

**ASIA-PACIFIC ECONOMIC COOPERATION 2015
SECOND SENIOR OFFICIALS' MEETING
Boracay, Aklan, Philippines
19-20 May 2015**

SUMMARY CONCLUSIONS

The Second Senior Officials' Meeting (SOM2) for the Twenty-Seventh APEC Ministerial Meeting was convened in Boracay, Aklan, 19-20 May 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 Committee on Trade and Investment (CTI), Economic Committee (EC), SOM Steering Committee on ECOTECH (SCE), APEC Business Advisory Council (ABAC), representative of the Chair of 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

SOM adopted the agenda.

3. APEC Business Advisory Council (ABAC)

The ABAC Chair reported on progress of ABAC's 2015 work plans (2015/SOM2/032), including work undertaken by its five working groups. The ABAC Chair noted that the Regional Economic Integration Working Group would conduct a study by November 2015, to contribute to the Collective Strategic Study on Issues Related to the Realization of the Free Trade Area of the Asia Pacific (FTAAP) by analyzing the operation and utilization of existing free trade agreements (FTAs) and regional trade agreements (RTAs) under negotiation in the APEC region. ABAC's recommendations aimed to ensure that the FTAAP is also relevant and sensitive to the needs of small businesses as they would be to big business.

ABAC reported on the trade and services agenda and mentioned the activities done in partnership with the SOM Chair's Office and PECC; these activities included two Public-Private Dialogues (PPDs) on Services. The ABAC Chair announced that preparations were underway for the fourth PPD on Services and the Regional Conference of Service Coalitions which ABAC hoped would eventually lead to an APEC Services Coalition. It also supported the draft APEC Services Cooperation Framework (ASCF) and the APEC Virtual Knowledge Center on Services and was working closely to provide inputs to these initiatives.

Under the Connectivity Working Group, ABAC would provide (1) recommendations to advance the digital economy agenda; (2) develop a checklist on improving economies' performance on the Rule of Law Index; (3) develop sector-specific pilot projects on the deployment of global data standards; and (4) make recommendations on improving the usefulness of the APEC Business Travel Card (ABTC).

The ABAC Chair noted the Sustainable Development Working Group were considering legal structures and regulations that strengthen enforcement of environmental regulations, and that a Forum on Food Security held on May 11 in Singapore had generated food industry views on policy issues.

Under the Small Medium Micro Enterprises and Entrepreneurship Working Group, the ABAC Chair noted an ABAC-AIM study on "Small Business As Part of Big Business Value Chain"; discussions on the Asia-Pacific Open Innovation Platform; and regular ABAC Women's Forum.

On the AIM study, the ABAC chair enjoined economies to participate in the study and to contribute case studies that would facilitate small, medium and micro enterprises' (SMMEs') access to GVCs, and to identify policy frameworks and regulatory structures that would foster sustainable and inclusive business models.

The Finance and Economic Working Group had generated inputs to the Cebu Action Plan, and was working on the Asia-Pacific Financial Forum Action Plan to expand SMME access to finance.

The SOM Chair welcomed the ABAC report and acknowledged ABAC's contributions to the APEC process and 2015 priorities.

4. Business Arising from SOM1

APEC Organizational Structure and SOM-Level Arrangements

SOM noted the updated APEC Organizational Structure outlined by the APEC Secretariat Executive Director, Dr. Alan Bollard. The Executive Director noted that the chart was only for information purposes and should not be considered an official document. Updates included the addition of the Friends of the Chair (FotC) on Regional Economic Integration and FTAAP; Mainstreaming Ocean-Related Issues (MOI) Steering Council; FotC on Connectivity; FotC on Urbanization; and the proposed Ad Hoc Steering Group on the Internet Economy. The chart would also be updated depending on the outcome of 2015 initiatives.

Report and outcomes of the FotC on Connectivity

The SOM Chair reported on the outcomes of the FotC on Connectivity meeting held on 18 May 2015 in Boracay (2015/SOM2/31rev1). The report included updates on the following initiatives and programs on connectivity and services: (1) The APEC Multi-Year Plan on Infrastructure Development and Investment; (2) The Implementation of the APEC Blueprint on Connectivity; (3) The Public-Private Dialogue on Services of 17 May 2015; (4) The proposed ASCF; (5) The proposed APEC Virtual Knowledge Center on Services; and (6) The discussion of services within the FotC on Connectivity.

