2016 Committee on Trade and Investment Annual Report to Ministers

Purpose: Consideration
Submitted by: CTI Chair
Dear Ministers,

I am honored to present to you the APEC Committee on Trade and Investment’s (CTI) 2016 Annual Report for your review and endorsement. The report contains an overview of CTI’s work this year along with a series of recommendations to advance the Committee’s work program.

In accordance with the directions provided by Leaders and Ministers in Manila in November 2015 and framed by the 2016 theme of “Quality Growth and Human Development”, CTI’s and sub-fora’s work continued in pursuit of the Bogor Goals of free and open trade and investment as well as the overarching APEC goal of regional economic integration. Our 2016 key priorities remained unchanged from last year, to wit: providing support for the multilateral trading system; advancing regional economic integration; enhancing connectivity; promoting regulatory cooperation; and providing contributions to the overarching goals of quality and inclusive growth by Leaders and Ministers.

Looking back from the start of the year, there has been a strong commitment from members to push initiatives that cement APEC’s incubator role in trade and investment. Trade facilitation, with its potential to produce positive returns for all members, was a big focus by the CTI and a second phase of the Supply Chain Connectivity Framework Action Plan or SCFAP was prepared by the Committee to target the costs and reliability of supply chains. Capacity building projects were delivered to help in the implementation of the first SCFAP and to support the implementation of the WTO Trade Facilitation Agreement. We hope Ministers will endorse the second phase of SCFAP as a reaffirmation of APEC’s commitment to facilitate and reduce barriers to doing business.

CTI has always been in the forefront in discussing ways to build a seamless regional community through our cooperative efforts in trade and investment. Yet, the APEC Policy Support Unit reported in the Second-Term Review of APEC’s Progress Towards the Bogor Goals (APEC, 2016) that despite major accomplishments, barriers to trade and investment remain in both developed and developing economies, hindering the free flow of goods, services and people among APEC economies. The review also noted that among APEC economies, an important share of trade and a good number of trade liberalization efforts are taking place in FTAs.

Against this backdrop, another key consideration this year is the Collective Strategic Study on the Issues related to the Realization of the Free Trade Area of the Asia Pacific (FTAAP). Together with the Second Term Review, the study highlighted the accomplishments of APEC, the opportunities and challenges that the FTAAP presents, and the future work that needs to be undertaken to achieve a seamless community.
CTI also provided support to Senior Officials in drafting the Services Competitiveness Roadmap to pave the way for more efficient and competitive services sectors. The roadmap underscores that APEC’s spirit of cooperation plays a role but there are no substitutes for the individual actions by economies. This suggests that arrangements for economic and technical cooperation should continue in bringing economies closer to all of APEC’s goals and to more open economies in all fronts – foremost, through efforts that encourage unilateral actions and secondly, with collective actions.

CTI worked on several collective actions and in collaboration among officials, business and the academia as can be gleaned from the report. Meaningful initiatives were completed and agreed on by members on customs procedures, intellectual property, standards and conformance, cross-border privacy, global value chain development, micro and SME integration and internationalization, services liberalization and facilitation, measurement of trade in value-added, digital trade, self-regulation in advertising standards, green supply chains, cross-border privacy and cooperation in trade-related issues in the chemical and life sciences sector.

One example of collaboration was the Joint Economic Committee and CTI Dialogue on Services. CTI also worked with the APEC Business Advisory Council on the FTAAP collective strategic study and services roadmap. On the latter, CTI consulted with the Asia-Pacific Services Coalition.

On behalf of the Committee, I am grateful to Peru for its warm hospitality and excellent arrangements without which our work will not be completed this year. I wish to highlight the contributions of all the leads of the CTI Friends of the Chair as well as the CTI sub-fora convenors and industry dialogue chairs for their hard work and leadership to further advance our work program. I also wish to thank the CTI program director, Joji Koike, and his colleagues from the APEC Secretariat for their constant support of the CTI and CTI sub-fora. Lastly, I would like to recognize the APEC Policy Support Unit’s useful contributions in making our work and discussions more meaningful through their research and analysis.

With the continued global trade slowdown, we hope you will continue to support CTI’s commitment and cooperation to maintain open economies and build a seamless community. We hope that our work will remain as a strong cover against the pushback on trade and globalization going around many APEC economies and countries around the world.

CTI looks forward to your guidance and instructions.

Sincerely,

Marie Sherylyn Deleña Aquia
Chair, APEC Committee on Trade and Investment
Contents

Recommendations ............................................................................................................... 1

Introduction .................................................................................................................... 5

Section I: Support for the Multilateral Trading System .................................................. 9

Section II: Advancing Regional Economic Integration................................................... 10

Section III: Strengthening Comprehensive Connectivity and Infrastructure ................. 22

Section IV: Expanding Regulatory Cooperation and Advancing Regulatory Coherence .... 28

Section V: Promoting Innovative Development, Economic Reform .................................. 37

Section VI: Industry Dialogues, Collective Actions and Pathfinder Initiatives................... 37

  • Automotive Dialogue ........................................................................................... 38
  • Chemical Dialogue ............................................................................................... 38
  • Life Sciences Innovation Forum ............................................................................ 39
  • Collective Action Plans .......................................................................................... 41
  • Pathfinder Initiatives ............................................................................................. 41

Section VII: Interaction with ABAC .................................................................................. 42

Section VIII: Streamlining CTI and CTI Sub-Fora .......................................................... 46

Annex 1 - CTI Sub-Fora Outcomes for 2016 CTI Priorities

Annex 2 - Collective Action Plans (CAP) or Work Plans for CTI Sub-Fora

Appendices

Appendix 1 - Progressing WTO Ministers Decision to Eliminate Export Subsidies .......... 1-1

Appendix 2 - Final Report on the Second-Term Review of the Bogor Goals ..................... 2-1

Appendix 3 – Second-Term Review of APEC’s Progress towards the Bogor Goals – Progress by Economy .......................................................................................................................... 3-1

Appendix 4 – APEC’s Bogor Goals Dashboard .................................................................. 4-1

Appendix 5 – Addressing Barriers to Trade and Investment in the Context of Global Value Chains: Increasing Transparency of Measures Affecting Exports – Scope and Reporting Method ................................................................................................................. 5-1

Appendix 6 - Collective Strategic Study on Issues Related to the Realization of the FTAAP .................................................................................................................. 6-1

Appendix 7 – Executive Summary of the Collective Strategic Study on Issues Related to the Realization of the FTAAP .................................................................................. 7-1

Appendix 8 – Recommendations accompanying the Collective Strategic Study on Issues Related to the Realization of the FTAAP .................................................................................. 8-1

Appendix 9 – Next Steps for Advancing Work on Digital Trade in 2017 .............................. 9-1
Recommendations

CTI recommends that Ministers endorse:

- CTI’s 2016 Annual Report;

- *Progressing WTO Ministers Decision to Eliminate Export Subsidies* (see Appendix 1);

- *Final Report on the Second-Term Review of the Bogor Goals* with key highlights on members’ main achievements and remaining areas for improvement, including the dashboards to complement the brief reports (see Appendices 2, 3, and 4);

- *Addressing Barriers to Trade and Investment in the Context of Global Value Chains: Increasing Transparency of Measures Affecting Exports - Scope and Reporting Method* (see Appendix 5);

- *The APEC Model Wine Certificate*;

- *Pathfinder on Permanent Customs Duty Moratorium on Electronic Transmissions, Including Content Transmitted Electronically* (Appendix 26);

- *Collective Strategic Study on Issues Related to the Realization of the FTAAP* (see Appendix 6);

- *Executive Summary* of the Collective Strategic Study on Issues Related to the Realization of the FTAAP (see Appendix 7);

- *Recommendations* accompanying the Collective Strategic Study on Issues Related to the Realization of the FTAAP (see Appendix 8);

- *APEC Developing Economies’ Better Participation in Global Value Chains (Phase I)*: Current Status, Concerns and Challenges and (Phase II): Implication and Suggestion;

- *Next Steps for Advancing Work on Digital Trade in 2017* (see Appendix 9);

- *Promoting SMEs’ Integration into Global Value Chains in Major Industries - Comprehensive Policy Report* (see Appendix 10);

- *SMEs’ Integration into Global Value Chains in Services Industries* and Terms of Reference (ToR);

- *Promoting e-Commerce to Globalize MSMEs to support the Boracay Action Agenda and ToR* (see Appendices 11 and 12);

- *Supporting Industry Initiative*;

---

1 2016/SOM2/025anx15
2 2016/SOM2/025anx08
3 2016/SOM3/027anx08
4 2016/SOM2/CTI/019
5 2016/SOM2/CTI/016rev1
• **Compendium on Methodologies for SMEs Internationalization** (see Appendix 13);

• **Developing a Set of Non-Binding Principles for Domestic Regulation of the Services Sector** (see Appendix 14);

• **Single Window Systems’ (SWS) International Interoperability** and ToR;

• **Suggested Framework for Phase Two of the Supply-Chain Connectivity Framework Action Plan 2017-2020 (SCFAP Phase II)** (see Appendix 15);

• **Study on Infrastructure Investment in the APEC Region** (see Appendix 16);

• **Best Practices in Trade Secret Protection and Enforcement Against Misappropriation**; and

• **Updates to the APEC Privacy Framework** (see Appendix 17);

Welcome:

• Progress of APEC economies in notifying acceptance of the WTO Agreement on Trade Facilitation (TFA) (see Appendix 18);

• Progress in advancing the work on non-tariff measures (NTMs), including the *Workshop on Import and Export Licensing Regimes*, information sharing on NTMs in the energy sector;

• **The APEC Trade Repository – Recommendations for Next Steps**;

• Progress in implementing actions under the Beijing Roadmap for APEC’s contribution to the Realization of the FTAAP, including a suite of activities under the 2nd Regional Economic Integration (REI) Capacity Building Needs Initiative (CBI) 2015-17, and information sharing through trade policy dialogue on APEC economy RTAs/FTAs and report by the PSUs on Trends and Developments in Provisions and Outcomes of RTAs/FTAs Implemented in 2015 by APEC Economies (see link: [http://publications.apec.org/publication-detail.php?pub_id=1757](http://publications.apec.org/publication-detail.php?pub_id=1757)) under the RTAs/FTAs Information Sharing Mechanism;

• Progress in implementing the APEC Strategic Blueprint for Promoting Global Value Chains (GVCs) Development and Cooperation, including the **2017-2018 Work Plan for the APEC Technical Group on Measurement on Trade in Value-Added (TiVA) under GVCs** and the **2016 Progress Report on APEC Measurement on TiVA under GVCs** to establish TiVA statistics in APEC by 2018 (see Appendices 24 and 25); holding a series of workshops on promoting the participation of MSMEs to GVCs; convening a series of public-private dialogues on improving the investment climate for GVCs development; holding a capacity building seminar on enhancing resilience of GVCs to natural disasters; and holding the *Public-Private Dialogue on Enhancement of Integration of Regional Value Chains in Asia and Latin America and the Caribbean (LAC)*;
• The Research on Promoting SME Participation in Global Value Chains - ICT/Electronics (see Appendix 19);

• The Compilation on Good Practices on Enhancing Resilience of Global Value Chains to Natural Disasters ¹¹;

• Progress in implementing the Manufacturing Related Services Action Plan, including the Implementation and Review Mechanism of the Manufacturing Related Services Action Plan¹²;

• Progress in implementing the Work Plan for Advancing Facilitating Digital Trade for Inclusive Growth As a Potential Next Generation Trade and Investment Issue, including two trade policy dialogues held on digital trade and an ongoing study on digital trade conducted by PSU;

• Progress of APEC economies in implementing the 2012 Leaders’ commitment to reduce applied tariffs to five per cent or less by the end of 2015 on the APEC List of Environmental Goods (see Appendix 20);

• Progress in implementing the Environmental Services Action Plan, including the survey of regulatory measures in environmental services conducted by the PSU (see link: http://publications.apec.org/publication-detail.php?pub_id=1769);

