the partnership concept proposed by China, and communicated that it would be pleased to co-sponsor this proposal. Australia also shared that the APEC study center in Melbourne was conducting a forum on urban development and finance issues. Indonesia expressed support for the partnership concept and for sharing best practices in this area.

Russia indicated its support of the partnership with understanding that smart city development should be emphasized. Peru relayed that this issue is very relevant for Peru, highlighting that socioeconomic and environmental challenges are important. Thailand expressed its support of proposed urbanization initiatives, and further recommended that efforts in this area needed expert inputs. Korea indicated that it supported the initiative on urbanization.

- SOM endorsed the initiative on promoting cooperation in urbanization as proposed in Document No. 2014/SOM3/048.

5. Briefing on the elements of the outcome documents for 2014 APEC Economic Leaders' Meeting

The SOM Chair drew attention to the two draft documents - 'The 22nd APEC Economic Leaders Declaration--Beijing Agenda for an Integrated, Innovative and Interconnected Asia-Pacific' and the 'Statement on the 25th Anniversary of APEC - Shaping the Future through Asia-Pacific Partnership' - to be issued by Leaders. The drafts had been circulated to Senior Officials a week before the meeting. The purpose of the agenda item was to give Senior Officials a preview of the drafts. The SOM Chair stressed the Host Economy's intention to handle the process of drafting the document in an urgent, open and transparent manner, and

hence the circulation of the documents more than two months in advance, particularly in light of other time pressures expected from G20 meeting, etc.

Senior officials were asked for their general comments regarding the overall structure and direction of the drafts. The Chair's aim was to begin the process of building consensus on the three APEC priority areas and the outcomes, without pre-judging the outcomes. He noted ongoing discussions in various fora and assured the meeting that there was scope for additional achievements and initiatives to be included in the Statements prospectively.

There was broad agreement that there should be a record of historic achievements, what is to be achieved going forward and also other areas of cooperation. Also, it was noted that while APEC is an economic forum, the record must also recognise challenges that impact economic development like health, terrorism, etc.

In his summary, the SOM Chair noted that there was no fundamental opposition to the general direction for Leaders to issue two documents - a declaration and a statement - with a few annexes, if necessary. The Chair also noted the meeting's agreement with the general thrust and structure of the documents. He said that Senior Officials will be invited to provide detailed comments in late September or early October. By that time, the drafts would have been refined to reflect comments from SOM3 and subsequent comments from working groups and fora.

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

6.1 *SOM to discuss progress on development of the APEC Blueprint on Connectivity.*

Senior officials noted the revised draft blueprint had been circulated and in depth discussion held at the Blueprint Review Session on 18 August and at the Friends of the Chair (FoTC) on Connectivity meeting on 19 August. The FoTC agreed a) to engage fora within two weeks to comment on the draft; b) that parts of the document could be "living" where fora could add further initiatives in future; c) the format of the document which would include an executive summary and an annex for the "living" section; and d) the next steps including a further draft being prepared for member economies' review by 12 September 2014. (See Document No.2014/SOM3/056) contained the FoTC report for SOM's consideration.

Russia expressed appreciation for the work done so far on the blueprint but raised some concerns with the document. They were not in a position to agree with it yet nor to provide comments. Including a "living" section in a document agreed by leaders would create a precedent in APEC. Russia would need to consult the legal advisor to their president to check if such an approach could be acceptable but it would take time to do so as the whole text would need to be translated into Russian. One suggestion would be to make the blueprint a ministers' document with a paragraph in the leaders' statement welcoming the blueprint, leaving the "living" parts to the ministers' document. Another option, that still required coordination with the president's legal advisor, would involve a paragraph in the leader's declaration that authorised modifications or amendments to the blueprint in the future, perhaps delegated to ministers. Russia also voiced concern on some of the data presented in the blueprint and undertook to provide written comments with details.

Indonesia and Papua New Guinea thanked China for the progress made on the blueprint and noted the importance of continuing to maintain momentum on completing the document.

The SOM Chair observed that there was a growing consensus on the blueprint but work would need to be accelerated to find a solution by CSOM. There was still room to be flexible

and find a solution and he urged economies to facilitate progress and show flexibility. The blueprint would be a major deliverable and significant progress had been made. The SOM Chair welcomed the outcome of the FoTC and looked forward to their further deliberation.

6.2 SOM to discuss implementation of the APEC Multi-Year Plan on Infrastructure Development and Investment.

6.3 SOM to discuss progress on APEC Public Private Partnership (PPP) Framework and the expansion of investment and financing channels for connectivity and infrastructure development in the Asia-Pacific.

The SCE Chair noted that the Multi-Year Plan on Infrastructure Development and Investment (MYPIDI) had been endorsed by leaders at Bali, with PPP supported as an approach. The FotC on Connectivity would oversee implementation of MYPIDI.