The SOM Chair announced that the draft FotC report to SOM (2015/SOM2/31rev1) would be updated to reflect the suggestion that the proposed APEC Virtual Knowledge Center on Services be linked to the APEC Services Trade Access Requirements (STAR) Database, and to reflect the concern of some economies on the potential language barrier of the Knowledge Center.

Senior Officials noted the comments and suggestions from economies and observers as follows:

- The Tourism Working Group had initiatives supporting connectivity, particularly people-to-people connectivity. The FotC would play an important role in completing APEC's connectivity mandate.
- Connectivity remains a priority and APEC needed to maintain the momentum, which began in 2013 and was carried over in 2014 under China's APEC Chairmanship. The FotC would be expected to engage in a more substantive discussion on connectivity once the yearly review of the implementation of the Connectivity Blueprint starts. China also announced its proposal for an APEC Sub-Fund on Connectivity.
- The Philippines expressed its appreciation for the support from economies for the ASCF. The services coalitions of Australia; Canada; Hong Kong, China; Indonesia; Chinese Taipei; and the United States; through a joint Press Release, expressed support for APEC's ongoing efforts towards services cooperation.

- Related to the ongoing discussion on the inclusion of services in the FotC on Connectivity as well as APEC's Organizational Structure, the SOM Chair urged economies to limit FotCs to relevant issues and consider the implications on the next APEC host economies.

The SOM Chair announced that the FotC report to SOM would be circulated to economies, for comments and intersessional endorsement.

TOR of the Friends of the Chair on Urbanization

SOM approved the Terms of Reference (TOR) of the FotC on Urbanization (2015/SOM2/020). SOM endorsed the proposal on APEC Water Initiative for inclusive resilience and sustainability.

Economies expressed the importance they attach to the issue of urbanization and its contribution to sustainable development. Senior Officials noted the following comments and suggestions of economies and observers:

- Japan said it would organize a PPD on Water at SOM3 in Cebu and encouraged economy participation.
- Chinese Taipei would organize a competition on the smart cities initiative and invited APEC economies to join and nominate smart city projects.
- China would consider to convene a High Level Symposium on Urbanization in 2016.
- The APEC Secretariat clarified that the Non-Member Participation Guidelines would require city-level executives to request consent to participate in FotC meetings and activities unless a blanket approval would be given in advance.

TOR of the Ad Hoc Steering Group on the Internet Economy

Senior Officials agreed that the title of the Ad Hoc Steering Group on the Internet Economy would remain consistent with APEC 2014 Leaders' instructions. Senior Officials also agreed to take into account the digital economy in the main text of the TOR, and adopt a Chair and Vice-Chair format. On this basis, Senior Officials approved the TOR of the Ad Hoc Steering Group on the Internet Economy (2015/SOM2/021attrev1).

The SOM Chair noted that the position of Chair and Vice-Chair would be decided by the highest number of votes and second highest number of votes, respectively. The nomination deadline was adjusted to 1 August. The nomination deadline was subsequently revised to 27 July 2015.

SOM noted China's proposal to present a concept note on how the internet economy contributed to the growth of SMEs and human capacity building, to be discussed at the Ad Hoc Steering Group meeting at SOM3.

Overarching Initiatives

APEC Services Cooperation Framework (ASCF)

Senior Officials noted the first full draft ASCF (2015/SOM2/023), as presented by the Philippines at the meeting of the FotC on Connectivity on 18 May 2015.

The Philippines shared that it endeavored to incorporate all inputs in the next draft, particularly on the need to balance capacity-building and liberalization in APEC's cooperation in services. The Philippines aimed to reach agreement on the framework by CSOM, and would welcome economies' intersessional comments and inputs to the draft.

Senior Officials noted economies' comments on the ASCF, including the following recommendations to:

- develop a reporting mechanism that would review the ASCF goals according to measurable data and clear guidelines, without duplicating existing APEC reporting mechanisms;
- consider emphasizing regulatory cooperation in the ASCF “modalities of cooperation”;
- clarify the ASCF reference to “digital connectivity”, noting the need to be consistent with the APEC’s three pillars of connectivity: physical, institutional, and people-to-people connectivity, as well as noting the need to avoid any confusion with “online connectivity” which was developed by TELMIN;
- continue engagement with ABAC, PECC, and the private sector including through PPDs on Services; and
- align the ASCF with APEC’s ongoing work on structural reform, capacity-building, the Bogor Goals, and the realization of the FTAAP.