• Progress in implementing three priority themes of the Investment Facilitation Action Plan (IFAP), namely E-transparency, Reducing Investor Risk, and Simplifying Business Regulation;

• Report by the PSU on the Final Assessment of the Supply Chain Connectivity Framework Action Plan 2010-2015 (SCFAP) (see link: http://publications.apec.org/publication-detail.php?pub_id=1771);

• Progress made in implementing the Boracay Action Agenda to Globalize MSMEs including the stocktake of activities in CTI and its sub-fora during 2016;

• Progress made in the implementation of projects which facilitates the utilization of intellectual property rights by MSMEs;

• Progress in implementing the Leaders’ instruction in 2015 to increase the number of APEC economies with indices for measuring the regulatory environment in services, including the Capacity Building Workshop on Measuring the Regulatory Environment in Services Trade of APEC;

• Progress made in implementing actions under the Capacity Building Plan to improve Supply Chain Performance, including progress in conducting the targeted capacity building projects on pre-arrival processing, advance rulings, expedited shipments, release of goods, and electronic payments;

¹¹ 2016/SOM2/CTI/020

¹² 2016/SOM2/CTI/026
• The outcomes of the activities of the APEC Alliance for Supply Chain Connectivity (A2C2), including its continuation through the TOR for 2017-2020 *(see Appendix 21)*;

• Progress made to promote a wider use of interoperable Global Data Standards (GDS), including a targeted capacity building project to assist GDS pilot projects, and an ongoing study conducted by the PSU to assess the costs and benefits of GDS in supply chains;

• Progress made in implementing the Asia-Pacific Model E-Port Network (APMEN), including the convening of the 2nd Public-Private Dialogue on APMEN and the 3rd Meeting of the APMEN Joint Operational Group (AJOG);

• Progress made in implementing the APEC Cooperation Network on Green Supply Chain (GSCNET);

• The development and launch of the APEC Virtual Knowledge Center on Services (AVKCS);

• Study by the PSU on APEC Best Practices in Authorized Economic Operator (AEO) Programs *(see link: http://publications.apec.org/publication-detail.php?pub_id=1738)*;

• The cross-fora dialogue in 2017 between LSIF, HWG and the FMP on the fiscal and economic impacts of ill-health;

• Progress made on the APEC Regulatory Cooperation Advancement Mechanism on Trade Related Standards and Technical Regulations (ARCAM), including on facilitating trade and investment in sustainable materials management solutions;

• Progress made on the implementation of the active topics of ARCAM, including on advertising self-regulation among APEC economies and the Electric Vehicles Roadmap;

• CTI’s work to undertake a review to streamline, strengthen and sharpen the CTI and its sub-fora, and process for selecting the CTI Vice Chair;

• *Report to Ministers on Reducing Divergences in GHS Implementation in APEC Economies (see Appendix 22)*; and

• *LSIF Executive Board Co-Chairs’ Letter to Ministers and Leaders (see Appendix 23).*
Introduction

The APEC Committee on Trade and Investment (CTI) is the key body responsible for delivery of APEC’s work on trade and investment. CTI encourages APEC member economies to undertake individual and collective actions to liberalize and facilitate trade and investment within the APEC region, in order to achieve the Bogor Goals. This work is supported by economic and technical cooperation (ECOTECH) initiatives, aimed at building capacity in member economies to assist them in undertaking trade and investment liberalization and facilitation.

The CTI oversees eight sub-groups and three industry dialogues (see diagram below). CTI also works closely with other specialist APEC Committees, Task Forces and Working Groups to ensure that Leaders’ and Ministers’ instructions on trade and investment issues are implemented in a coordinated manner.

The CTI Annual Report to Ministers for 2016 outlines the Committee’s accomplishments and recommendations in the key priority areas of APEC’s Trade and Investment Liberalization and Facilitation (TILF) agenda in support of APEC’s 2016 priorities under the theme of “Quality Growth and Human Development”. Collective Action Plans (CAPs) in various Osaka Action Agenda (OAA) issue areas, which were first reported in 1996, continued to be the Committee’s main vehicle for advancing APEC’s trade and investment agenda.

The key elements of CTI’s work program for 2016 were aligned around priority areas that would contribute to the APEC 2016 Priorities. These were: (i) support for the multilateral trading system/WTO; (ii) advancing regional economic integration; (iii) strengthening connectivity and infrastructure development; (iv) regulatory cooperation; and (v) contributions of CTI and sub-fora to
cross-cutting mandates. CTI advanced the initiatives announced by Leaders and Ministers in the preceding years. A summary of the highlights includes the following:

1) The second-term review of the Bogor Goals was conducted, based on which an in-depth review enlightened economies’ progress and the remaining issues to be addressed to attain the Bogor Goals;

2) A series of initiatives and projects in addressing non-tariff measures (NTMs) were implemented. This includes the APEC Model Wine Certificate welcomed by Trade Ministers, the workshop on import licensing, and the reporting mechanism for increasing transparency measures affecting exports;

3) The Collective Strategic Study on Issues Related to the Realization of the FTAAP and the accompanying Recommendations was finalized, as mandated by the Beijing Roadmap for APEC’s contribution to the Realization of the FTAAP, with considerable work conducted by the Task Force on the Collective Strategic Study;

4) Projects continued to be implemented on various work streams under the APEC Strategic Blueprint for Promoting Global Value Chains Development and Cooperation (GVCs Blueprint);

5) A series of activities were conducted to promote common understanding of digital trade, including holding of two trade policy dialogues and a study conducted by PSU;

6) Implementation of the Environmental Services Action Plan (ESAP) commenced through the study conducted by the PSU on the regulatory situation in APEC economies on environmental services classified under CPC 94;

7) There were active contributions by CTI to move forward the issue of addressing MSMEs’ entry into global and regional markets. This included agreeing on a suite of initiatives such as the promotion of e-commerce to globalize MSMEs; supporting industry initiative; creation of the compendium on methodologies for MSMEs to enter the global market; and inclusion of MSMEs in the services sector in promoting MSMEs participation into global value chains under the GVCs Blueprint.

IPEG, CTI’s sub-fora, implemented and discussed projects in promoting MSMEs’ utilization of intellectual property rights. The Best Practices in Trade Secret Protection and Enforcement Against Misappropriation was agreed upon by Senior Officials in SOM3;

8) CTI contributed to the completion of the APEC Services Competitiveness Roadmap (ASCR), providing inputs and comments as a core forum to its formulation. Discussions and initiatives where CTI took a lead on the measurement of services trade restrictiveness and domestic regulation principles supported this process;

9) CTI engaged in a series of programs to improve supply chain performance, including targeted capacity building activities on pre-arrival processing, advance rulings, expedited shipments, release of goods, and electronic payments; and pilot projects and cost benefit analysis of applying Global Data Standard (GDS). The APEC Alliance on Supply Chain Connectivity (A2C2), an advisory body comprising businesses, provided useful inputs and suggestions.

With the conclusion of the Supply Chain Connectivity Framework Action Plan (SCFAP) at the end of 2015, CTI worked to consider a succeeding framework which will serve as a guide to the further
improvement of supply chain performance. To this end, the Friends of the Chair on Trade Facilitation was established in 2016 to develop the SCFAP Phase II, taking into account the assessment of the preceding SCFAP. CTI discussed and agreed to the SCFAP Phase II;

(10) A new initiative to promote regulatory coherence and cooperation in areas affecting environmental services and specifically sustainable materials management solutions (e.g., recycling, composting and waste-to-energy) was launched under the auspices of the APEC Regulatory Cooperation Advancement Mechanism on Trade Related Standards and Technical Regulations (ARCAM) to facilitate trade and investment in this sector and mitigate the human health, ecological, and economic costs associated with insufficient waste management.

In 2016, under the initiative of the CTI Chair, CTI has intensified its efforts to streamline, strengthen and sharpen the CTI and its sub-fora in order to enable CTI and its sub-fora to effectively address important issues. As part of this effort, CTI agreed to the process of selecting a CTI Vice-Chair to be effective in 2017.

CTI collaborated closely with the Economic Committee (EC) to ensure that the committees’ respective work programs on business facilitation, ease of doing business (EoDB) initiative, and regulatory and structural reform are complementary. In 2016, CTI intensified its collaboration with the EC to work closely to contribute to the process of developing the ASCR. Discussions have focused on important elements to move forward the work, given that services trade involves a wide range of domestic regulatory aspects and the need for increased cooperation between regulators and trade officials. As such, both committees convened a joint session on 22 August in Lima in the margins of SOM3. In addition, CTI’s sub-fora such as the Sub-Committee on Standards and Conformance (SCSC) and the Chemical Dialogue (CD) also continued collaboration with the EC on the application of Good Regulatory Practices. The EC – SCSC 9th Conference on Good Regulatory Practices (GRP) was held under EC in the margins of SOM3, with the CD and Food Safety Cooperation Forum Partnership Training Institute Network (FSCF/PTIN) also contributing to the Conference.

CTI also worked closely with the APEC Business Advisory Council (ABAC) throughout 2016 to ensure that CTI work plans and deliverables took into account the needs of the business community. Representatives of both CTI and ABAC participated in each other’s meetings, maintaining consistent and constructive dialogue on key issues, such as advancing FTAAP, services trade and investment liberalization, global value chains, trade facilitation, including global data standards standards for pharmaceutical product serialization and verification, and improvements to the APEC Business Travel Card.

The Policy Support Unit (PSU) and CTI continue to share a close working relationship. In the area of advancing regional economic integration, PSU provided editing support to the Collective Strategic Study on Issues Related to the Realization of the FTAAP. PSU also reported on the trends and developments in provisions and outcomes of RTAs/FTAs APEC members implemented in 2015 as required under the Information Sharing Mechanism, and presented the findings at the SOM Dialogue on RTAs/FTAs.

Two assessments were conducted with CTI’s support, namely: the (1) second-term review of APEC’s Bogor Goals, findings of which contributed to the discussion on the work APEC should focus on towards 2020 and beyond; and (2) final assessment on SCFAP 2010-2015, results of which contributed to the development of the SCFAP Phase II. PSU also completed a study on APEC Best Practices on Authorized Economic Operator (AEO) Programs. The other study on the costs and benefits of applying GDS to supply chains based on five pilot projects is ongoing.
On services, PSU completed a survey on regulatory measures in environmental services in the APEC region, thereby implementing the first phase of the Environmental Services Action Plan (ESAP). Through GOS and MAG, PSU undertook four case studies looking at the role of services trade in GVCs. In addition, PSU supported the organization of the Joint EC-CTI Dialogue on Services, and provided inputs on targets and indicators in the ASCR. A 2015 study titled “Services in Global Value Chains: Manufacturing-Related Services” was also published by World Scientific and distributed to the APEC Trade Ministers.

PSU contributed to the discussion on digital trade through a study on the key issues in promoting digital trade in APEC. PSU also completed the groundwork for an upcoming project on promoting e-commerce to globalize MSMEs.
Section I: Support for the Multilateral Trading System

Highlights:

- CTI and its sub-fora continued to exchange views during the meetings on possible contributions they could make in support of the WTO, including in response to outcomes of the 10th WTO Ministerial Conference (MC10) held in Nairobi in December 2015.

- There were several proposals discussed at CTI which aimed at complementing the implementation of the multilateral trade agreements.

- In this regard, Papua New Guinea submitted a proposal to encourage the implementation of the WTO commitments on export subsidies by establishing a systematic method for information sharing and exchange to begin in SOM1 2017. CTI discussed and agreed to the proposal intersessionally in October 2016.

- Peru organized a workshop in the margins of SOM3 to prompt economies’ further understanding of this issue. The United States tabled proposals on the creation of an APEC Fisheries Assistance Program Reporting Mechanism, aiming at further improving the transparency and reporting of existing fisheries subsidies programs. CTI discussed the proposal, although some economies expressed reservations to the proposal due to sensitivities and possible duplication of work in the WTO.

