

**ASIA-PACIFIC ECONOMIC COOPERATION 2015  
FIRST SENIOR OFFICIALS' MEETING  
FOR THE TWENTY-SEVENTH APEC MINISTERIAL MEETING  
Clark, Philippines  
6 - 7 February 2015**

**SUMMARY CONCLUSIONS**

The First Senior Officials' Meeting (SOM) for the Twenty-Seventh APEC Ministerial Meeting was convened in Clark, Pampanga, on 6-7 February 2015. Senior Officials from Australia, Brunei Darussalam, Canada, Chile, the People's Republic of China, Hong Kong China, Indonesia, Japan, Republic of Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, the Republic of the Philippines, Russia, Singapore, Chinese Taipei, Thailand, the United States, and Viet Nam participated in the meeting. The Chairs of the Budget and Management Committee (BMC), Committee on Trade and Investment (CTI), Economic Committee (EC), SOM Steering Committee on ECOTECH (SCE), APEC Business Advisory Council (ABAC), representative of the Chairs of the Senior Finance Officials' Meeting (SFOM) and the Pacific Economic Cooperation Council (PECC), and the APEC Secretariat were present.

**1. Opening Session**

SOM was briefed on business arrangements.

**2. Adoption of the Agenda**

The agenda was adopted without amendments.

**3. Laying Down the Groundwork for Policy Direction and Organizational Arrangements for APEC 2015**

The SOM Chair, Ambassador Laura Q. Del Rosario, opened the first Senior Officials' Meeting for 2015 and welcomed all delegates to Clark.

The Chair highlighted the 2015 theme "Building Inclusive Economies, Building a Better World" and key priorities on (i) Enhancing the Regional Economic Integration Agenda, (ii) Fostering SMEs' Participation in Regional and Global Markets, (iii) Investing in Human Capital Development, and (iv) Building Sustainable and Resilient Communities. The Chair noted the importance of building on the ongoing work of APEC in attaining the Bogor Goals, Free Trade Area for the Asia-Pacific (FTAAP), and Connectivity, from which flow the four 2015 priorities. She also highlighted how the APEC 2015 Priorities cut across the work of CTI, EC, SCE, and their respective Working Groups.

Ad Hoc Steering Group on the Internet Economy

SOM endorsed in principle the proposed elements of the Terms of Reference (TOR) of the Ad Hoc Steering Group on the Internet Economy (2015/SOM1/016) and agreed to work intersessionally on refining the elements, with a view to finalizing the arrangements at SOM2. These include the Group's proposed scope of work, composition, management, complementation with work of relevant sub-fora, and synchronized working group meetings.

Friends of the Chair on Urbanization

Noting the critical importance of the Friends of the Chair's (FotC's) work on urbanization, particularly in supporting this year's priority on sustainability and the rest of the APEC 2015 agenda, SOM endorsed in principle the proposed elements of the TOR of the FotC on Urbanization (2015/SOM1/017). Among the proposed elements of the TOR were the FotC's composition, role, and functions. SOM agreed to discuss further the TOR intersessionally, with the goal of finalizing the arrangements at SOM2.

Japan updated SOM on its *Proposal on APEC Water Initiative - For Inclusive Resilience and Sustainability* (2015/SOM1/002), and invited economies to provide comments intersessionally and endorse the said proposal at SOM2. Singapore also invited economies to nominate city leaders to register for an upcoming TEMASEK program in May 2015.

#### **4. APEC Business Advisory Council (ABAC)**

##### ABAC Chair report on ABAC's proposed work plans supporting the 2015 priorities

The ABAC Chair reported on its preliminary study of the status of ABAC's recommendations submitted to APEC from 2004 to 2014, highlighting the constructive collaboration between ABAC and APEC.