The FotC Chair reported that implementing MYPIDI had been included in the FotC roles and functions. During the FotC meeting the PSU made a presentation outlining some areas where relevant work was underway including: trade facilitation, structural reform and the investment facilitation action plan. Representative from SFOM had also provided an update on developments on connectivity in Finance Ministers Process (FMP) work. Discussion of MYPIDI was a challenge as two of the four workstreams belonged to the FMP. Efforts made to coordinate with the finance stream had been satisfactory so far but there was a continuing need to work closely with the finance track to implement the work.

Japan reported on a capacity building seminar they had hosted on quality of infrastructure development, as summarized in document No. 2014/SOM3/036. The seminar had been well attended and had identified the need for further institutional capacity building. An APEC draft guideline on quality of infrastructure development was being prepared as a result of the seminar which was expected to be finalized by November.

Indonesia provided an update on the establishment of a PPP Pilot Centre supported by the PPP Expert Advisory Panel. The panel had met twice, with the first meeting establishing the panel and the second supporting Indonesia on a project in the oil refining sector.

- SOM noted progress on the implementation of the APEC Multi-Year Plan on Infrastructure Development and Investment and on the APEC Public Private Partnership (PPP) Framework.

6.4 SOM to discuss progress on promoting Soft Connectivity and People-to-People Connectivity.

The SCE Chair noted the extensive in depth discussion that had already been held at SOM1 and 2, including areas such as establishing an APEC higher education research centre, think tank network, proposals on internships and the business travel card scheme.

The United States raised the APEC scholarship and internship initiative and noted that it would be launched during Leaders week. Hong Kong, China announced they wanted to be added as a co-sponsor.

On the issue of the APEC Business Travel Card (ABTC) to cover professional and technical workers, Canada expressed concern that the proposal could raise serious security and logistic concerns and that BMG should have the opportunity to fully consider proposal.

Thailand fully supported the ABTC expansion and noted work already underway in BMG. Japan welcomed the BMG's in principle agreement on the extension of ABTC validity.

Chinese Taipei turned to the cross-border education workplan, expressing appreciation for Australia's work on stocktaking of current initiatives and hoping for further activity in future. Chinese Taipei also shared its effort and future plan to support the APEC scholarship and internship initiative. Australia indicated that the updated workplan should be available for endorsement at CSOM. Russia announced that the 3rd Conference on Cooperation in Higher Education in the Asia-Pacific Region would be held on 25-26 September in Vladivostok (see Document No. 2014/SOM3/044).

- The SOM Chair welcomed the good discussion and good proposals to be included as deliverables for this year.

6.5 SOM to discuss APEC's Synergy and Complementarity with Regional and International Cooperation Fora

Indonesia referred to the Document No. 2014/SOM3/037. The paper was introduced at SOM2 to initiate discussion on Ways to Strengthen APEC's Synergy and Complementarity with Regional and International Cooperation Fora and Processes. They noted the three workstreams: institutional, thematic, and trade and investment which built on work APEC already did but with the aim of making it more systematic.

Australia and Japan expressed support for the first two workstreams but held reservations about proposals for transparency in the third workstream, as trade negotiations were often confidential.

The SOM Chair asked that intersessional work be accelerated to find a solution, and emphasized that while cooperating with other regional and international forums, APEC should maintain its nature of economic cooperation forum and abide by the established practice.

In summing up agenda item 6 the SOM Chair noted that the Connectivity Blueprint would be a major deliverable for the year and that more work lay ahead. He encouraged member economies to continue their engagement as the expectation was very high.

7. Economic and Technical Cooperation (ECOTECH)

7.1 SCE Chair to report on the results of SCE3

The SOM Chair emphasized the importance of ECOTECH for bridging development gaps and asked the SCE Chair to provide her report.

The SCE Chair thanked China's Senior Official for APEC for his support during the year as SCE Vice-Chair and for his work as SCE Chair in 2013 and referred to her report in document 2014/SOM3/055. SCE had noted progress on the identification of revised ECOTECH Medium-term Priorities for 2015-2019. The proposed priorities would be considered further in light of responses from all developing economies and decided intersessionally before CSOM.

SCE adopted the APEC Guidelines on Conducting Capacity Building, which would be shared with and recommended to other committees and working groups in APEC and BMC would

be requested to ensure consistency between the guidelines and the APEC Project Development Materials. SCE resolved to develop a capacity building policy for APEC. This would potentially cover: a) defining capacity building and the types of activities that are most effective in the APEC context; b) encouraging development of longer-term or multi-year capacity building programs; c) linking existing capacity building initiatives and ECOTECH Medium-term Priorities; d) encouraging capacity building that is focused on priorities identified through a planning process; e) developing a system to evaluate APEC's capacity building effectiveness; and f) how to leverage technology to improve capacity building implementation and evaluation.

SCE agreed to the Mainstreaming Ocean Related Issues (MOI) Coordination Initiative proposal (Annex A of the SCE Chair's Report to SOM).