- Continued efforts were made to urge economies to ratify the WTO Trade Facilitation Agreement (TFA), which was adopted in November 2014. Considering that entry into force of TFA requires ratification of more than two-thirds of WTO Members, Senior Officials instructed CTI that all economies should notify the acceptance of TFA by November in order to indicate APEC economies’ commitment to provide impetus to the entry into force of the TFA. As of 10 November 2016, 17 economies out of 21 had notified the WTO of their acceptance of the TFA. Of the remaining economies, a number are close to concluding the domestic processes for the notification.

- There were discussions on the necessity for APEC to consider a more value-added approach with regard to its support and contribution to the Multilateral Trading System, including the significance of issuing a stand-alone Ministerial Statement on a yearly basis under the current format. CTI and Senior Officials are to continue discussing this issue further.

- The Investment Experts’ Group (IEG) under CTI had active discussions through two IEG meetings as well as intersessionally in the area of International Investment Agreements (IIAs), in collaboration with external stakeholders such as the APEC Business Advisory Council (ABAC), the Organisation for Economic Co-operation and Development (OECD), the United Nations Conference on Trade and Development (UNCTAD), and the World Economic Forum (WEF).
Section II: Advancing Regional Economic Integration

Highlights:

Achieving the Bogor Goals

The achievement of the Bogor Goals remains the cornerstone of APEC work. 2016 has been the year for the Second-Term Review of the Bogor Goals, one of the important milestones for tracking progress being achieved in terms of trade and investment liberalization and facilitation. CTI discussed two reports prepared by the PSU; a general assessment of the APEC region as a whole and a report on each APEC member economy based on the revised Individual Action Plan (IAP) template submitted by economies to report on progress, as well as on external sources of information such as from international organizations. The reports highlighted among others, slowing of the growth of trade in goods in recent years due to structural elements such as the development of global value chains; substantial reduction of the tariffs during 1994 – 2015 while the pace of progress has slowed down after 2010, especially on the progress of zero tariffs; the increase of the number of non-tariff measures (NTMs) applied and its growing importance; marked increase of trade in services especially developing economies’ importance increasing by time; and the aggravation of perception on the business environment. The reports provide a basis to identify areas for further focus and priorities to conduct work towards meeting the Bogor Goals.

At the sidelines of SOM3, a Dialogue on APEC Towards 2020 and Beyond was held. It looked to discuss APEC’s ‘unfinished business’ from the Bogor Goals of 2020 and post-2020 scenarios that APEC must address. The aim is to discuss and develop a post-2020 vision that identifies and anchors itself in APEC’s unique value-add, particularly in redefining and reinforcing APEC’s role. Since the Second-Term Review of the Bogor Goals has been completed this year, it is significant to continue discussions into 2017 to ensure that achievements on initiatives are maintained, further developed, or improved.

As part of the work related to NTMs, a self-funded workshop on Import and Export Licensing Regimes was held in June. Economies exchanged views on the current situation of import licenses and provided cases and ideas in ensuring better transparency of the process both in domestic regulations and in the WTO framework. Economies were encouraged to build on this work by developing practical initiatives to address non-tariff barriers in the region. There were also discussions on the possibility of alternative measures other than import licensing to achieve similar objectives.

During CTI2, the proposal on the APEC Trade Repository – Recommendations for Next Steps was adopted. The initiative provides that the APEC Website on Tariff and ROOs (WebTR) will now be discontinued and that economies promote the APEC Trade Repository (APECTR) website domestically. The APECTR will also provide a link to the APEC MSME Marketplace, implemented by the SME Working Group (SMEWG).

The United States put forth a proposal on Permanent Customs Duty Moratorium on Electronic Transmissions, Including Content Transmitted Electronically, which aims at providing a basis for economies to consider a permanent status to the customs duty moratorium on electronic transmissions. Currently, the moratorium, which takes the form of a ministerial decision, is renewed every two years in the WTO. While several economies have expressed broad support
with a number of economies co-sponsoring the proposal, some economies expressed reservations. CTI agreed to adopt a pathfinder approach to take the proposal forward. Twelve economies (Australia, Brunei Darussalam, Canada, Chile, Japan, Korea, Mexico, New Zealand, Peru, Singapore, Chinese Taipei and the United States) have committed to join the pathfinder.

- Regarding the promotion of products contributing to sustainable and inclusive growth through rural development and poverty alleviation, Indonesia is to carry out a follow-up workshop in the margins of SOM1 in 2017, building upon the study conducted by the PSU in 2015, and in response to the 2015 Leaders Statement to “encourage further progress and practical initiatives to carry out the 2013 mandate of exploring trade in products that contribute to sustainable and inclusive growth through rural development and poverty alleviation”. The workshop plans to discuss policy measures to help to facilitate the reduction and gradual elimination of barriers to trade in selected products, including the discussion on appropriate behind the border factors.

- The Market Access Group (MAG) will continue discussing potential ways in tackling NTMs through cross-fora collaboration and engagement with other international organizations. The group has drawn higher interest from its members in discussing NTMs through the following activities/initiatives:

  The United States led the discussion on the initiative of *Increasing Transparency of Measures Affecting Exports* agreed last year under the recognition that information on a broad range of measures affecting exports available in one place will enhance transparency and reduce burdens for economic operators. Through discussions at MAG, a proposal was developed, where (1) export subsidies, (2) export duties and taxes, and (3) quantitative export restrictions applied on an MFN basis, will be the scope of measures to be reported, which will be provided through the APECTR, a “one stop shop” to access trade-related measures established last year. CTI endorsed the proposal in October intersessionally.

  To explore other areas for collaboration in addressing NTMs, during the MAG2 Meeting in Lima, MAG invited the World Energy Council (WEC) to present its report titled *Non-Tariff Measures: Next Steps for Catalysing the Low Carbon Economy* which identified the major NTMs inhibiting greater liberalization of trade in energy goods, in which twelve (12) barriers were identified in the energy sector which include local content requirements, customs procedures, government procurement, tax laws, administrative licensing, and export controls.

- As part of an effort to address issues related to NTMs of trade in wines, the Sub-Committee on Standards and Conformance (SCSC), on the basis of work conducted by the Wine Regulatory Forum (WRF) under SCSC, discussed and endorsed the *APEC Model Wine Certificate*. The APEC Model Wine Certificate intends to facilitate and ease wine trade bottlenecks in the APEC region by providing a tool for standardizing the certificates through voluntary implementation, and by promoting the reduction and elimination of technical barriers for wine trade. CTI and Senior Officials endorsed the *APEC Model Wine Certificate*, which was welcomed by Ministers Responsible for Trade in May 2016.
**Exploring an FTAAP**

- Progress was made on the implementation of actions under the Beijing Roadmap for APEC’s Contribution to the Realization of the FTAAP agreed by Leaders in 2014. In building on previous work based on a step-by-step approach, CTI, through the Task Force on the Collective Strategic Study (the CSS) on Issues Related to the Realization of the FTAAP established in 2015 and comprising all 21 member economies, conducted the drafting and coordination of the CSS. The CSS comprises the following, with the Recommendations:

  - Chapter 1 – Overview
  - Chapter 2–Review of the APEC Regions’ Economy
  - Chapter 3–Next Generation Trade and Investment Issues
  - Chapter 4–Measures Affecting Trade and Investment
  - Chapter 5–Stocktaking of Existing RTAs/FTAs in the Asia-Pacific Region
  - Chapter 6 –Stocktaking of Initiatives and Outcomes Relevant to an FTAAP
  - Chapter 7–Update of Other Analytical Work
  - Chapter 8–Ongoing Regional Undertakings
  - Chapter 9 – Opportunities and Challenges

- CTI and Senior Officials discussed and agreed to the structure and content of the CSS. *Recommendations* of the CSS were developed, taking into account findings of the CSS, to be presented to the Ministers and Leaders. In line with the CSS and its Recommendations, further work is expected for the next year and beyond, including addressing the challenges and gaps as identified in the CSS.

- CTI reviewed the progress in implementing the 2nd Regional Economic Integration (REI) Capacity Building Needs Initiative (CBI) 2015-2017. Various capacity building activities have been and are expected to be implemented in 2016. These include the following areas: Existing International Investment Agreements in the APEC Region, Relevance, Emerging Trends, Challenges and Policy Options to Address Coherence in Treaty Making (2 February, Lima, Peru); Scheduling of Market Access Negotiations in Services Trade and Investment (27 – 28 June, Seoul, Korea); FTA Negotiation Skills on Environment - Phase 2 (30 June – 1 July, Da Nang City, Viet Nam); Negotiations of Services Chapters under FTAs with a Negative List Approach (19 - 21 August, Lima, Peru); and FTA Negotiation Skills on Intellectual Property, Phase 2 (29 – 30 November, Ha Noi, Viet Nam).

- Further capacity building activities under CBNI 2 are anticipated in 2017, including in the field of competition policy, electronic commerce, and environment.

- On the APEC RTAs/FTAs Information Sharing Mechanism, CTI held a trade policy dialogue (TPD) on WTO-Plus Aspects of Recently Concluded RTAs and FTAs on 7 May in the margins of SOM2 in Arequipa, Peru. The trade policy dialogue highlighted WTO-plus outcomes in APEC economy RTAs/FTAs with a view to building support for high quality, comprehensive RTAs/FTAs as potential building blocks for the realization of the FTAAP. Presentations and discussions focused on a general overview of various WTO-plus aspects of the Canada-Korea FTA, AANZFTA, Chile-Australia FTA, while focusing on specific sectors for the ANZTEC (conformity assessment), Korea-Peru FTA (government procurement), and TPP (intellectual property, regulatory coherence).
CTI representatives also participated in the SOM Dialogue on RTAs/FTAs on 25 August in the margins of SOM3 where presentations and discussions were conducted on such issues as academics’ and negotiators’ perspective on TPP and RCEP; convergence and divergence of FTAs; importance of CBNI initiatives and future suggestions for contributing to larger regional undertakings; and better utilization of FTAs/RTAs especially by SMEs. The PSU provided an overview of the trends and developments in the provisions and outcomes of RTAs/FTAs implemented by APEC economies in 2015.

**Global Value Chain Cooperation**

CTI, through its FoTC on GVCs, continued to conduct work to take forward the APEC Strategic Blueprint for Promoting Global Value Chains Development and Cooperation (GVCs Blueprint) agreed by Leaders in 2014, including projects and initiatives related to the following work streams:

- **Work Stream 1 – Addressing trade and investment issues that impact GVCs (United States)**
- **Work Stream 2 – APEC GVCs and TiVA Measurement (China, United States)**
- **Work Stream 3 – Realize the critical role of trade in services within GVCs (Australia)**
- **Work Stream 4 – Enable developing economies to better participate in GVCs (Indonesia, China)**
- **Work Stream 5 – Assist SMEs to benefit from GVCs (Korea)**
- **Work Stream 6 – Improve the investment climate for GVCs development (Japan)**
- **Work Stream 7 – Adopt effective trade facilitation measures (Singapore)**
- **Work Stream 8 – Enhance resiliency of GVCs (Japan)**

In relation to work stream 9 to encourage public-private partnerships for GVCs, CTI had agreed in 2015 that all lead economies should encourage and integrate public-private partnerships and dialogues in their work plan activities.