The ABAC Chair also reported on ABAC's theme for 2015, "Resilient, Inclusive Growth: A Fair Deal for All" and the proposed priorities: (i) Advancing the Regional Economic Integration and Services Agenda, (ii) Strengthening and Facilitating Small, Medium and Micro Enterprises' entry into Global Markets, (iii) Maximizing Innovation and Human Capital Potential, (iv) Promoting Liveable, Sustainable Cities and Resilient Communities. The ABAC Chair highlighted the close alignment between APEC's and ABAC's theme and priorities in 2015 and the opportunity presented by such alignment for closer collaboration with the private sector in pursuing APEC's work in 2015.

SOM welcomed the ABAC initiatives and acknowledged ABAC's contributions to the APEC process.

#### **5. Setting the Substantive Agenda**

##### Committee on Trade and Investment

The CTI Chair reported on the CTI meeting and its work program in line with the 2014 tasking statement and the 2015 priorities. The CTI's full report (2015/SOM1/021) contained a list of initiatives for the SOM to approve and to note.

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

SOM endorsed the US proposal (2015/SOM1/021anx1) urging economies to notify the WTO of their acceptance of the Trade Facilitation Agreement as quickly as possible, and requested Senior Officials to provide an update of progress of their respective domestic procedures at SOM2 and have this reported at the MRT Meeting.

SOM discussed and considered the elements in the proposal on Supporting the Multilateral Trading System submitted by Canada and Singapore for inclusion in the MRT Statement.

##### *Free Trade Area for the Asia-Pacific (FTAAP)*

CTI advanced the Beijing Roadmap for APEC's Contribution to the Realization of the FTAAP by establishing a taskforce (TF) to undertake the Collective Strategic Study on Issues Related to the Realization of the FTAAP. CTI agreed on a working paper setting out a working mechanism and proposed a timeline for the TF (2015/SOM1/021anx2). The next step was to draft a TOR for the TF that would conduct the study in the lead up to SOM2.

The issue of expanding the number of outside contributors to the work of the FotC (e.g., Eurasian Economic Union and the Pacific Alliance) was raised, but no consensus was reached.

SOM noted upcoming capacity building workshops for regional economic integration under the Korean-led 2<sup>nd</sup> Capacity Building Needs Initiative (CBNI) and proposals for FTA/RTA information sharing dialogues at CTI level at SOM2 and at the SOM level at SOM3.

##### *Global Value Chains (GVCs)*

CTI discussed the APEC Strategic Blueprint for Promoting GVCs Development and Cooperation and agreed on work plans to take forward 8 of the 10 pillars of the Blueprint. CTI agreed in principle to

approve the Work Plan for the Technical Group for the Measurement of APEC Trade in Value-Added (TiVA) Under Global Value Chains (GVCs) (2015/SOM1/015) and the draft TOR on the operational mechanism of the technical group (2015/SOM1/014) that would take forward the important statistical work in relation to GVCs.

CTI noted progress in advancing initiatives on Promoting SMEs Integration into GVCs in Major Industries, Environmental Services Liberalization and Facilitation, and Manufacturing Related Services in Supply Chains/Value Chains.

#### *Environmental Goods and Services (EGS)*

CTI advanced technical product coverage discussions in relation to the implementation of the tariff reduction commitments in the 2012 APEC List of Environmental Goods (EG) (2015/SOM1/021anx3). Economies would submit detailed implementation plan by 30 April as a next step towards the implementation of the EG list by the end of 2015.

#### *Strengthening Connectivity and Infrastructure Development*

A joint operator group on Asia-Pacific Model E-Port Network (APMEN) was endorsed at CTI1. China would set up the first pilot center on green supply chain cooperation network before SOM2.

CTI reported on progress in implementing policies under the Capacity Building Plan to Improve Supply Chain Performance and asked member economies to consider participating in any of the five capacity-building projects currently available to assist in improving supply chain performance.

CTI also tabled the Philippines's discussion paper: Towards an Action Plan for Cooperation to Foster SMEs' Participation in Regional and Global Markets or the SME Action Plan (2015/SOM1/009). The said paper was subsequently endorsed in principle by SOM. At CTI's request, the APEC Secretariat would conduct a stocktake of projects since the 2011 statement of Trade and SME Ministers to address barriers facing SMEs in the region.