The SOM Chair stated that the comments would be incorporated into the next ASCF draft which the Philippines would present at SOM3 in Cebu, with the aim of finalizing the framework at CSOM.

APEC Innovation Agenda

The ABAC Chair presented on the initiative on Innovation for Inclusive Growth (2015/SOM2/33), which highlighted the vital role of SMMEs in fostering innovation and bringing new ideas to the market.

The ABAC Chair explained that the first element of the initiative, to be undertaken by ABAC and the Asia Pacific Foundation of Canada, aimed to create an innovative mapping of incubators and accelerators across the region. The second element, to be undertaken by ABAC Philippines and the Philippine Development Foundation, was the development of inclusive innovation centers to help strengthen SMMEs across the region.

APEC Growth Strategy 2010-2015 and Its Future Direction

PSU report on the ongoing assessment of the implementation of the APEC Leaders’ Growth Strategy

The PSU presented key findings from its draft Assessment of the APEC Growth Strategy, and requested comments on the report (2015/SOM2/011) by 15 June. PSU proposed that economies consider the feasibility of detailed action plans for each growth attribute, and highlighted the need to discuss the post-2015 APEC Growth Strategy. The SOM Chair noted the need for action plans in each priority area and suggested that general quantitative targets might be useful.

Economies expressed support for PSU’s work on the assessment of the APEC Growth Strategy. Korea expressed support for future work to create specific action plans and establish quantitative targets. Canada stated that it would like to see strategies better aligned with G20 work on structural reform.

Draft future direction (post-2015) of the 2010 APEC Leaders’ Growth Strategy

The SOM Chair presented the Philippines’ draft APEC Sustainable and Quality Growth Framework, noting that a sustainable economy should embrace an approach that covered social, environmental and governmental dimensions. She suggested that the draft Framework be the future direction of the growth strategy and noted the draft Framework included a reporting mechanism with indicators.

SOM discussed the draft Framework and noted the following comments:

- The Framework should be achievable and flexible; therefore, indicators needed to be realistic to ensure tangible results could be achieved. The indicators could be discussed at the Working Group level to ensure continuity and relevance. The SOM Chair responded by proposing that the PSU help to simplify the indicators.

- One economy said it would consider the Framework, particularly the proposed three key accountability areas and their relationship to the existing five growth attributes. It did not see a strong need to change the five growth attributes and suggested that a section on the action plan, which is included in the APEC Growth Strategy of 2010 Yokohama document, be reviewed. To this, the SOM Chair noted the Yokohama action plans were listed in the documents matrix in the draft Framework, and commented that the initiative was a living document which could be added to.
- One economy offered to work closely with the Philippines on the initiative, and suggested that the Framework take into account other elements such as structural reform, the middle income trap (MIT), inclusive growth, internet economy, disability, and women and the economy.
- One economy suggested that the Framework be linked with the APEC New Strategy for Structural Reform (ANSSR) strategy. This economy supported revisiting the Yokohama Action Plan and reminded economies to be mindful of the possibility of duplicating G20 work.
- One economy stated it would consult internally, and proposed a longer timeframe for the reporting mechanism as 2017 seemed too early. This economy suggested the draft Framework consider the promotion of sustainable water management. The SOM Chair responded by proposing to move the baseline study to 2018, subject to Papua New Guinea's approval as host.
- The draft Framework should clarify the relevance of the three key accountability areas and the extent they were connected to the five growth attributes. One economy noted that while reporting was important, it was just one tool to assess the results of the growth strategy.

The SOM Chair emphasized that the draft Framework remains a work in progress and that comments were very much welcome.

High-Level Discussion on Inclusive Business

The Philippines advised that it would hold a self-funded High-Level Discussion on Inclusive Business to be held before CSOM. Indonesia said it would hold a workshop with the Asian Development Bank on the topic and contribute speakers to the event.

Internet and Digital Economy

Report of outcomes of the May 18th Symposium on the Internet Economy

Dr. Peter Lovelock, a representative of PECC, presented the report on the Symposium on the Internet Economy held on 18 May. The Symposium covered three broad areas: the Internet Economy; the emergence of new business models, sectors, and practices; and the constraints or barriers to the growth of the Internet Economy. The following conclusions were drawn:

- Extensive growth in employment, GDP, trade, and inclusion was occurring, and was almost undoubtedly not being accurately captured or recognized;
- The potential for growth, equality, and inclusion underpinned by an Internet Economy was profound, and Asia Pacific – and APEC – stood to lead the way;
- Unfortunately growth was being significantly curtailed by jurisdictional regulatory constraints and unintended impacts of sector-specific regulations; and
- A holistic approach to empowering the Internet Economy was required. The Internet/Digital Economy needed to be seen as a horizontal enabler, not a vertical sector. Approaches should align with initiatives undertaken in finance, e-commerce, logistics, education, and other services sub-sectors, as well as the services sector more broadly.