On work stream 2 (APEC GVCs and TiVA measurement), since the first meeting of the Technical Group on the Measurement of APEC TiVA in May 2015, substantial progress has been made during 2016 to advance the Strategic Framework on Measurement of APEC Trade in Value-Added (TiVA) and Action Plan on the Strategic Framework on Measurement of APEC TiVA under GVCs agreed by the Leaders in 2014, which sets a target to establish an APEC TiVA Database by 2018. The Technical Group on the Measurement of APEC TiVA, comprising experts of member economies and international organizations such as the WTO, OECD and ADB, held its second meeting on November 4, 2015 in Shanghai, China in order to advance work and accomplish the tasks under the work plan. Following this, the third meeting was convened on 25-26 February 2016 in Lima, Peru in the margins of SOM1. The Technical Group discussed issues related to data sources and compilation methodology and identified capacity building needs of the economies. As a result, the Technical Group drafted and submitted two key documents to the CTI, the Proposed Code of Conduct of the Working Website of APEC Technical Group of Measurement on TiVA Under GVCs and the Suggested Classification of Measurement on APEC TiVA Terms of Reference on the Operational Mechanism of the Technical Group on Measurement of APEC TiVA under Global Value Chains. CTI discussed and agreed to the documents, which were endorsed by the Ministers Responsible for Trade (MRT) Meeting in May.
The fourth Technical Group meeting was held in October in Bangkok, Thailand in conjunction with the second capacity Building Workshop. The workshop was organized and implemented on the basis of economies’ needs identified at the second Technical Group meeting and through the Questionnaire for APEC Measurement on TiVA 2016 Progress Assessment and Technical Assistance/Capacity Building Needs. The fourth Technical Group meeting discussed and agreed to the work plan for 2017 based on the achievements and issues identified during 2016.

- In relation to work stream 3 (Realize the critical role of trade in services within GVCs), CTI agreed to incorporate the related work into the APEC Services Competitiveness Roadmap.

- In relation to work stream 4 (Enable developing economies to better participate in GVCs), the lead economies of the work stream (China, Indonesia) proposed a draft report on APEC Developing Economies’ Better Participation in Global Value Chains (Phase I): Current Status, Concerns and Challenges and (Phase II): Implication and Suggestion. Phase I of the draft report was discussed at CTI2 and was endorsed by Senior Officials and MRT. Phase II of the draft report was discussed and agreed at CTI3 and endorsed at SOM3.

- In relation to work stream 5 (Assist SMEs to benefit from GVCs), see “Contribution to MSMEs’ integration into global and regional markets” below.

- In relation to work stream 6 (Improve the investment climate for GVCs development), progress was made to implement the work plan, with CTI having discussed the Scope of the Study on Improving the Investment Climate. Three sub-regional groups were formed for the purposes of convening public-private dialogues (PPDs) in order to discuss and identify common issues, challenges, and measures for improving the investment climates in those sub-regions. Australia hosted a PPD in Kuala Lumpur on 28-29 April 2016, followed by Japan and Peru’s hosting of a PPD in Lima, Peru in the margins of SOM3. CTI noted Japan’s plans to hold a PPD early next year in Tokyo, Japan.

- Other than the work related to each of the work streams, Japan and Peru held a public-private dialogue on Enhancement of Integration of Regional Value Chains in Asia and Latin America and the Caribbean (LAC) on 17 August in Lima, Peru in the margins of SOM3. With the participation of government, the private sector, and international organizations, the workshop highlighted the current situation of regional value chains in Asia and LAC, and discussed ideas on how to enhance integration of both regional value chains.

**Next Generation Trade and Investment Issues**

- On manufacturing related services which was selected as a Next Generation Trade and Investment Issue (NGETI) for work in 2014, following the endorsement of the Manufacturing related Services Action Plan (MSAP) by the Ministers in 2015, CTI discussed further steps to implement the MSAP, and agreed to the discussion paper for the Implementation and Review Mechanism of the MSAP. It includes cooperative actions and capacity building to share experiences and good practices on trade-related measures affecting manufacturing related services, with interim and final review in 2018 and 2020.

- As regards issues related to digital trade, CTI discussed progress in implementing the Work Plan for Advancing Facilitating Digital Trade for Inclusive Growth As a Potential Next Generation Trade and Investment Issue agreed by CTI in 2015. Two TPDs were held in Lima, Peru with the
objective of gaining a common understanding of the current situation and characteristics of
digital trade. The first TPD was held on 26 February in Lima, followed by the second TPD held on
19 August. In conjunction with the TPDs, PSU conducted a study on digital trade, which is
ongoing, to contribute to the above-mentioned process.

• In order to further advance the work on digital trade in 2017 and beyond building on the work
carried out this year, the United States proposed at CTI3 Next Steps for Advancing Work on
Digital Trade in 2017 that includes continuing robust trade policy dialogues with industry and
other stakeholders in 2017, development of a digital trade work program, sharing experiences
and effective practices, and establishment of targeted capacity building programs to expand
and promote digital trade in the region. CTI discussed and agreed to the proposal.

Environmental Goods and Services/Green Growth

• Following the intensive work during 2015 to work out plans to implement the Leaders’
commitment to reduce applied tariff rates on the 54 products in the APEC List of Environmental
Goods (EG List) to five per cent or less by the end of 2015 in accordance with the agreement
reached in 2012 in Vladivostok, CTI received further updates from economies through “Detailed
Implementation Plans” to capture such progress. Updates were compiled and published on the
APEC website in January 2016. The publication of the “Detailed Implementation Plan”, which
outlines (1) legislative or executive authority to be used to make the necessary tariff reductions
and (2) the tariff lines on which applied tariffs would be reduced to five percent or less for each
of the 54 Environmental Goods List subheadings, serves to enhance transparency for business
and other stakeholders on tariff reductions under the EG List. CTI also noted the need to
identify and prioritize NTMs related to environmental goods and services considering its
growing importance.

• Bearing in mind that some economies have not yet fully implemented the Leaders’ commitment
on the EG List, CTI monitored the progress in 2016 through economies’ detailed updates to the
CTI Chair. Although certain additional progress has been noted, the CTI Chair encouraged
economies to continue to work intensively in order to achieve full implementation of the
Leaders’ commitment.

• CTI welcomed the progress underway on the implementation of Phase 1 of the Environmental
Services Action Plan (ESAP) endorsed by Ministers in 2015. As an initial part of Phase I, CTI
discussed a survey conducted by the PSU on Regulatory Measures in Environmental Services, in
which various regulatory aspects of environmental services in APEC economies classified under
CPC 94 (Sewerage/ sewage treatment and septic tank cleaning services, Waste collection
services, Waste treatment and disposal services, Sanitation and similar services, Remediation
services, and Other environmental protection services) were analyzed, including institutional
framework of regulations (central government/sub-central government), content and tendency
of regulatory measures and liberalization of environmental services were highlighted. Further
steps to implement the ESAP are envisaged in 2017 as the second part of Phase I, including
studies and policy dialogues to build and enhance common understanding of the role of a wider
range of environmental services. Possible service sectors may include water related business,
refuse disposal and recycling related business, renewable energy related business, energy
efficiency related business, and environmental pollution control business. The ESAP further
envisages identifying key challenges and compiling recommended actions to address those
challenges and sharing good practices as a means to promote liberalization, facilitation and cooperation in this area in the succeeding years.

**Contribution to MSME’s Integration into Global and Regional Markets**

- CTI discussed, implemented, and contributed to a suite of initiatives and projects related to MSME’s internationalization, including new initiatives proposed this year which supports the implementation of the Boracay Action Agenda (BAA) to Globalize MSMEs.

*(Promoting participation of MSME’s participation to GVCs)*

- CTI continued to advance work to promote MSMEs’ participation in the global value chains of major industries under work stream 5 of the APEC Strategic Blueprint for Promoting Global Value Chains Development and Cooperation, agreed by the Leaders in 2014.

- With regard to the work to promote the participation of MSMEs in five major individual sectors under the work stream, i.e., (1) healthcare product value chains (United States); (2) IT/electronics (Korea); (3) automotive sectors (Malaysia, the Philippines); (4) agribusiness (food) sector (Thailand), and (5) textiles/apparel (Viet Nam), continued progress of work was marked following 2015. In addition, two workshops were held: on agribusiness (7-8 March, Bangkok, Thailand) and on textile and apparel global value chains (29-30 March, Hanoi, Viet Nam).

Based on the workshop on IT/Electronics held in September last year, Korea, the lead economy for the IT/Electronics sector, tabled a *Research on Promoting SME Participation in Global Value Chains - ICT/Electronics*, which analyses GVCs in this sector including opportunities and benefits brought about by GVCs; lack of information for MSMEs that limits their potential, which should be complemented by appropriate government policies and information-sharing platforms; and importance of trade and industrial policy towards mitigating trade barriers as the cost of protectionism increases with further advancement of GVCs. CTI discussed and agreed to the report.

On the automotive sector, building on the progress achieved in 2015, Malaysia and the Philippines, as lead economies, proposed at CTI1 a work program for the *Regional Automotive Supplier Excellence Program (RASEP)* which underpins a more targeted approach to promote participation of MSMEs in automotive GVCs. The work flow consists of the following: a (1) workshop to discuss best practices on practical solutions/programs, (2) development of RASEP, (3) identification and selection of SMEs to participate in RASEP, (4) implementation of tailored technical assistance and capacity building for auto SMEs to address issues identified by the RASEP, and (5) post-RASEP assessment/review. CTI discussed and endorsed the proposal as a living document. Implementation of the work program is expected to start in early 2017, with a workshop to be held under the collaborative effort of CTI and the Automotive Dialogue (AD) to discuss best practices on practical solutions/programs referred to in (1) above.

- With a view to synthesize the work implemented during 2015 - 2016 on the five major individual sectors, Korea, the lead economy of work stream 5, held a workshop on *Promoting SMEs’ Integration into Global Value Chains in Major Industries* on 20 August in Lima, Peru in the margins of SOM3 in which findings and outcomes achieved through the implementation of each project were discussed. On the basis of the workshop, Korea produced a draft “GVCs Policy Report” in October which includes findings and policy recommendations as a guidance to the priorities and direction of work to promote participation of MSMEs to GVCs under work stream
5 of the APEC Strategic Blueprint for Promoting Global Value Chains Development and Cooperation. CTI considered and agreed to the GVCs Policy Report intersessionally.

- In addition to the current five major sectors, Peru and Korea put forth a proposal to add MSMEs in the services sector to promote MSMEs’ integration into GVCs in services industries. This also constitutes part of efforts to support APEC’s works on Trade in Services. CTI discussed and agreed to the proposal including the Terms of Reference (TOR) to conduct the project. CTI welcomed the intention of economies to lead specific sectors as provided in the agreed TOR, in particular: Korea on software; Peru on tourism; and Vietnam on logistics and distribution.

(Contribution to the implementation of the Boracay Action Agenda)

- CTI and its sub-fora contributed to the implementation of the Boracay Action Agenda (BAA) agreed by the Leaders in 2015, in line with Implementation Plan for the BAA. The Philippines and the Secretariat conducted a stock-take of implementation of the BAA for 2016, according to which progress has been observed. The result of the stock-take will form a basis for considering further priorities to implement the BAA in 2017 and beyond.

(Promoting E-Commerce to Globalize MSMEs)

- On the basis of the proposal by Korea agreed by CTI in 2015 to conduct a project on Promoting e-Commerce to Globalize MSMEs to support the BAA, CTI discussed and agreed to the work plan and the TOR of the project. The project, in collaboration with the PSU, seeks to (1) identify barriers/difficulties faces by MSMEs to participate in e-commerce; (2) explore ways to address identified barriers/difficulties; and (3) develop a set of recommendations that can be used as a guide to develop capacity building plans. The project envisages cross-fora collaboration with such fora as the Electronic Commerce Steering Group (ECSG), the Small and Medium Enterprises Working Group (SMEWG), and the Ad-Hoc Steering Group on the Internet Economy (AHSGIE) during its implementation in 2017.

- Under the auspices of the ECSG, a two-day workshop on “E-Commerce for Inclusion and Competitiveness” was held in Peru in August 2016, which enabled experience sharing from member economies and the private sector on pertinent issues on financial and social inclusion and competitiveness, and the importance of the role of big data and cloud computing. Participants at the workshop agreed on the importance of facilitating digital payment, the use of cloud services, promoting e-commerce trade shows and ensuring consumer confidence as critical issues to facilitate cross-border e-commerce.