The Chair called the SOM's attention to the items in the CTI report that have to be noted and those that required endorsement.

SOM endorsed the report of CTI.

#### **Report on the Public Private Dialogue on Services**

SOM noted the report of the PECC on the Public Private Dialogue (PPD) on Services, held on 03 February 2015 in Clark, Philippines and jointly organized by the APEC 2015 Chair, ABAC and the PECC. Highlights of the PECC report on the PPD, which focused on Information and Communication Technology Services, Creative Services, and Research and Development Services, would be summarized in a detailed report from the PPD organizers.

SOM noted the suggestions and comments of economies and observers on the work that needed to be done to move the services agenda forward. SOM further noted the recommendation that the next PPD includes presentations from both service providers and users.

#### **Economic Committee**

The EC Chair presented his report (2015/SOM1/027). The EC Chair cited EC-related events in the margins of EC1:

- EC-GOS-PECC Seminar on the Role of Regulatory Reform, Good Practices in Promoting Services Growth
- Competition Policy and Law Group
- UNCITRAL workshop on Model Law Instruments
- APEC New Strategy on Structural Reform (ANSSR) workshop

The EC Chair summarized the EC-GOS-PECC Seminar, held on 01 February 2015, organized by PECC, EC and GOS. Key messages included:

- Work on services and regulatory reform should be a priority for APEC;
- APEC could improve its approach to domestic regulation and international coordination of services, which were mutually reinforcing;
- Digital environment issues showed the stakes APEC faced in getting the issues wrong;
- APEC should undertake services work at principle level first as well as sector by sector; and
- The EC needed to consider how to incorporate services into the agenda of the Structural Reform Ministerial Meeting.

The EC Chair acknowledged the value-added of the UNCITRAL Workshop on Model Law Instruments, held on 3 February 2015, organized by the United States, particularly in augmenting Ease of Doing Business (EoDB) targets.

EC also discussed the ongoing work on understanding the Middle Income Trap (MIT), the 2015 APEC Economic Policy Report (AEPR) with the theme Structural Reform and Innovation, the two policy dialogues on (i) The State of the Regional Economy and (ii) Improving the Quality of Public Service, (iii) the ANSSR workshop, and, (iv) the EoDB initiative. Details of these issues were likewise in the EC Chair's Report.

Governance issues were also undertaken at EC1, including review and approval (with no change) of the EC's Terms of Establishment, the combination of the Competition Policy FotC and the Competition Policy and Law Group, and the trial establishment (two years) of a new FotC on Strengthening Economic and Legal Infrastructure (SELI), under the leadership of Hong Kong China.

The EC also discussed ongoing work to review APEC's progress under ANSSR and the future direction of APEC's structural agenda, including outcomes of the workshop hosted by Australia on 2 February 2015.

The EC Chair indicated that the Philippines had presented at EC1 its objectives for the upcoming Structural Reform Ministerial Meeting, and a planning process for same was initiated at EC1.

SOM endorsed the report of the EC Chair.

#### **SOM Steering Committee on Economic and Technical Cooperation (ECOTECH)**

SOM endorsed the report by the SCE Chair on the SCE meeting on 05 February 2015 (2015/SOM1/029), and the SCE-Committee of the Whole (SCE-COW) meeting on 04 February 2015 (2015/SOM1/030). The SOM Chair thanked the SCE Chair and Program Director for structuring the SCE report and work of SCE groups to reflect the APEC 2015 priorities.

SOM noted the key outcomes of the SCE and SCE-COW, as presented by the SCE Chair, on the policy issues and administrative matters concerning capacity building, the work of SCE sub-fora in 2014, and the 2015 Workplans and their support for the APEC 2015 priorities. SOM noted the comments and suggestions of economies and observers on the SCE Chair's report, as well as on the overall work of the SCE:

##### *a. Capacity Building and APEC Funding*

On the APEC Funding Criteria (2015/SOM1/018), Senior Officials were asked to consider tasking (1) SCE to review the current approach on setting the funding criteria and (2) the BMC to review the application of the funding criteria to the funding project mechanism, taking into account the outcomes of the current pilot.