SCE received and endorsed the 2014 Fora Report. SCE agreed to extend the mandate of the Mining Task Force until the end of 2016 and also decided that the Policy Partnership on Science, Technology and Innovation, Emergency Preparedness Working Group, Small and Medium Enterprises Working Group and the Ocean and Fisheries Working Group should undergo independent assessment in 2015.

Numerous economies thanked the SCE Chair for leadership of the committee during 2014. Peru commented on the good progress made on promoting ECOTECH in 2014. Recent highlights were the revision of the medium-term priorities to provide focus for fora and the capacity building guidelines. These should be complemented with an APEC policy on capacity building to be undertaken during Peru's chairmanship of SCE. Peru would also strive to promote strategic planning, better coordination of cross-cutting issues and streamlining reporting lines.

Indonesia thanked economies for support of the MOI coordination initiative. They would proceed with an intersessional process to have initiative in place by CSOM, allowing it to report at SCE-COW in 2015.

The SOM Chair expressed appreciation for the SCE Chair's leadership. SCE had a valuable role to perform to provide guidance on cross-cutting and multi-year capacity building work. He appreciated the work done on capacity building guidelines, medium-term priorities and emphasised the importance of strengthening the connection between ECOTECH and other priorities.

- SOM endorsed the SCE Chair's Report to SOM and the establishment of the Mainstreaming Ocean Related Issues (MOI) Coordination Initiative.

8. Budget and Other Management Issues

8.1 BMC Chair to report on results of the BMC2, and update on BMC's inter-sessional work since SOM2

The Budget and Management Committee (BMC) Vice-Chair briefed BMC Chair's Report of BMC2 held on 24 and 25 July in the APEC Secretariat in Singapore and sought Senior Officials endorsement on the following:

- Receiving the audited financial statements of the Secretariat for 2013;
- Recommending for AMM's approval the 2015 Administrative Account budget and the corresponding level of Members' Contributions in 2015;

- Approving the recommendations under the consultancy study for phase 2 of the financial realignment exercise for implementation with effect from 1 January 2015);
- Approving the refined *modus operandi* for coordinating voluntary contributions, including the revised formula for setting an aspirational target for untied project funding specifically, for implementation starting from 2015.

➤ SOM endorsed the report by the BMC Chair.

8.2 APEC Secretariat Executive Director to report on the ongoing development in the APEC Secretariat.

The Executive Director (ED) of the APEC Secretariat reported that the Secretariat is in good hands and that a lot of work was going on. Program Directors are going and coming on secondment and there was representation from almost all economies at the Secretariat. Program Directors are assigned to working groups and increasingly were being assigned other initiatives such as includes cross-cutting initiatives and ad hoc committees. The Chief of Staff was working on a system of performance, assessment and development for Program Directors and the Secretariat was hopeful to start the system the end of this year. A formal report would be furnished at the end of the year.

The SOM Chair thanked the ED and the Secretariat for their hard work.

9. Other Business

- SOM adopted the Document Classification list (Document No. 2014/SOM3/000) without amendment.

10. Closing

The SOM Chair provided a summary of the discussions over the three priority areas for 2014 held during the meeting. He noted the extensive exchange of views and comments on the various initiatives and the consensus reached on various important initiatives which laid solid foundation for major deliverables for the 2014 AELM.

On regional economic integration, a consolidated consensus on the roadmap for APEC's contribution to the realization of FTAAP was achieved, in addition to a broad understanding on the rest of the roadmap, even though there were different views on timeframe and the proposed feasibility study on FTAAP.

The SOM Chair also encouraged all economies to continue the intersessional work with the aim to finalizing a roadmap by CSOM. He reaffirmed the importance of maintaining momentum from the Bali Meeting and implementing the post Bali work program and making progress in promoting the incorporation of local value supply chain, connectivity and capacity building.

On innovative development, economic reform and growth, the SOM Chair welcomed the outcome of key policy dialogues, such as the Multi-Stakeholder Dialogue on APEC Cooperation on Internet Economy and Policy Dialogue on Urbanization and the endorsement of some key initiatives, such as Toward Innovation-Driven Development, Healthy Asia-Pacific 2020, APEC Initiative of Cooperation to Promote Internet Economy, and APEC Cooperation Initiative for Jointly Establishing an Asia-Pacific Urbanization Partnership. He also noted the general support for the draft APEC Accord on Innovative Development,

Economic Reform and Growth, and encouraged members to accelerate the work intersessionally, aiming at achieving consensus on it at CSOM.

Under the third priority of strengthening comprehensive connectivity and infrastructure development, 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 concluded that SOM3 was a great success and would lay solid foundation for the Leaders Meeting. The SOM Chair further expressed appreciation to all officials for their active participation and cooperation during SOM3 and looked forward to welcoming members to CSOM.