- Also under ECSG, the IDEAS Show @ APEC Social e-Commerce was held from 20-21 July 2016 in Chinese Taipei. The event examined current technologies, obstacles, and trends of e-commerce mechanisms and promoted collaboration for social e-commerce startups. The event attracted 300 startups from Japan; Hong Kong, China; and Singapore, and accumulated USD 190 million for early stage investment for the startups.

(Supporting Industry initiative)
Based on the recognition that MSMEs, as supporting industries, play an integral role in the manufacturing value chains functioning as essential “infrastructure”, Japan and Viet Nam jointly proposed a Supporting Industry Initiative at CTI2. The proposal intends to share policy experiences and to suggest best policies for supporting industries through developing a “supporting industry policy guideline” by the end of 2017, taking into account combining policy elements such as clustering, research and development (R&D), human resources development, business matching, improvement of trade and investment environment, and access to finance. CTI discussed and endorsed the initiative. PSU is to support the initiative through conducting case studies to collect best policy practices. In addition, a policy seminar is scheduled to be held in the margins of SOM1 in 2017 to discuss supporting industry policies.

(Compendium on Methodologies for SMEs Internationalization)

During the special session for SMEs at the 2016 Ministers Responsible for Trade Meeting, there were suggestions regarding the usefulness of compiling the methodologies and successful branding strategies of MSMEs in entering the global market. Against this backdrop, Peru submitted a proposal at CTI3 on developing a compendium of APEC best practices, methodologies and success stories on SMEs internationalization. CTI discussed and, subject to inputs from the SMEWG, agreed to the proposal. Some economies noted that the SMEWG would be best placed to undertake this work. The proposal was discussed at the SMEWG meeting on 7-8 September in Lima, Peru. Following the discussion at SMEWG, it was agreed that the CTI and the SMEWG will co-chair the initiative. Further works and coordination with the SMEWG to implement the initiative is expected in 2017, including the utilization of the MSME Marketplace.

(Sub-fora work to support MSMEs’ internationalization)

The SCSC under CTI endorsed in 2015 a work plan to address issues related to standards and conformance that will enable SMEs to better participate in regional and global markets. The SCSC Workplan includes work in support of SCSC-SMEWG collaboration which consists of the following: (1) exchanging information on packing and labeling requirements; (2) sharing standards and conformance learning materials; and (3) capacity building activities oriented to training business, especially SMEs, to improve their knowledge, expertise and skills on standards and conformance matters. In light of (3) above, two APEC funded projects’ workshops were conducted in 2016; one on Supporting Micro, Small and Medium Enterprises (MSMEs) Trade Facilitation through Standardization Activities (Peru) and the other on Capacity Building on Antibacterial Products and Materials and their Evaluation Test Method for Modernization of MSMEs in APEC Region (Japan). These projects contributed to enhance synergies with SMEWG in terms of supporting SMEs in standards and conformance.

During 2016, the Intellectual Property Expert’s Group (IPEG) has implemented and discussed a number of projects which intend to improve capacities of MSMEs’ effective utilization of intellectual property rights, including the following:

An APEC-funded project to develop a Guidebook for SMEs’ IP-Business Cycle, which started in 2015, continued to be implemented during 2016. The Guidebook will be finalized early next year.

IPEG discussed the following projects which were approved as APEC-funded projects: (1) SMEs Innovation: Capacity Building on IP Strategy; (2) Promoting Innovation through a Mechanism for IP Valuation, Financing and Leveraging IP Assets; and (3) Best Practices on Brand Development
and IP Protection for Micro, Small and Medium Enterprises (MSMEs).

- The AD contributed to the work related to MSMEs internationalization through continuous updates of the *Compendium of Automotive Business Regimes in APEC*, which aims at empowering APEC SMEs to penetrate the automotive GVCs through updated trends and knowledge on the automotive markets in the APEC region.

Advancing the Services Trade Agenda

- During 2016, CTI discussed and advanced a number of issues related to services trade, particularly in relation to the implementation of the 2015 APEC Services Cooperation Framework (ASCF). Under the Leaders’ instruction to develop a strategic and long-term *APEC Services Competitiveness Roadmap (ASCR)* in 2016, CTI served as a core forum to provide inputs to the drafting process of the ASCR serving as a basis for high-level discussion at the Friends of the Chair (FOTC) on Connectivity and SOM. In addition, initiatives supporting the ASCR were discussed in CTI as mentioned below. It is noteworthy to mention that, given that services trade issue involves domestic regulatory aspects to a great extent and that cooperation between regulators and trade officials are important elements to move forward the services trade agenda, strong synergies exist between both the Economic Committee (EC) and the CTI. As such, both committees convened a joint session on 22 August in Lima in the margins of SOM3 where discussions focused on the draft APEC Economic Policy Report (AEPR) on Structural Reform and Services, and featured presentations by Bernard Hoekman of the European University Institute and Hildegunn Nordas of the OECD; presentations on case studies on services reform; and a discussion on the three overarching targets under the draft ASCR. There was discussion as well on key or backbone services sectors such as telecommunications and transportation.

- The joint meeting considered the draft ASCR further, with the CTI Chair drawing up areas for future collaboration such as identifying capacity building needs and the whole-of-government approach. The EC Chair also noted that the recommendations of the draft AEPR would be incorporated to the draft ASCR after its further development.

- Based on the 2015 Leaders’ instruction on the ASCF to “seek better ways to ... increase the number of APEC economies with indices for measuring the regulatory environment in services including by providing capacity building and exploring the development of an APEC index, taking into account, as appropriate, existing indices maintained by other fora such as the OECD”, Korea proposed at CTI1 to hold a workshop to learn from the existing international methodologies on measuring services, as well as a comparative analysis to serve as a starting point to work towards the development of an APEC index for measuring the regulatory environment. The *Capacity Building Workshop on Measuring the Regulatory Environment in Services Trade of APEC* was held on 12 May in Arequipa, Peru in the margins of SOM2, with the participation of experts from the OECD, the WTO, and the World Bank. Presentations and discussions were made on the benefits and utilization of services regulatory index, as well as on the methods and process of developing such indices, including OECD’s Services Trade Restrictiveness Index (STRI) and the World Bank’s STRI. On the basis of the above, discussions were made on how APEC could move forward the work to develop a services regulatory index by taking into account the lessons learned.
• To implement the Leaders’ mandate which calls for an increase in the number of APEC economies with indices to measure the regulatory environment in services and as one of the next steps to the capacity building workshop, Korea put forth at CTI3 a proposal to carry out a pilot program on the OECD STRI. It is envisaged that the pilot program will involve volunteer APEC economies that are not yet covered by the index and will be implemented from 2017 to 2018. Some economies expressed reservations to the proposal.

• Korea tabled a proposal at CTI2 to develop a set of non-binding good practice principles for domestic regulation of the services sector, which can form part of the key elements to support the ASCR, recognizing that ensuring the quality of regulatory structure plays a pivotal role as enabling factors for trade in services. The proposal envisages brainstorming workshops/seminars to be held in the margins of CTI1 in 2017 to identify the elements that need to be contained in the principles, followed by the development and drafting of the principles, in close collaboration with the EC and the Group on Services (GOS). CTI discussed the proposal and agreed to the proposal intersessionally in November 2016.

• GOS continued to advance the REI agenda and achieved progress in its initiatives. GOS discussed its contributions to the APEC Services Competitiveness Roadmap and agreed to work on its implementation as tasked by CTI/Senior Officials. Under the APEC Global Value Chains (GVCs) Blueprint, Case Studies on the Role of Services Trade in GVCs involving the health services sector in Malaysia, telecommunication sector in Australia and Papua New Guinea, and transport services sector in Chile were conducted. The case studies on Papua New Guinea and Chile were completed and made available on the APEC website (http://publications.apec.org/publication-detail.php?pub_id=1763 and http://publications.apec.org/publication-detail.php?pub_id=1762, respectively).

On 30 September 2016, the Philippines officially launched the operation of the APEC Virtual Knowledge Center (VKC) on Services, an accessible and inclusive online tool providing platforms for knowledge-sharing, discussion boards, and virtual workshops to MSMEs, service providers, policy makers, and practitioners. It is an interactive hub for all services-related information and outputs by APEC which conveniently connects all members and users.

In terms of expanding regulatory cooperation and advancing regulatory convergence, GOS endorsed the Compendium of Policy and Regulatory Practices: Guiding Principles for Services Sectors, which is the final product of the Australia-led series of symposia on good policy and regulatory practices of eight services sectors (accounting, legal, architectural and engineering, logistics and transport, telecommunications and ICT, mining and energy, financial and higher education services). The Compendium aims to support APEC’s work on services beyond 2016 as a key resource for individual economies, regulators, policy makers, and trade negotiators.

With regard to the STAR Database, the website has covered all 21 economies and eight service sectors. However, the website’s long-term sustainability is an issue to be resolved by the Group.
Investment

- IEG discussed issues to move forward the investment agenda. Regarding the Investment Facilitation Action Plan (IFAP), it was agreed at IEG1 in 2015 to nominate “Implementing Economies” that will report on their state of implementation during 2015-2016 on three priority themes: e-transparency, reducing investor risk, and simplifying business regulation. As a result, 17 out of 21 Implementing Economies were specified. Ten (10) implementing economies submitted their details of implementation (as of October 2016). On the basis of the request from Co-Convenors at IEG2 in 2016, the PSU will assess the outcomes of implementation of the three priority themes. The PSU targets to submit the assessment report at IEG1 in 2017.

- On 15 August 2016, in the margins of IEG2, Australia hosted an Investment Policy Dialogue on Approaches to Management of Foreign Investment: Sharing experience amongst APEC investment policy-makers and regulators. The purpose of the dialogue was to explore different approaches to be taken to manage foreign investment and provide members with an opportunity to consider different policy options. Through the policy dialogue, members recognized the interests of having transparent rules or regulations to govern foreign investment applications. The policy dialogue enabled participants to consider the most flexible ways to manage these rules, and agreed to consider further work on this topic. A first step could be to develop a menu of policy options that targets to codify how economies manage foreign investment. This would improve transparency by defining how economies set the boundaries for investment both through rules that apply prior to investment and behind border restrictions post investment.

Economic and Technical Cooperation

- Following the establishment of the FTAAP and GVC sub-fund under the APEC Support Fund to which China contributed USD 3 million, five projects applying for the sub-fund were approved by the Budget and Management Committee (BMC) during the 2016 APEC funding session 1. In addition, during the 2016 APEC funding session 2, five projects applying for the sub-fund were in-principle approved by the BMC, based on which detailed project proposals are being developed for final approval as of 10 November. Through the funding, the FTAAP and GVCs sub-fund has greatly contributed and is expected to contribute to promote the implementation of important projects related to the realization of an FTAAP and GVCs.
Section III:  Strengthening Comprehensive Connectivity and Infrastructure

Highlights:

Overview of Work Related to Improving Supply Chain Performance

- CTI and the Sub-Committee on Customs Procedures (SCCP) continued to review the progress made on various initiatives to improve supply chain performance, including capacity building work to improve economies’ ability to prepare for implementing the articles included in the WTO Trade Facilitation Agreement (TFA).

- Following the Capacity Building Plan to Improve Supply Chain Performance agreed in 2014 to advance the systematic approach to the SCFAP, CTI discussed progress on the implementation of five projects funded by the APEC Supply Chain Connectivity sub-fund through targeted capacity building to implement the TFA on (1) pre-arrival processing, (2) advance rulings, (3) expedited shipments, (4) release of goods, and (5) electronic payments. CTI noted that there have been challenges in securing more volunteer economies to participate in the projects.

On pre-arrival processing, Peru, Malaysia and Viet Nam have been participating in the project. A significant outcome has been achieved for Peru where changes to its law and implementing procedures were reported. For Malaysia, a two-day capacity building program was conducted on 21-22 September where discussion was made on the assessment of findings and changes to be made to the Malaysia pre-arrival processing program. For Viet Nam, a consultant team conducted assessment in September on pre-arrival processing, advance rulings and expedited shipments which would contribute to the formulation of recommendations for capacity building.