SOM noted economies' observations on the SCE discussion to encourage more funding and better management of available resources, as well as to address the issue of proliferation (of rank 1 projects), including through ideas such as encouraging more self-funded projects, co-funded projects, or contributions in kind.

SOM welcomed the update from China that, as announced by China's President at AELM 2014, China would provide 1,500 training opportunities for APEC developing economies in support of capacity building projects over the next three years.

*b. Enhancing the Regional Economic Integration Agenda*

SOM noted the ongoing work and proposals related to the Travel Facilitation Initiative, notably the Advance Passenger Information (API) and Passenger Name Record (PNR) to help in illicit drugs control and counter-terrorism activities, as well as the proposed extension of the validity of APEC Business Travel Card (ABTC).

SOM noted the proposal for an APEC Transport Card, which would be discussed at the next Transportation Working Group (TPTWG) meeting.

SOM welcomed the invitation of Malaysia to the 10<sup>th</sup> Telecommunications Ministerial Meeting on 30-31 March 2015 in Kuala Lumpur.

*c. Fostering SMEs' Participation in Regional and Global Markets*

SOM approved in principle the proposals introduced by the Philippines in its discussion paper: Towards an Action Plan for Cooperation to Foster SMEs' Participation in Regional and Global Markets: Discussion Paper (2015/SOM1/009), also referred to as the SME Action Plan.

SOM tasked the APEC Secretariat to perform an APEC-wide stocktake and assessment of SME plans and projects implemented since the Joint SME-MRT Ministerial in April 2011.

SOM also noted the proposals to (i) expand the scope of the SME Action Plan to include access to finance and strengthening e-commerce and (ii) do a more explicit relation between priority actions and the nine barriers to internationalization of SMEs.

In the area of capacity building, the US invited economies to mobilize SMEs to attend a global supply chain event on 8-9 June 2015 (Supply Chain Capacity Building for Small & Medium Size Enterprises (SME): Supply Chain Management, Cold Chain Storage and Technical Regulations), in Atlanta, Georgia.

Chinese Taipei introduced the APEC Accelerator Network (AAN) for Early Stage Investment (2015/SOM1/004), and invited APEC economies to nominate accelerators to join the network and to encourage young talents, start-up teams, and investors to join the activities in October in Taipei.

*d. Investing in Human Capital Development*

SOM noted the update on the APEC Scholarship Initiative, which Leaders had endorsed in 2014, including scholarships and internships contributed by eight member economies, and on the live status of the website. SOM further noted that the US would develop "standard language of support" which economies/sponsors could use to accompany the participants' visa application to these programs. Economies were encouraged to publicize existing opportunities, and to sponsor and expand the list of APEC scholarships and internships.

On Women and the Economy, SOM noted the ongoing work on: (i) the Women and the Economy Dashboard; (ii) the APEC Women's Entrepreneurship in APEC (WE-APEC) initiative; (iii) the Individual Action Plan for the enhancement of the ratio of women's representation in leadership; and (iv) a proposed project of the Policy Partnership on Women and the Economy (PPWE), Human Resource Development Working Group (HRDWG), and the Policy Partnership on Science & Technology and Innovation (PPSTI) on ensuring women's access to science and technology education and management.

SOM acknowledged China's proposed initiative on promoting disability-inclusive development in the Asia-Pacific region, and the initiative's potential contribution to SCE's work and to inclusive growth.

SOM noted the plan to establish an APEC Human Resources Development Center in Viet Nam. The detailed plan of the Center would be shared at the APEC High-Level Policy Dialogue on Human Capacity Building in Papua New Guinea in May 2015.

SOM welcomed the APEC Young Scientists Workshop on Effective Science Communication in the 21<sup>st</sup> century, to be hosted by Malaysia in March 2015, with a view to developing a platform for sharing best practices in communicating science effectively through new information modes and collaboration.