Proposal on Enabling Inclusive Growth through the Digital Economy

The United States presented its proposal on Enabling Inclusive Growth through the Digital Economy (2015/SOM2/028), which was co-sponsored by Japan, the Philippines, and Chinese Taipei. The proposal included four deliverables: an APEC Digital Economy Agenda to be annexed to the APEC Economic Leaders Meeting (AELM) Declaration; a Digital Economy Action Plan for connecting micro, small and medium enterprises (MSMEs) into global and regional markets; an independent Digital Economy assessment in 2016; and the selection of "Facilitating Digital Trade for Inclusive Growth" as a Next Generation Trade and Investment Issue (NGeTI).

Some economies expressed support for the US proposal and highlighted the importance of the digital economy in the development of MSMEs and in promoting inclusive growth.

SOM noted the following comments on the proposal:

- The mandate from 2014 Leaders was to work on the internet economy. The digital economy could be broader than internet economy and sought clarification on the definitions. On the fourth deliverable, there were no strict criteria for naming NGeTI. Such discussions might lead to certain sensitivities and wanted to ensure that a topic identified as a NGeTI would add value to the discussions.
- APEC work on digital trade and the digital economy overlapped, and it might be too premature to discuss the issues at the SOM level. One economy proposed to continue discussions at the working group level and reiterated Leaders' clear instructions on the Internet Economy.
- One economy needed further analysis on the proposal and understood another economy's sensitivities, which needed to be folded in the discussions.
- The digital economy is larger than the internet economy, although there was an overlap. The Internet Economy is the core and most cutting-edge trend of Digital Economy, exerting a more profound influence on economy and representing an important trend of future development. Therefore, it is recommended that APEC should promote future economic activities with a focus on the Internet Economy.
- Selecting "Facilitating Digital Trade for Inclusive Growth" as a NGeTI would create a good opportunity for meaningful discussion and would fit with APEC 2015 priorities.

SOM noted the proposal, and agreed that CTI continue discussions on the selection of "Facilitating Digital Trade for Inclusive Growth" as a NGeTI. SOM further agreed that the other three deliverables of the proposal would be covered by SMEWG, CTI, and the Ad Hoc Steering Group on the Internet Economy, as appropriate.

5. APEC 2015 Priorities vis-à-vis APEC Fora

Committee on Trade and Investment

The CTI Chair highlighted the outcomes of CTI2 on the basis of the CTI Chair's Report (2015/SOM2/027). The CTI Chair noted that the activities and initiatives undertaken by CTI and CTI sub-fora related to the four APEC 2015 priorities were set out in the List of TILF Deliverables for 2015 (2015/SOM2/027anx1).

SOM endorsed the CTI report and its annexes, and CTI recommendations to endorse:

- the TOR for the Collective Strategic Study on Issues Related to the Realization of the FTAAP;
- the TOR on the Operational Mechanism of the Technical Group on Measurement of APEC Trade in Value-Added (TiVA) under GVCs;
- the Work Plan for the Technical Group on Measurement of APEC TiVA under GVCs;

- the Working Mechanism of Asia-Pacific Model E-port Network (APMEN);
- the Strategic Framework of APMEN;
- the Work Plan on Green Supply Chain, in principle; and
- transmission to the Ministers' Responsible for Trade (MRT) of the Chemical Dialogue's Interim Report to Trade Ministers: Progress on Implementation of the Globally Harmonized System of Classification and Labelling of Chemicals (GHS) in the APEC Region.