On advance rulings, Chile and Viet Nam volunteered to participate. For Chile, assessment was conducted in April (together with release of goods and electronic payments), based on which an assessment report was finalized in October. A capacity building plan will be formulated accordingly on the issues identified.

On expedited shipments, the Philippines and Viet Nam participated in the project. For the Philippines, the assessment report was finalized in August. A follow-up work was conducted in October including a review of existing rules and regulations and the development of a unified implementation plan.

On release of goods, Chile has volunteered to participate, where an assessment was conducted (together with advance rulings and electronic payments). The assessment report was finalized in October based on which a capacity building plan will be formulated on the issues identified.

On electronic payments, Chile has volunteered to participate, where an assessment was conducted (together with advance rulings and release of goods). The assessment report was finalized in October based on which a capacity building plan will be formulated on the issues identified.
• A series of meetings of the APEC Alliance for Supply Chain Connectivity (A2C2), an advisory group consisting of supply chain and customs experts from the public and private sectors, was held during 2016 in Lima, Peru. The 4th A2C2 meeting was held on 23 February in the margins of SOM1 and the 5th A2C2 meeting was held on 21 August in the margins of SOM3. A2C2 reviewed the progress of the five projects outlined in the plan including an in-depth review of these ongoing targeted capacity building projects. A2C2 discussed the progress of work on Global Data Standards (GDS) which was added to the Capacity Building Plan to Improve Supply Chain Performance, including the possible application of GDS to risk management aspects, and assessment of the costs and benefits of applying GDS in supply chains based on the results of pilot projects. There were discussions on future work where priorities should be given to improve supply chain performance. Several private and public sector representatives exchanged views and provided suggestions, including the need to rectify the lack of border agency coordination through the implementation of WCO Immediate Release Guidelines, and to address impediments to MSMEs through customs valuation ceilings for goods. Considering that the work on establishing Phase 2 of the Supply Chain Connectivity Framework Action Plan (SCFAP Phase 2) is ongoing, and that private sector involvement is indispensable for improving supply chain performance, the A2C2 lead economy recommended that the A2C2 should continue its work for the SCFAP Phase 2. CTI welcomed the outcomes of the activities of A2C2, and agreed to the Terms of Reference of A2C2 which stipulates the extension of A2C2’s activities to cover the period of 2017-2020 to provide academic and business advisory on addressing the chokepoints/pillars to be agreed on.

• In order to support APEC economies’ efforts to implement the WTO TFA based on their needs, Peru conducted a project on Best practices on critical issues in the Asia-Pacific region for the implementation of WTO Trade Facilitation Agreement. The project was composed of two parts: (1) a survey conducted aiming at assessing the preparedness of APEC economies for the TFA, and identifying best practices and issues encountered by economies in the APEC region; and (2) a workshop held on 20-21 August in Lima in the margins of SOM3 where best practices and implementation guidance to implement the TFA were shared.

• On the suite of work related to promote a wider use of interoperable GDS, considerable progress has been achieved during 2016.

Hong Kong, China and New Zealand jointly conducted a project funded by the APEC Supply Chain Connectivity sub-fund to provide capacity building to the implementation of three GDS pilots: (1) durian (led by Malaysia); (2) asparagus (led by Peru); and (3) tequila (led by Mexico), with particular attention given to identifying the possible application of GDS in improving border risk management. Both economies also jointly conducted two self-funded GDS pilots: (1) boxed beef (Hong Kong, China); and (2) wine (New Zealand). The LSIF and ABAC conducted a pilot project in the Philippines testing the efficiency of the use of Global Data Standards (GDS) for product verification in the pharmaceutical supply chain.

PSU conducted a cost-benefit analysis on the application of GDS to supply chains employing indicators such as Delivered In-Full, On-Time (DIFOT), container demurrage, transport planning and visibility. This study, which is based on two implemented pilot projects: wine and boxed beef is in the final stage. The pilots indicate that the adoption of global data standards can contribute to amelioration of a number of chokepoints identified by the Supply Chain Connectivity Framework Action Plan (SCFAP), namely: lack of awareness and coordination among government agencies on policies affecting logistics; burdensome customs
documentation and other procedures; and variations in cross-border standards and regulations for movement of goods. The study on the other three pilot projects is ongoing and will be completed in 2017.

- Peru proposed an initiative on *Single Window Systems’ (SWS) International Interoperability* which aims to foster the flow of goods, enhance supply chain security, reduce costs, and provide quality and timely information on trade across borders. CTI discussed and agreed to the proposal, which was welcomed at the 2016 Ministers Responsible for Trade Meeting. PSU was tasked to conduct a study to identify best practices and main obstacles, including organizational, legal and technical conditions in implementing SWS’ international interoperability, and to explore the benefits and challenges using SWS international interoperability.

- In line with the 2016 work plan for the Asia-Pacific Model E-Port Network (APMEN) endorsed at the 2016 meeting of Ministers Responsible for Trade held in May, the 3rd APMEN Joint Operational Group (AJOG) was held on 26 July in Shanghai. A series of literature reviews (regulations and policies for E-port and single window, practices on using ICT infrastructure for cross border trade and supply chain connectivity by APEC economies) were conducted. The meeting also discussed a proposal to advance pilot projects of APMEN. The 3rd AJOG meeting was preceded by the 2nd Public-Private Dialogue on APMEN held on 25 July in Shanghai.

- In accordance with the 2016 work plan for the APEC Cooperation Network on Green Supply Chain (GSCNET), the Annual Conference and Capacity Building Workshop was held on 29 July in Shanghai. Discussions were made on the progress achieved and on future work plans including to further promote cooperation, information sharing, and demonstration projects. The GSCNET website was launched, which was later linked to the APEC official website. In addition, at CTI2, three new members were welcomed to the network - Australia, Korea, and Chile. CTI encouraged more members to nominate experts for the Expert Group of GSCNET as agreed in the work plan.

- SCCP reported the outcomes of the questionnaire conducted by Chile on the implementation of the APEC Customs Transit Guidelines on Chokepoint 8, with the objective of making a general diagnostic of each economy. The results of the questionnaire reflected different problems and criteria among economies: among others, that the implementation of the APEC Customs Transit Guidelines needs coordination and cooperation among multiple governmental agencies responsible for management on transit transport, and that, rather than customs, another agency is responsible for signing of the agreement on transit goods with other economies.

- SCCP will continue working intersessionally in order to define future activities related to chokepoint 8 to address issues in obtaining a certain degree of harmonization in preferential transit, which includes: (i) organizing a workshop where economies can explain the rules and procedures applicable on this matter, and to convene authorities from customs, transport and the private sector; (ii) collecting best practices of economies through a handbook to consider private sector participation; and (iii) evaluating needs of technical assistance.

- SCCP welcomed the *Study of APEC Best Practices in Authorized Economic Operator (AEO) Programs* prepared by PSU. This final report updates the APEC AEO Compendium done in 2010, and suggests ways to improve APEC AEO convergence and regional economic integration; helping APEC economies to harmonize customs procedures according to the AEO Action Plan. The overall study highlights that 17 APEC member economies have operational AEO programs in varying stages of development. In addition, mutual recognition agreements (MRA) within the
APEC region are vital to the success of AEO programs. MRAs will be successfully negotiated if administrations and governments trust each party’s control mechanisms and program objectives/qualification requirements, especially with data protection.

- SCCP welcomed initial discussions on the development of a project with the Chemical Dialogue (CD) regarding information sharing and potential follow-up steps to address unnecessary diverges in approaches and treatment for the importation of chemicals.

**Final assessment of SCFAP I and the establishment of SCFAP Phase II**

- The Supply Chain Connectivity Framework Action Plan (SCFAP), initiated in 2010 as a five-year action plan to implement the APEC-wide goal of achieving a 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, concluded at the end of 2015. In order to review the progress achieved during 2010-2015 and to identify issues for further improvement of supply chain performance, a final assessment of the SCFAP was conducted in 2016. CTI agreed to carry out work to formulate a second phase of an action plan to improve supply chain performance, taking into account the outcomes of the final assessment of SCFAP I. To this end, the Friends of the Chair (FOTC) on Trade Facilitation was established under CTI in 2016 to carry out related technical work.

- PSU has completed its report on the final assessment of SCFAP 2010-2015 based on the internal indicators, external indicators, and a self-assessment survey. The assessment highlighted improvement from Doing Business indicators for time to trade; but some gaps are apparent in terms of logistics performance. The report suggested that the common challenges in implementing SCFAP activities and achieving the 10% target of improving supply chain performance are related to insufficient infrastructure, lack of information and consistency, as well as institutional problems, particularly on chokepoint 2 (transport infrastructure), chokepoint 3 (logistics capacity), and chokepoint 6 (multimodal connectivity). In terms of the targets, cost, as against time and uncertainty, remains a key issue.

- The assessment report provided several areas that APEC could focus on in continuing the SCFAP work: simplifying and improving customs and border procedures and processes; improving quality and access to transportation infrastructure and services; reliable, secure and efficient logistics services; stronger regulatory cooperation and harmonization; improved policy and regulatory infrastructure for e-commerce.

- The above findings of the final assessment and the work carried out by the FOTC on Trade Facilitation led to the development and finalization of the **Suggested Framework for the Phase Two of Supply-Chain Connectivity Framework Action Plan 2017-2020 (SCFAP Phase II)**. SCFAP Phase II sets the overarching goal “To reduce trade costs across supply chains and to improve supply chain reliability in supporting the competitiveness of business in the Asia Pacific region”, and to focus on addressing the following pillars:

  1) Lack of Coordinated Border Management and Underdeveloped Border Clearance and Procedures;
  2) Inadequate Quality and Lack of Access to Transportation Infrastructure and Services;
  3) Unreliable Logistics Services and High Logistical Costs;
The above pillars emphasize continued importance of addressing the eight chokepoints though in a more systematic manner, comprising related chokepoints into a cluster. On the other hand, it also corresponds to the need to address issues related to e-commerce which is increasingly affecting the supply chain.

Further work to establish the implementing mechanism of SCFAP Phase II is anticipated, including setting quantitative or qualitative targets or specific indicators to measure the progress and assess the performance of work under the respective chokepoint or pillar. It is envisaged that SCFAP Phase II will support the implementation of the WTO TFA and address trade costs, with cost being a most important consideration for businesses and traders, especially MSMEs.

**Infrastructure Investment**

- Following 2015, CTI continued to work on the agenda in relation to advancing Cross-Sectoral Issues on Physical Connectivity as identified in the APEC Connectivity Blueprint for 2015-2025.

On the Peer Review and Capacity Building on APEC Infrastructure Development and Investment in which the Reference Guide for its implementation was agreed by CTI and welcomed by Ministers in 2015, the Philippines’ Department of Public Works and Highways has agreed to participate in the Peer Review project, with the PSU acting as the ad-hoc review team secretariat. The final report of the Peer Review is scheduled to be delivered by MRT next year. The Peer Review, a voluntary process which reviews relevant laws, regulations and guidelines of reviewed economies from the viewpoint of “quality of infrastructure, people-centered investment, and good practices and principles”, aims to identify capacity building needs of the reviewed economies.

A high level meeting on overcoming barriers to financing waste management infrastructure to prevent marine litter was organized by the Chemical Dialogue and Ocean and Fisheries Working Group. A set of policy and practice recommendations to help economies establish the political, economic, and legal/regulatory conditions to incentivize investment in waste management solutions in APEC economies by private investors, multilateral development banks, and other sources of capital was endorsed by the CTI.