#### *e. Building Sustainable and Resilient Communities*

Related to the APEC Healthy Asia-Pacific in 2020 goal, SOM noted the ongoing work on health and the life sciences, including on: (i) smart investments on health to help curb the dramatic rise in chronic disease; (ii) considerable implications on pensions and other government liabilities that result directly from chronic disease, and corresponding innovative responses; (iii) barriers in the health value chain that inhibit patient access to treatment, as well as SME access to those value chains; (iv) infectious disease especially in the wake of the Ebola outbreak in Africa, the threat of anti-microbial resistance, and healthcare associated infections and ensuring a safe blood supply; (v) mental health especially in disaster resilience and recovery; and (vi) the relationship between health and women's participation in the economy. A needs assessment dialogue on the effects of chronic disease on pensions and the innovative ways to help stem the tide of chronic disease would be held on 25 August 2015 in Manila, the Philippines.

SOM noted Indonesia's paper on "Promoting Small Scale Fishers and Fisheries Industries to the Global Value Chain" (2015/SOM1/019), on the contribution of small-scale fishers and fisheries industries in providing a safety net for poor households in coastal communities in developing economies.

SOM noted the report on the work of the Steering Council on Mainstreaming Ocean-related Issues (MOI), which met on 05 February 2015 at the sidelines of SOM1 (2015/SOM1/025). The Steering Council on MOI was led Dr.Arifin Rudiyanto, Adviser to the Minister from the Indonesia National Development Planning Agency (BAPPENAS).

SOM noted the initiative "APEC Strengthening Public-Private Partnership to Reduce Food Losses in the Supply Chain" (2015/SOM1/007), a multi-year project designed to work on the APEC goal set in 2014 to reduce food losses and waste by 10% by 2020 through an APEC Food Security Roadmap.

SOM noted Japan's initiative to encourage producers/farmers to join food value chains that promote innovation of agriculture, forestry and fisheries products (or the "AFFInnovation policy" in Japan), and its proposed "High Level Public Private Forum on Cold Chain to Strengthen Agriculture & Food's Global Value Chain."

SOM noted Chinese Taipei's initiative on "Enhancing Regional Digital Preparedness on Natural Hazards to Safeguard Communities and Business in the Asia-Pacific" (2015/SOM1/006), to advance search and rescue operations through more robust networking among economies, and promoting open data in creating a safer trade environment and in strengthening emergency preparedness.

SOM noted other proposals on disaster resilience, including Japan's proposal to develop a guidebook based on a capacity-building seminar on supply chain resilience to natural disasters, and Viet Nam's workshop on community-based disaster risk management, to be held in Viet Nam on 17-18 September 2015.

#### **Senior Finance Officials' Meeting Report**

Mr. Herminio C. Runas Jr., the SFOM Chair's representative, updated SOM on the proposed Cebu Action Plan. The said roadmap consisted of four action programs: 1) promoting financial integration; 2) advocating financial transparency; 3) enhancing financial resilience; and 4) supporting

infrastructure development and financing, with each action program having an expected set of deliverables.

Mr. Runas enjoined economies to collaborate with the Philippines on the following initiatives:

- 1) Establishment of a PPP portal, a repository of information on undertaking PPP projects, and
- 2) Standardization of PPP Terms and Practices.

The SOM Chair invited the SFOM to brief SOM3 on the agenda for the Finance Ministerial Meeting.

## **6. Addressing the Bigger Agenda**

### Report on the Friends of the Chair on Connectivity Meeting

SOM noted the SOM Chair's report on the FotC on Connectivity meeting held on 05 February 2015. The report included the following highlights:

#### *a. On the implementation and next steps of the APEC Connectivity Blueprint from 2015-2025*

- The FotC noted the report by the Policy Support Unit (PSU) on the goals and targets of the Blueprint for 2015 and beyond.
- The FotC endorsed Indonesia's proposal on a "Dedicated Arrangement to Monitor, Review and Evaluate the Implementation of the APEC Connectivity Blueprint". FotC agreed to include these under heading "VI. Reporting Mechanism" in the "Roles and Functions of the SOM FotC on Connectivity."
- The FotC tasked the APEC Secretariat, with assistance from the PSU, to develop a template for the yearly reporting and for the APEC Secretariat to conduct a stocktake and monitor what has been achieved for the yearly review. The mid-term assessment and final assessment will be carried out in 2020 and 2026, respectively.
- The FotC welcomed the APEC Secretariat's clarification that the APEC Secretariat would conduct the stocktake and monitoring of the Blueprint during the year, while the PSU would conduct the evaluation. The APEC Secretariat also announced that it would assign a Program Director to do the Connectivity Blueprint work.
- The FotC noted Japan's following initiatives: (1) Study on Infrastructure Investment in the APEC Region"; and (2) "Peer Review and Capacity Building to Advance Cross-sectoral Issues on Physical Connectivity as Identified in the Connectivity Blueprint for 2015-2025".

#### *b. On the implementation of the Multi-Year Plan on Infrastructure Development and Investment (MYPIDI)*

- The FotC noted the progress of work on the MYPIDI including the contributions of recent host economies on the Public Private Partnership Experts Panel, and the establishment of economy PPP Centers and a network of PPP Centers in APEC.
- The FotC was briefed on the ABAC "Enablers of Infrastructure Investment Checklist", and the establishment of the new ABAC Working Group on Connectivity.

#### *c. On the APEC Services Agenda and Connectivity*

- The FotC noted that services could be included in the APEC Connectivity agenda, and at the same time that the APEC Connectivity agenda should be moving forward in a coherent way.
- The FotC welcomed the presentation of the Philippines on the proposed establishment of an APEC Services Cooperation Framework (ASCF) for 2016-2020 (2015/SOM1/033). Taking into consideration comments on the need for balance in developing principles and targets, and on

the need to focus on cooperation, facilitation, and best practices, the Philippines would provide an updated ASCF proposal by SOM2, and aim to have a working document by SOM3. Economies could provide further comments on the ASCF intersessionally.

- The FotC agreed in principle to: (i) conduct intersessionally a services stocktake of related outputs, principles, initiatives (past and ongoing) by APEC economies and relevant sub-fora; and (ii) task PSU to identify indicators of success in APEC's work in advancing cooperation on services in the Asia-Pacific to provide baselines measures of these indicators.
- The FotC Chair noted that the FotC will have to discuss in a future meeting whether or not to create a distinct FotC on Services with its own structure and composition or to discuss services under the FotC on Connectivity as the current mechanism. The FotC Chair advised the group that the FotC agenda on connectivity issues would include a special agenda item on services, until or unless a formal proposal is submitted to separate discussions on services under a new FoTC.

SOM noted the presentation of Indonesia on a proposed symposium, "Improving Connectivity To and From Remote Areas" (2015/SOM1/020), which identified ways to connect remote areas to supply chains through enhanced maritime, land, and air connectivity. SOM further endorsed the suggestion to take up this proposal at the next FotC on Connectivity. Indonesia was requested to draft a program for the symposium to be held at SOM3 or in Indonesia in November 2015, and identify possible speakers.

#### APEC Leaders' Growth Strategy (2015)

SOM welcomed the report of the PSU on the suggested outline for the assessment of the APEC Leaders' Growth Strategy to be conducted in 2015 (2015/SOM1/010). The report included the following highlights:

- In December 2014, at the Informal Senior Officials' Meeting (ISOM) in Manila, the Philippines, Senior Officials instructed the PSU to undertake an assessment of the progress of APEC's work on the Growth Strategy.
- The suggested outline for the assessment of the APEC Leaders' Growth Strategy included three components: (1) setting the context of the assessment, clarifying definitions and linking the Growth Strategy to other APEC initiatives; (2) external indicators analyzing each of the attributes of the Growth Strategy; and (3) internal information from committees and sub-fora linking activities with the Growth Strategy attributes.
- The suggested timeline of the assessment was as follows:
  - By SOM2: PSU to submit a draft report in early May, for economies' comments and inputs, and subsequent discussion at SOM2;
  - By SOM3: PSU to submit a revised draft in July. A revised draft, incorporating comments, would be submitted for finalization at SOM3;
  - By AELM: The assessment report to be submitted to Ministers and Leaders for endorsement in November 2015.