As recommended by CTI, SOM also noted:

- economies' progress in notifying the WTO of acceptance of the WTO Agreement on Trade Facilitation (TFA);
- economies' progress in implementing their commitments to reduce tariffs on the 54 products in the APEC List of Environmental Goods;
- progress in other work to advance regional economic integration, including implementing initiatives and work plans under the 10 pillars of the APEC Strategic Blueprint for promoting Global Value Chains Development and Cooperation; promoting SMEs integration into GVCs in major industries; development of action plans under the initiatives on manufacturing-related services and environmental services; capacity building to improve supply chain performance; pilot projects to assess the benefits of Global Data Standards; and the APEC Cooperation Network on Green Supply Chain;
- the suite of CTI-level activities in the margins of CTI3/SOM3 in support of the CTI 2015 work program including the Seminar on the Collective Strategic Study on Issues Related to the Realization of the FTAAP; the Trade Policy Dialogue on Promoting Products contributing to Sustainable and Inclusive Growth through Rural Development and Poverty Alleviation; the Investment Experts' Group Public-Private Dialogue on Fostering Growth through Inclusive Business; and the 3rd meeting of APEC Alliance for Supply Chain Connectivity; and
- progress in implementing CTI's 2015 work program and the projected list of the deliverables from CTI and its sub-fora and industry dialogues for 2015 in all priority areas.

SOM noted the following comments and suggestions of economies and observers on the CTI report:

- Senior Officials gave updates on their economies' progress in their submissions of instruments of ratification for the TFA.
- Senior officials renewed their commitment to fully implement the commitment to reduce applied tariffs to five percent or less by the end of 2015 on the APEC List of Environmental Goods.
- Senior Officials commended the progress of the work on the Beijing Roadmap for APEC's Contribution to the Realization of the FTAAP, particularly the agreement on the TOR for the collective strategic study.
 - One economy was pleased to note that the core drafting would use the work plan template it developed to move forward in the group's plans.
 - China conveyed that it would host a seminar on the Collective Strategic Study on the FTAAP. China welcomed economies' participation in the seminar, and expressed that it could provide a venue for the seminar, but would also be supportive should it be held in the margins of SOM3 in Cebu.
- The PSU study "Promoting Products Contributing to Sustainable and Inclusive Growth through Rural Development and Poverty Alleviation" presented a methodology to identify products which could contribute to rural development and poverty reduction. One economy suggested lead sector economies of SMEs' integration into GVCs in major industries should work together to further the work through the Trade Policy Dialogue scheduled to be held in the margins of SOM3.

- Japan informed the in principle approval of Peru-Japan joint project “Study on Enhancement of Integration of Regional Value Chains in Asia and Latin America and the Caribbean (LAC)” and expressed appreciation for economies’ support.
- China briefed the SOM on the Dialogue on APEC Cooperation Network on Green Supply Chain held on 11 May, noting that the work plan on APEC Cooperation on Green Supply Chain was agreed in-principle at CTI2.
- The Philippines called on the economies to provide their expertise for the SOM Dialogue on RTAs/FTAs to be held at SOM-level in the margins of SOM3, and requested participation of PSU and the CTI chair.

Economic Committee

The EC Chair provided a report of the EC’s work, including a summary of the EC-related meetings held during SOM2, including the Seminar on the Middle Income Trap on 15 May; the Preparatory Meeting on the Structural Reform Ministerial Meeting (SRMM) on 16 May; and the APEC Economic Committee — Private Sector Structural Reform Roundtable Discussion on 17 May (2015/SOM2/025).

SOM noted the following comments by economies on the EC report:

- Appreciation for the EC’s substantial work on Ease of Doing Business (EoDB), MIT, structural reform and economic policy review, as well as its preparatory work for the SRMM.
- Recognition of the importance of ANSSR work, and that many changes had taken place since its introduction. There was interest in incorporating the services sector in future work on structural reform, and addressing inclusive growth goals.
- Appreciation for the inclusion of discussion at the upcoming SRMM on innovation and tools for structural reform, recognizing that public governance was an important tool and crucial to the reduction of transaction costs.
- Welcomed the proposal for the preparation of discussion papers on good regulatory practices and strengthening legal instruments and new directions on structural reform.
- Welcomed a second EoDB Action Plan for 2016-2018 to be finalized by EC2.
- The need to blend the work of CTI and EC, given reform efforts resulted in positive effects that spread slowly across the community, but often gave rise to immediate costs that might create domestic resistance.
- Recognition of Strengthening Economic Legal Infrastructure (SELI) as an important element of the structural reform agenda, and as an area where capacity building and information sharing was needed. In view of this, a workshop would be held on the margins of EC2.

SOM noted the EC Chair’s report and endorsed the themes and preparatory processes for the SRMM and EoDB, as contained in Appendix A of the report.