CTI considered a *Study on Infrastructure Investment in the APEC Region* submitted by Japan, which aims to explore desirable infrastructure investment in terms of sustainable and quality growth/development in the APEC region through stocktaking and analysis of various existing rules/standards adopted by multilateral and bilateral donors/creditors. CTI agreed to the final report intersessionally in November. In addition, Japan plans to implement a project on *Capacity Building for Quality Infrastructure Investment in rapidly urbanizing APEC Region*. A series of capacity building workshops is planned, targeted for government officials in APEC developing economies in order to share their good practices and lessons learned and enhance their understanding on quality infrastructure investment in urban areas. The project envisages developing policy recommendations to be discussed at CTI1/SOM1 in 2018.
People-to People Connectivity

- The Business Mobility Group (BMG) pursued the following key actions designed to advance mobility of business travellers:

  1. Implementing the extension of the validity period of the APEC Business Travel Card (ABTC) from three years to a maximum five years with effect from 1 September 2015;

  2. Scoping and providing technical assistance to members to improve ABTC pre-clearance processing times;

  There has been continued growth in the take-up of the APEC Business Travel Card (ABTC) in the past year. As at 1 June 2016, there are 203,386 ABTC holders across APEC, where the number of ABTC cardholders increased by 8% compared to last year. BMG also undertook several initiatives and projects on improving client service frameworks, increasing travel security, as well as enhancing traveler facilitation and border integrity in the APEC Region.

  3. Overseeing the APEC-funded project for an End-to-End Review of the ABTC Scheme, which will recommend to the BMG opportunities for enhancement of the Scheme;

   4. Implementing enhancements to better manage passport changes of ABTC holders;

   5. Overseeing the APEC-funded project for an Online Lodgement System Workshop for the ABTC scheme;

   The priority of online lodgement was strongly endorsed by the BMG’s Online Lodgement Working Group (group of 5 + 1: Australia, China, Singapore, Thailand, the Philippines and Canada) as well as at the BMG Plenary meeting at SOM1 2016 – with online lodgement forming a key objective in the BMG’s Goals for 2016. The Online Lodgement System Design Workshop will be held in Canberra, Australia on 16-18 November 2016. The systems design workshop will holistically consider the requirements of all economies, to provide the means for applicants to submit an application for an ABTC and, once approved by their home economy, for information to be automatically uploaded into the ABTC system. Submitting ABTC applications electronically will streamline the application process for ABTC applicants, making it more efficient to apply for an ABTC. Applicants from economies that do not have an existing form of online lodgement (the majority of APEC) will not have to rely on paper forms and postage. Online lodgement for ABTC holders is all the more important because frequent business travelers across the Asia-Pacific justifiably expect that online lodgement is the primary method of application available.

  6. Compiling and refining standardized, centralized FAQs to provide general information on the ABTC scheme.
Section IV: Expanding Regulatory Cooperation and Advancing Regulatory Coherence

Highlights:

Promoting APEC Regulatory Cooperation Advancement Mechanism on Trade Related Standards and Technical Regulations (ARCAM)

- CTI’s key contributions to regulatory convergence and cooperation continue to be through the implementation of the APEC Regulatory Cooperation Advancement Mechanism on Trade Related Standards and Technical Regulations (ARCAM), established by Ministers in November 2010. Since the inception of the ARCAM process in 2010, CTI has addressed the issues of interoperability standards for Smart Grid (2011), self-regulation in advertising (2012), and electric vehicle standards (2014). For 2016, CTI agreed to select sustainable materials management (SMM) as a topic for the 4th ARCAM dialogue.

- SMM is a systemic approach to using and reusing materials more productively over their entire lifecycles, from the point of resource extraction through material recycling or final disposal, to reduce environmental impacts, conserve resources, and reduce costs. Whereas APEC has achieved considerable progress in tariff reduction of environmental goods, SMM will add to APEC’s efforts to address investment and services issues in the environmental sector through improving regulatory coherence among APEC economies.

- In May 2016, as a first step of the related work under ARCAM, the United States as lead economy, launched an APEC-wide survey to collect more information on APEC members’ regulatory and/or official definitions for key SMM-related terms. The 4th ARCAM Dialogue on Facilitating Trade and Investment in Sustainable Materials Management Solutions was held on 17 August in Lima, Peru in the margins of SOM3, attended by regulators, industry representatives, and other key stakeholders. The dialogue included issues such as the updates of the survey results, where gaps and divergences in APEC member economies’ definitions of key SMM terms were observed including in waste and renewable energy, and that there is an opportunity to coordinate among member economies to better align those definitions to promote trade and investment in SMM solutions and services which in addition to spurring economic growth will also help to reduce marine litter among other tourism, environmental, and health benefits. In addition, discussions touched upon regulatory aspects including the importance of transparency of regulations, coordination among authorities, partnership with private sectors in promoting trade and investment in SMM solutions and technologies.

- On the basis of the discussions conducted in the 4th ARCAM Dialogue, a draft report was submitted intersessionally in November for further discussions, including the results of the survey on economy-level definitions of key SMM-related terms as well as possible guidelines and future activities to ensure that definitions evolve in a way that promotes trade and investment in SMM solutions.
• On other issues related to previous ARCAM topics, CTI contributed to the implementation of the APEC Action Agenda on Advertising Standards and Practices Development endorsed by Leaders in 2014 to promote alignment of advertising standards and reduce the cost of doing business across the region. On 22-23 August, Peru held a self-funded APEC Seminar on Sharing Good Practices and Experiences on Advertising Self-regulation among APEC economies in Lima, Peru in the margins of SOM3, where presentations and discussions on effective self-regulations on advertising and the government’s role took place.

• On the issue of Electric Vehicle Standards, responding to the instruction by Ministers in 2014, the APEC Roadmap for Electric Vehicles had been finalized and agreed upon by the AD and CTI in 2015. The APEC Roadmap for Electric Vehicles sets out the timeline of work for producing an outcomes report by the end of 2017 to address divergent EV regulations which may constrain the market potential for increased trade in electric vehicles (EVs) among APEC economies and its possible contribution to the realization of low carbon economy.

• The first workshop on the implementation of the Electric Vehicles Roadmap was led by the AD and held back-to-back with the 25th AD meeting in September 2016. The workshop focused on regulations and standards harmonization in this area. It was concluded that due to the variety of issues and market differences, the answers will not always be the same, although there are opportunities to further align approaches and narrow divergence. There was a strong support for work to align regulatory approaches. More opportunities can be sought in recycling, cybersecurity, fire and water safety, and infrastructure interoperability. Further discussion will take place in the next workshop regarding the role and content of a proposed interoperability center, including how it might lead to increased regional convergence. The work needs to include consideration of 2-wheeled and 3-wheeled vehicles. The next workshop will be held in 2017.

Promoting alignment of standards and conformance and regulatory coherence

• SCSC continued to explore means of enhancing regulatory practices in the APEC region and undertook a number of initiatives in the areas of transparency, alignment of standards and conformity assessment systems, as well as good regulatory practice through capacity building and cross-fora cooperation, including with the EC and SMEWG. The TOR of SCSC stipulates its objective as to help reduce the negative effects that differing standards and conformance arrangements have on trade and investment flows in the Asia-Pacific region. In this way, the SCSC assists CTI to achieve APEC’s trade and investment liberalization and facilitation through improved standards and conformance.

• SCSC continued the work on alignment with international standards through implementation of the Voluntary Action Plan (VAP) Alignment Work and exchange of information at SCSC meetings. VAP alignment work with current target standards will continue until 2018. SCSC also implemented projects focusing on such areas as good regulatory practices; baseline study; green buildings; energy efficiency regulations for ICT products; energy saving measurement and verification; and supporting SMEs. Economies continued to share information on the progress of their technical infrastructure development including standards education programs such as Standard Olympiad.
- SCSC continued to implement the APEC Electrical and Electronic Equipment Mutual Recognition Arrangement (EEMRA), with participating economies sharing information of implementation status. The 21st Joint Regulatory Advisory Committee (JRAC) was held in the margin of SCSC2 with the attendances of the International Electrotechnical Commission (IEC) and ASEAN.

- The EC – SCSC 9th Conference on Good Regulatory Practices (GRP) was held under EC in the margin of SOM3. The scope of the project was to promote the implementation and adoption of GRP which are being implemented by APEC member economies and to share experiences on the following topics: (1) building high level support for regulatory reform, (2) International Regulatory Cooperation (IRC), (3) Stakeholder engagement, (4) benchmarking on GRP, (5) simplification strategies and (6) GRP and inclusive growth. The EC Chair and PO shared its results with SCSC members at SCSC2; the 10 Conference is to be organized by SCSC in 2017.

- On food safety, SCSC implemented a suite of projects under the Food Safety Cooperation Forum (FSCF) and its Partnership Training Institute Network (PTIN) to promote the role of science-based regulations in improving food safety and ensuring predictability and transparency in agri-food trade in the APEC region, including an industry/regulator roundtable on better food safety regulation through increased transparency and public consultation and a self-funded project to help guide food processing facilities and workers on the most effective hand hygiene protocol. In 2017, the FSCF will continue work on improving hand hygiene in accordance with the endorsed report including examining international guidances, identifying best practices and next steps. The FSCF will also continue to advance the export certificate regulatory roadmap, work on proficiency testing, and hold a dialogue on modernizing food safety control systems.

- As part of an effort to address issues related to NTMs of trade in wines, the Wine Regulatory Forum under SCSC, achieved very significant goal in May 2016. The APEC Model Wine Export Certificate was endorsed at SOM2 following discussions at SCSC and CTI. The APEC Model Wine Certificate intends to facilitate wine trade in the APEC region through providing a tool for standardizing the certificates across the APEC region through its voluntary implementation, and hence will enable regulators to shift scarce resources currently used to review and stamp wine certificates to higher risk food products. Widespread use of the certificate is expected to provide similar efficiencies throughout the APEC region benefiting current trade, but also providing future benefits for economies just beginning to export wine. Ministers for Trade Statement in 2016 welcomed its endorsement as “We congratulate the SCSC Wine Regulatory Forum (WRF) for fulfilling its goal to develop a consolidated APEC wine certificate, which will facilitate wine trade in the APEC region. We look forward to continued work by the WRF to promote reduction and elimination of technical barriers for wine trade including through its efforts to promote good regulatory practices for wine through voluntary implementation of the APEC Model Wine Certificate.”

- SCSC continued working with Specialist Regional Bodies (SRBs) which are expert regional bodies responsible for the development of standards and conformance infrastructure in the Asia-Pacific.

- SCSC convened the First Policy Discussion at SCSC2 in 2016. SCSC members voluntarily shared experiences on challenges being faced in the area of standards and conformance. The members have selected the topics to be discussed in advance and shared the possible questions prior to the meeting in the areas of Non-conforming/Non-compliant Products, Standards Implementation in MSMEs, Technical Regulations, Conformity Assessment, Quality
Infrastructure, and Accessibility of Standards Documents. The Second Policy Discussion is to be conducted in 2017.

- Chemical Dialogue (CD)’s primary successes in recent years have related to the promotion of best practices and regulatory cooperation in chemicals, including the endorsement by Ministers Responsible for Trade of the CD’s Best Practice Principles in May 2016. CD’s 2016 work program continued to progress its leading role in promoting regulatory cooperation in the chemical sector, including by the following:

  1. Endorsed a Best Practice Principles Checklist, which was subsequently endorsed by Ministers Responsible for Trade, to promote implementation of the CD’s Best Practice Principles for Chemical Regulation, and agreed to prepare economy implementation reports in 2017;

  2. Agreed for member economies to provide written comments on the draft press release (2016/SOM3/CD/004att1) reflecting the endorsement of the Best Practice Principles Checklist;

  3. Continued implementation of the self-funded beta site project undertaken by the CD’s joint virtual working group on marine debris with the Oceans and Fisheries Working Group;

  4. Agreed that the VWGRCC would undertake to update the CD website and encouraged economies interested in assisting in this work to identify themselves to the VWGRCC Co-Chairs;

  5. Welcomed the report of its Regulators’ Forum on its implementation of its 2016-2017 Action Plan and encouraged economies to actively participate in the Regulators’ Forum work intersessionally;

  6. Convened a workshop on the Globally Harmonized System for the Classification and Labeling of Chemicals (“GHS”) to promote capacity building and to address divergences in GHS implementation in response to a request from APEC Ministers in November 2015;

  7. Agreed to an updated reporting timeline for the preparation of GHS implementation reports to be submitted to Ministers Responsible for Trade in 2017 and developed a revised Smart Form to help facilitate increased submissions;

  8. Continuing to promote and expand the GHS Resource Exchange and Tool (“G.R.E.A.T.”) website hosted by Chinese Taipei;

  9. Contributed to the CTI’s ARCAM workshop relating to identifying and overcoming barriers to the deployment of technologies for sustainable solid waste management infrastructure; and

  10. Initiated a project with the Sub-Committee on Customs Procedures (SCCP) regarding information sharing and potential follow-up steps to address unnecessary divergences in approaches and treatment for the importation of chemicals.