SOM noted the following comments and suggestions of economies and observers:

- to draft a forward looking document on the next steps of the APEC Growth Strategy, to be recommended to Leaders for endorsement. SOM would discuss and confirm which economy or the PSU would lead the drafting;
- to link the APEC Growth Strategy with APEC's work on the 2015 Priorities, the ANSSR and the post-2015 structural reform agenda, the Bogor Goals, the MYPIDI, and Connectivity;

- to include areas for improvement and specific steps for APEC and individual economies to improve growth across the five attributes;
- to include possible additional indicators:
  - For Inclusive, Innovative, and Secure Growth: indicators on Connectivity such as Logistics Performance and Infrastructure; on Women's Economic Participation; on Stakeholder Involvement in Decision Making; and Access to Electricity
  - For Sustainable Growth: indicators on Forest Area
  - For Balanced Growth: indicators on Competition Policy, and Investment Liberalization
- to note the complementarity between the APEC Growth Strategy and the APEC Accord on Innovative Development, Economic Reform and Growth endorsed by Leaders in 2014; and
- to review the APEC Growth Strategy indicators and baselines, taking into account the extraordinary circumstances leading to the formulation of the APEC Leaders' Growth Strategy in 2010, in the wake of the outbreak of the Global Financial Crisis.

#### Updates on other Key APEC Targets for 2015

##### *Supply Chain performance*

SOM noted updates from PSU on assessing APEC's progress in attaining the target of 10% improvement in supply chain performance in terms of reduction of time, cost, and uncertainty of moving goods and services through the Asia-Pacific region.

##### *Ease of Doing Business*

SOM noted the EC Chair's report on the progress in easing APEC's costs of doing business between 2009 and 2014, particularly improvements and challenges.

The EC would continue to support the EoDB project, and discuss and develop a Roadmap for post-2015 EoDB program.

##### *APEC List of Environmental Goods*

SOM noted the CTI Chair's report on developments on the implementation of tariff commitments under the 2012 APEC List on Environmental Goods. Some updates were as follows:

- Of the 21 member economies, 7 economies had already implemented the commitment, while 14 economies were in various stages: i.e., some close to implementation and others going through further procedures
- 2 member economies expressed difficulty in fulfilling part of their commitments. CTI called on these economies to intensify their efforts at the capitals to implement fully their commitments.

The CTI would continue to work on implementing the tariff reduction commitments.

## **7. Management Issues**

#### BMC Chair to highlight BMC's priorities for APEC 2015

SOM noted the BMC Chair's report on the outcomes of the BMC meeting (2015/SOM1/031).

BMC Chair briefed the Meeting on the APEC project management reforms, including the pilot of a new scoring template in 2015. SOM tasked BMC to review the application of the funding criteria to the

project funding mechanism, taking into consideration the outcomes of the current pilot. Relatedly, SOM tasked SCE to review the current approach to setting the funding criteria (2015/SOM1/018).

SOM approved the 2015 aspirational target for untied voluntary contributions for APEC project funding at USD 4.2 million and requested pledges from member economies to ensure that the target amount of USD 4.2 million was raised. SOM welcomed Korea's announcement at SOM1 of its USD 700,000 voluntary contribution for 2015. SOM thanked Korea for said funding.

On the issue of membership contributions, economies raised two proposals: The first was to continue discussions on updating the economic figures and the second was to explore options to allow economies impeded by internal regulations to give beyond their mandatory contributions.

1. On the first issue, an economy raised that APEC membership contributions were based on the economic figures from 1994 to 1996. This economy proposed updating these figures, as they were no longer reflective of the current economic situation of member economies. This economy did not wish to change the formula for calculating membership contributions; rather, its proposal was purely to update the economic data on which contributions were based. Since there was no consensus at the BMC meeting, this economy would like to continue discussions in APEC, bearing in mind the sensitivity of this issue.