SOM Steering Committee on Economic and Technical Cooperation (ECOTECH)

SOM endorsed the SCE Chair’s report on the SCE meeting held on 19 May 2015 (2015/SOM2/034rev1).

SOM discussed the development of an APEC Capacity Building Policy as a means to strengthen APEC’s ECOTECH pillar and noted the SCE Chair’s request for economies’ comments on this draft policy by 05 June 2015. A revised draft would be circulated thereafter, for further discussion. SOM also endorsed the SCE’s plan to consult intersessionally with the Budget and Management Committee (BMC) on the financial implications of the draft policy, in preparation for SCE3.

SOM approved the updated Terms of Reference of the PPWE.

SOM endorsed the establishment of the APEC Group of Friends (GOF) on Disability Issues and noted the APEC GOF would convene for the first time in SOM3 in Cebu (2015/SOM2/017).

SOM noted the following comments and suggestions on the SCE Chair's report and on the overall work of the SCE:

- Economies congratulated Papua New Guinea and the Philippines for the successful hosting of PPWE1 and the High-Level Policy Dialogue (HLPD) on Human Capacity Building, on 03-05 May and 06-07 May, respectively, in Port Moresby.
- Economies welcomed the arrangements for the "Healthy Women, Healthy Economies" Workshop scheduled for August in Manila.
- Indonesia thanked China, Malaysia, the Philippines, and Thailand for co-sponsoring Indonesia's initiative on traditional medicine and medical plant cultivation, which aimed to promote SME development and support inclusive growth in the region. Indonesia expressed appreciation for MOI Steering Council's progress report to the SCE, which underlined the importance of MOI initiatives in the work plans and activities of SCE sub-fora. Indonesia encouraged economies to submit inputs to the MOI Steering Council's TOR.
- Australia introduced and requested economies' comments for its non-paper "Addressing Skills and Labor Gaps in the Region: A Leaders' Endorsed Framework for APEC" (2015/SOM2/026) which aims to improve the workforce productivity and lead to better growth and poverty reduction. Australia provided an update on its initiatives to advance cross-border education cooperation including a research study on improving mobility and a related workshop in Hanoi last March.
- The Philippines recalled the agreed areas of cooperation in the HLPD on Human Capacity Building Port Moresby Joint Statement, namely: developing the APEC Workforce to possess 21st century skills, aligning education and training to industry needs in the 21st century, and enhancing skills of SME workers. The Philippines further recalled its presentation of a "Talent Map Initiative" to support the HLPD areas of cooperation, at the recently held HRDWG meeting in Boracay.

The Philippines also announced that it would host the following SCE-related meetings:(1) HLPD on Science and Technology in Higher Education; (2) HLPD on Food Security and Blue Economy; (3) Energy Ministerial Meeting which aims to adopt an "Action Plan to Attain Energy Resiliency"; and (4) the 9th Senior Disaster Management Officials' Forum. The Philippines, with Chinese Taipei, would also conduct a "Seminar on Facilitating Human Resource Mobility by Enhancing Social Protection" in August 2015.

- Japan informed economies on the completed project on "Strategic Human Resource Management for Successful Foreign Investment in APEC". Japan also invited economies to utilize the recently published final report on success factors in human resource management in foreign investment, which included guidelines. The report is available on the APEC website.
- One economy recalled the five priorities of the PPWE, and reiterated that future work should address data gaps, and the transition of women from the informal to the formal economy.
- One economy suggested that economies work together to find innovative solutions to secure project funding and prioritize APEC activities. This economy thanked economies for their financial contributions including support for self-funded projects which helped build the capacity of developing members. This economy would consult on the proposal to make contributions mandatory for capacity building, but suggested that contributions remain voluntary for developing economies.
- Viet Nam informed economies of its "Workshop on Community-based Disaster Risk Management in Response to Climate Change" to be held on 18-19 September in Ha Long Bay, Viet Nam. The Workshop would explore ways to empower local authorities and communities to build resilience to disasters.
- The United States updated economies on its work on health and the economy, disaster resiliency, and education and scholarships.

On health, the United States was working to combat the spread of counterfeit medicines, address healthcare-acquired infections and antimicrobial resistance, and improve mental health. Other initiatives aimed to address health-related barriers to women's ability to enter, rise, and remain in the workforce. Further, language had been proposed for the MRT statement to direct officials to develop recommendations on actions to reduce and eliminate barriers to trade in healthcare products to support MSMEs participation in GVCs.

The United States shared it would continue to support work in the Emergency Preparedness Working Group (EPWG), including a proposed "Appropriate Donations Toolbox" project, and work to support trade recovery, economic evaluations of coastal ecosystems, supply chain resilience, early alert systems, and the movement of humanitarian goods after disasters.

The United States shared it would continue to strengthen people-to-people connectivity initiatives and oversee the APEC Scholarship website. Economies were invited to contact the United States should there be new opportunities in this area.

- Chinese Taipei discussed its initiative "The Asia Pacific Open Innovation Platform" (2015/SOM2/005), which would gather stakeholders to exchange views and explore business opportunities, promote MSMEs development, and encourage entrepreneurship. A related event to present innovations and hold a pitching competition will be held in Taipei in October. Chinese Taipei's work on promoting business continuity plans among MSMEs would include a train-the-trainers workshop in July.
- Chinese Taipei provided an update on the proposed APEC Emergency Preparedness Capacity Building Center (2015/SOM2/006) as a knowledge-based hub to share best practices and enhance public-private partnership in disaster risk management. Chinese Taipei shared it would inject additional scholarships for doctoral and post-doctoral students in 2015 to the APEC Scholarship initiative.
- ABAC welcomed Australia's initiative on addressing the skills gap, noting businesses' key concern on finding talent. ABAC said it was doing a study with PwC on the skills gap across selected sectors, which could be a valuable input to Australia's initiative.
- One economy noted the important contribution of the private sector to capacity-building and suggested getting business people to contribute directly to SCE activities through project funding. This economy shared that contributions to address ECOTECH issues remain voluntary.
- One economy reiterated the importance of capacity-building and providing equal opportunities to disabled persons. This economy shared its successful experience with Chinese Taipei's initiative, APEC Digital Opportunities Center (ADOC), as an example. This economy requested Chinese Taipei to extend ADOC beyond 2015, and invited economies to participate in similar activities.

SOM welcomed the proposal of Papua New Guinea to host the 3rd Meeting of APEC Ministers Responsible for Forestry in Port Moresby on 26-29 October 2015 (2015/SOM2/035). The SOM Chair requested Papua New Guinea to circulate the meeting's agenda and draft Ministerial Declaration, for economies' comments.

6. Boracay Action Agenda to Globalize MSMEs

The Philippines presented the "Boracay Action Agenda to Globalize MSMEs (BAA)," which aimed to provide the necessary trade enabling environment for internationalizing MSMEs across the Asia-Pacific region. The Philippines recalled the Manila Action Plan for APEC (MAPA), launched through the Leaders' Declaration in 1996, which asserted the need to encourage the growth of SMEs in the APEC cooperation agenda. The Philippines reiterated that FTAs and expanded regional economic cooperation was not just for big business, but for MSMEs, which comprised the overwhelming majority of businesses in APEC economies. Economies expressed broad support for the BAA and shared their own domestic initiatives and APEC projects that aim to support MSMEs and facilitate their internalization. Economies emphasized the importance of financing for MSMEs, including efforts to establish creditworthiness and financing in times of crisis. The Philippines encouraged APEC

economies to look at their respective domestic environments to ensure the success of MSMEs at home and abroad.

The Philippines sought approval-in-principle for endorsement of the BAA to the MRT, and underscored that the proposal for adoption at MRT would send a strong message that MSMEs are front and center of APEC's inclusive trade agenda and would lend credibility to APEC's work.

Some economies expressed concern that the time is too limited for evaluation of the BAA before its endorsement at MRT. Originally, it was supposed to be endorsed at AMM in November. Also, outcomes of the SMEWG in June and SMEEM in September should be incorporated into the BAA.

A few economies sought clarification on two actions in the BAA, particularly on the waiver of the certificate of origin (paragraph 1.a) and the establishment of a commercially relevant de minimis value (paragraph 2.a).

In addressing whether policy options in draft paragraph 1.a of the BAA were applicable to existing or future RTAs/FTAs, the Philippines clarified that paragraph 1.a merely encouraged economies to consider these policy options. Should there be mechanisms within existing FTAs where these policies can be implemented, economies were encouraged to consider them.

The Philippines emphasized that it had collaborated with relevant APEC fora, including the Finance Ministers' Process and the SMEWG. A common goal for MSMEs would be further discussed at SOM.

The SOM Chair proposed that the BAA be endorsed in-principle for adoption at the MRT, provided that a clean draft were submitted by evening, 22 May 2015.