Another economy confirmed that it had co-sponsored the proposal to update members' economic data to find a means to address its internal restrictions on voluntary contributions.

One economy stressed the lack of consensus at the BMC on the proposal to update figures. This economy cited a different opinion on whether or not this proposal touched the fundamental issue of methodology.

A number of economies saw no need to further discuss this proposal. Other economies that opposed the proposal mentioned that updating the figures would not address the more important issue of the funding gap for APEC projects: assessed contributions would relate primarily to the Secretariat's budget, while project funding would be under a different account.

Other economies who wish to end the discussion on updating economic figures preferred to concentrate efforts on the deadline and key targets for 2015 and APEC's more substantive agenda. Another economy not comfortable with the proposal to update economic figures proposed an in-depth analysis of the issue and hold intersessional discussions.

Another economy suggested focusing not only on the internal allocation of contributions but also on the nominal figure of the contribution to allow more untied funds to be available for projects that would have a greater impact on the real actors of the economies, particularly the "train-the-trainer" kind of projects.

One economy supported the proposal to continue these discussions at the BMC. This economy did not see why updating the economic figures would be a controversial issue, given that APEC would not change the fundamental formula agreed in 1994-1996.

The SOM Chair confirmed that there was no consensus among economies to discuss further the proposal to update the economic figures as the basis for contributions.

2. On the second issue, economies recognized the internal constraints on voluntary contributions of one or more economies as a valid issue that should be further discussed at the BMC.

The SOM Chair noted the SOM consensus to continue discussions at the BMC level to address the problem of economies that wanted to contribute more funds but had internal restrictions on voluntary contributions. The Chair instructed the Philippines, as the next BMC Chair, to note the gaps in the discussion.

#### Report by the Executive Director on APEC Secretariat's Operational Plan for 2015

The Executive Director of APEC Secretariat, Dr Alan Bollard, briefed the Meeting on the 2015 Operational Plan (2015/SOM1/011rev2). The Operational Plan, similar to past reports, fitted in with the 3-year strategic plan and supported the host economy's priorities.

The Executive Director highlighted the expanding work of APEC with new initiatives, topics, and cross-cutting themes, and new levels of organization, including FotC's and ad hoc groups. The Secretariat would look at ways to manage this work by assigning Program Directors to ensure all parts were progressing well.

The Executive Director thanked Senior Officials for their economies' financial contributions, in particular Australia for the APEC Effectiveness Grant, the Singapore Government for the Secretariat's building, and US AATARI and the SOM Chair's Office for their support.

SOM approved the 2015 Operational Plan.

#### APEC Policy Support Unit Update on Work Program

The PSU Chair presented the paper "Policy Support Unit (PSU) Work Program as of 1 January 2015" (2015/SOM1/012). Furthermore, the PSU Chair, on behalf of the PSU Board, recommended the renewal of PSU Director Denis Hew's contract, for a period no longer than PSU's current mandate.

SOM noted PSU's 2015 work program and approved the renewal of PSU Director Denis Hew's contract.

### **8. Document Classification**

The Document Classification list (2015/SOM1/000) was adopted without amendment.

### **9. Closing Session**

The SOM Chair informed SOM that 2015 was a year for building on the inclusive growth agenda, the Beijing Mandate and the work of previous years. This year, it would also be important to focus on cross-cutting themes, such as resilient communities, while at the same time creating new mechanisms through the FotC and steering groups to facilitate SOM guidance in cross cutting themes.

The SOM Chair conveyed that SOM2 would continue the work agenda for 2015, and include discussions on the SOM-level FotC on Urbanization and the Ad Hoc Steering Group on the Internet Economy.

The SOM Chair acknowledged the work of the CTI, including in advancing the work on GVCs; the EC on its significant role on services; and the SCE on its ongoing work on capacity building.

The SOM Chair expressed her appreciation for support from the Senior Officials in working towards building an inclusive region and better economies. She sought SOM's continued support for the Philippines' Chairmanship and host year.