PSU presentation on SME Internationalization and Measurement

PSU provided a presentation on SME Internationalization and Measurement (2015/SOM2/014).

7. PPFS Chair's Report to SOM

The Policy Partnership on Food Security (PPFS) Chair reported on the outcomes of the PPFS meeting on 13-15 May 2015 (2015/SOM2/36; 2015/SOM2/36anxa).

SOM noted the report of the PPFS Chair. SOM also noted the following comments:

- ABAC thanked the PPFS Chair for the opportunity to provide business input to PPFS. New Zealand also emphasized the importance of having a strong business voice in PPFS.
- Peru requested economies to update their membership in PPFS and expressed their intention to continue work on PPFS at a policy level in 2016.
- Australia requested elaboration on how PPFS would address the issue of reducing the time of subsidies, which was very critical to food security.
- Japan shared the importance of making agriculture more profitable through upgrading food value chains and agricultural innovation, "AFFrinnovation", and announced the host of a High Level Public Private Forum on Cold Chain in October in Japan.

The PPFS Chair said that it would report on progress at SOM3, including updates on the issue of subsidies as raised by Australia.

8. ASCC Chair's Report to SOM

The APEC Study Centers Consortium (ASCC) Chair presented the ASCC report (2015/SOM2/037a; 2015/SOM2/037b). The SOM Chair noted the ASCC's recommendations to focus on mainstreaming

the ASCC into the APEC process, and suggested that these might be covered under management issues.

9. Management Issues

Update on the Progress of the 2015 Secretariat Operational Plan

The APEC Executive Director reported on the 2015 Operational Plan including developments on the remaining USD1.3 million that needs to be raised in order to achieve the 2015 aspirational target for voluntary contributions. In addition, the Executive Director noted the lack of guidelines for the APEC CEO Summit, and advised that the APEC Secretariat would consult with BMC on questions of sponsorship and copyright, among others. He also noted the revised APEC Non-Member Participation Guidelines had been circulated for review and was open for comment.

The Executive Director highlighted the growing number of ad hoc groups under SOM, and encouraged Senior Officials to be mindful of how they could remain linked in with Working Groups. A Program Director would be assigned to provide support to each new group. The Secretariat was enhancing the APEC website, had implemented a social media program, and would report progress on communications and social media to BMC2.

Proposal to establish three sub-funds under ASF

Senior Officials endorsed China's proposal to establish three additional sub-funds under the APEC Support Fund (ASF). The new sub-funds and China's corresponding total contributions were: (1) Free Trade Area of the Asia-Pacific and Global Value Chains (FTAAP & GVCs) Sub-Fund (USD3M within 5 years); (2) Innovative Development, Economic Reform and Growth (IERG) Sub-Fund (USD2M within 5 years); and (3) Connectivity Sub-fund (USD1.5M within 5 years). China hoped this move could help alleviate the current project funding bottleneck, and called for more voluntary contribution to the sub-funds from member economies.

China expressed its commitment to also contribute USD2.5M to the ASF General Fund within 5 years starting in 2015, as well as contribute to other existing sub-funds. SOM agreed for the APEC Secretariat to continue discussions with China on the management of the sub-funds.

PSU Updates

PSU updated Senior Officials on its work program to-date. SOM noted PSU's Annual Report and the PSU's work program.

Others

Japan raised concerns on the SOM1 Chair's Summary Conclusions which did not include Japan's proposed language, particularly on discussions on updating of membership contributions. Japan explained its understanding that the Chair suggested to continue discussion on updating of membership contributions as well as on increasing membership contributions for project funding at BMC. *(Note after SOM2: On the issue of updating of membership contributions, one economy suggested that any discussion at the BMC on contributions, if absolutely necessary, would relate to the history and circumstances surrounding the current methodology and not the issue of "updating".)*

The SOM Chair replied that discussions on the contributions of each economy be continued but kept at the BMC level. Such nuanced discussions will be carried on during the Philippines' BMC chairmanship in 2016.

10. Other Business

The SOM Chair requested comments on the SOM Chair's report to the MRT through e-mail by mid-night on 22 May 2015.

Draft as of 12 August 2015

The SOM Chair also announced the drafting session for the BAA at 15:00, 21 May 2015.

The SOM Chair invited comments on the document classification.

The SOM Chair thanked member economies for their productive participation and invited her assistant to give business arrangements for the working lunch.

The SOM Chair closed by giving a summary of the SOM2 meeting and adjourned the meeting.