- LSIF’s Regulatory Harmonization Steering Committee (RHSC) continued to carry out the following work:

  The APEC Harmonization Center (AHC) will provide support for a maximum of two Center of Excellence (CoE) pilot programs for any one given institution, in efforts to encourage the
establishment of new APEC training institutions. Priority for AHC support will be given to new training institutions and to those training on new topics within the APEC RHSC Priority Work Areas (PWAs). AHC will survey topics of interest to the RHSC, with the assistance of PhRMA and BIO industry coalitions and COFEPRIS. AHC will host a teleconference for RHSC members in November 2016, to discuss requests received for AHC support.

**Multi Regional Clinical Trials and Good Clinical Practices Inspection Roadmap:** PMDA will host a pilot CoE program in January 2017, as well as a symposium to review the outcomes of the PMDA, Duke-NUS and Peking University (PKU) pilot programs which were held earlier this year.. The symposium is designed to assess the degree of convergence in the region and to revise the curriculum, if needed, based upon the outcomes and discussion. A second pilot program at PKU in summer 2017 was endorsed. Both Duke-NUS and PKU requested information to become RHSC-endorsed CoEs.

**Biotherapeutics Roadmap:** CoE Pilot Programs for APEC regulators were held at Northeastern University in September and at Seoul National University in November. Outcomes will be assessed by the end of 2016 to update the roadmap and CoE biotherapeutics curriculum..

**Good Registration Management Roadmap:** Good Review Practices and Good Submission Practices have been merged into one roadmap – Good Registration Management, with Japan as co-Champion with Chinese Taipei. JPMMA circulated a revised Good Submission Guideline to the RHSC in April, which was endorsed intersessionally. RAPS hosted a CoE Pilot Program for experienced regulators and industry, in Chinese Taipei November 2016. COFEPRIS presented a proposal to host a CoE Pilot Program in late 2016/early 2017. This was endorsed by the RHSC.

**Cell and Tissue-based Therapies Roadmap:** A CoE Pilot Program at Duke-NUS in early 2017 was endorsed. AHC support will be sought. An Industry Coalition for Advanced Therapies was endorsed. A representative from the Alliance for Regenerative Medicine will be invited to participate in the RHSC. Singapore has circulated a survey on standards relevant to cellular therapy products earlier this year, and is still awaiting responses in order to complete gap analysis. All RHSC regulators are encouraged to respond as soon as possible, as this information will be used for the CoE Pilot.

**Pharmacovigilance and Medical Device Vigilance Roadmap:** The RHSC endorsed the merged Pharmacovigilance and Medical Device Vigilance roadmap. RHSC endorsed Korea to conduct a Pharmacovigilance CoE Pilot Program and workshop in September 2016 hosted by KIDS in Seoul. The format will be a one day workshop for industry, academia and regulators, and then a 3-day CoE Pilot Program. RHSC endorsed a medical device workshop to be held in Seoul in September 2016, to discuss a gap analysis in the region. MFDS will share the 2016 CoE Pilot Program curriculum with PMDA Japan. MFDS and HSA will discuss whether advanced therapies can be included in the Pharmacovigilance Roadmap.

**Global Supply Chain Integrity Roadmap & Workshop:** Work in the 10 work streams is almost complete. The final work product, a “Roadmap for Supply Chain Security,” will weave together work products from each of the 10 work groups and respective toolkits into one comprehensive document that the group will deliver to the RHSC before SOM-1 2017. The United States Pharmacopeia presented a proposal for a CoE Pilot Program on Quality Standards and Implementation, to be held in the US in early 2017. This was endorsed by the RHSC. An ABAC-
LSIF Pharmaceutical Serialization and Verification Workshop was hosted by the Philippines in October 2016. APEC regulatory authorities, RHSC members, and guests were invited to attend.

**Strengthening of Cross-border Data Privacy Rules**

- ECSG continues to implement the APEC Cross-Border Privacy Enforcement Arrangement (CPEA), which is the first multilateral arrangement in the APEC region for Privacy Enforcement Agents (PEAs) to share information and provide assistance for cross-border data privacy enforcement. The CPEA signifies the ongoing commitment within APEC to increase the protection of cross-border flows of personal information and is a significant step in the effective implementation of the APEC Privacy Framework. To date, 25 PEAs from 10 member economies are participating in the CPEA. Cooperation has expanded beyond APEC through the sharing of the APEC directory of economy enforcement contact points with the OECD and the Global Privacy Enforcement Network (GPEN).

- The APEC Cross Border Privacy Rules System (CBPR), endorsed by APEC Leaders in 2011, welcomed two new members, with the entry of Canada and Japan in April 2015 and February 2016 respectively. The CBPR system enables flows of information and data across borders while at the same time providing effective protection for personal information, essential to trust and confidence in the online marketplace. Currently four APEC economies are participating in the APEC CPBR system (United States, Mexico, Japan and Canada).

- The APEC Privacy Recognition for Processors System (PRP) was endorsed by Senior Officials in 2015. The PRP is designed to help personal information processors assist controllers in complying with relevant privacy obligations, and helps controllers identify qualified and accountable processors. This is done through an intake questionnaire which sets forth the baseline requirements of the PRP. The APEC-recognized Accountability Agent will then assess a processor seeking recognition based on a set of requirements.

- In line with the APEC Leaders’ Statement in 2011 to implement the APEC CBPR system to reduce barriers to information flows, enhance consumer privacy, and promote interoperability across regional data privacy regimes, the ECSG has conducted research and capacity building workshops to train member economies on aligning their domestic legal regimes with the APEC Privacy Framework and meeting the CBPR requirements in Australia, Singapore and Vietnam in 2015-2016.

- The APEC/EU Working Team, which was created to support and enhance interoperability between the APEC and EU data privacy regimes, is undertaking additional areas of work, including, in the short to medium term, developing a joint application form for companies seeking privacy certification under both systems, a mapping of policies, and documents that are to be submitted under both systems and in the longer term, a common referential for processor recognition. The joint APEC-EU Working Team held discussions with private sector stakeholders who provided views and advice on the functionalities and important elements of a common questionnaire. The Working Committee is currently continuing work in developing this common questionnaire.

- ECSG is undertaking an assessment of its initiatives against the 1998 APEC Blueprint for Action on E-Commerce. Its Data Privacy Sub-Group (DPS) has completed the review of the APEC Privacy Framework based on the 2013 revisions of the OECD Guidelines on the Protection of Privacy
and Transborder Flows of Personal Data. The updates on the APEC Privacy Framework will help ensure that the Framework can continue to respond to technological and marketplace evolution, and support the free flow of information across borders through the establishment of consistent rules for the protection for personal information, as essential to trust and confidence in the online marketplace.
Section V: Promoting Innovative Development, Economic Reform

Highlights:

Application of Emerging Technologies

- Chinese Taipei proposed at CTI2 a self-funded project on *Advancing Big Data Applications in Trade* with the aim of sharing among APEC member economies practices and experiences on applications of big data in international trade, bearing in mind that application of big data combined with the latest technology may have a potential of significantly enhancing the decision-making process in trade-related areas and other possible benefits such as enhancing the international marketing ability of MSMEs. CTI discussed and endorsed the project. The workshop was held on 6 October in Taipei, Chinese Taipei, which was attended by 122 participants from 19 APEC economies. The workshop focused on the utilization of Big Data in international trade and identification of new trade opportunities for MSMEs. It was suggested that APEC should continue to collect case studies on big data applications, and that APEC member economies could cooperate with each other to strengthen the success of big data in trade promotion and facilitation, as well as the advancement of global value chains. It was also suggested that relevant APEC fora can work together to promote big data applications.

- ECSG also commenced discussions on new issues to (1) identify opportunities for enhanced trade through emerging technologies; (2) support best practices for regulating emerging technologies and data to ensure those technologies and flows are not inhibited without legitimate purpose; and (3) engage in outreach to economies looking to utilize emerging technologies and support enhanced data flows among economies in APEC. At SOM1, 2016, the ECSG established a study group on big data portability to research and identify trends in big data portability to promote interoperability across platforms and the protection of personal information. At SOM3, 2016, the ECSG endorsed the establishment of a joint virtual working group with the LSIF in the development of an *APEC Framework for the Secondary Use of Medical Data and Medical Research*. The ECSG is also considering implementing a series of new joint-APEC fora initiatives, including partnership with EPWG on issues related to natural disasters, information flows and privacy, and a proposed Big Data Innovation Virtual Working Group to discuss big data innovation in APEC.

Intellectual Property Rights

- IPEG has been working on different elemental axes for intellectual property issues nowadays. Intellectual property in the online world has brought to light new opportunities and challenges, which is why IPEG has dedicated part of its discussions to enforcement, facilitation of rights, awareness tools, information sharing, and transparency in the digital era.

- Another important line of work has been the sharing of best practices and information on regulatory initiatives and updates in the region, development of examination tools, activities for boosting the usage of the international IP system, perspectives on geographical indications, as well as in genetic resources and traditional knowledge.
In addition, IPEG has paid special attention to human capital development, sharing initiatives on capacity building and technical cooperation not only for public awareness, but also for the improvement of procedures and quality of granted patents and trademark registrations as well as industrial designs and appellations of origin.

Pursuant to the Ministers’ Joint Statement in 2015 to “welcome the progress towards developing the APEC Best Practices in Trade Secrets Protection and Enforcement and encourage officials to continue the work and to complete it on the basis of consensus at the earliest possible time”, IPEG discussed and agreed to the Best Practices in Trade Secret Protection and Enforcement Against Misappropriation. It was subsequently endorsed by CTI and Senior Officials at SOM3. Recognizing the pro-innovation and pro-investment effect of trade secret protection and enforcement, and that MSMEs may especially be affected by its misappropriation, the Best Practices in Trade Secret Protection and Enforcement Against Misappropriation sets out eight elements of best practices that APEC economies are recommended to take into account on a non-binding and voluntary basis when developing their policy on trade secret protection and enforcement.
Section VI: Industry Dialogues, Collective Actions and Pathfinder Initiatives

Industry Dialogues

Automotive Dialogue

- The AD continued its work in 2016 on an agenda that includes both CTI’s priorities and the automotive industry’s pressing issues and development trends, focusing on SMEs’ role in the industry, Electric Vehicles, New Energy Vehicles (NEVs) and automotive markets in the region. The AD is a public-private body in which regulators and producers collaborate to reduce regulatory barriers and to promote trade in vehicles, parts, technologies and related products throughout the APEC region. The AD met twice in 2016, completed a range of tasks and set targets to continue its work on the improvement of the automotive industry and market in the APEC region.

- The AD has undertaken activities under the APEC Electric Vehicles Roadmap, aimed at facilitating the adoption and implementation of international standards pertaining to electric vehicles. The first workshop on the Electric Vehicles Roadmap was held back-to-back with the 25th AD meeting in September 2016.

- The AD continues its work on the Compendium of Automotive Taxation, aimed at promoting regional industry growth. The compendium will include different motor vehicle tax structures (purchase, possession, use and border), and incentives.

- The GVC/SME Automotive Sector (GSAS) Initiative led by Malaysia and the Philippines aims at identifying specific challenges faced by SMEs in integrating into GVCs and recommending practical solutions to overcome the challenges. A suite of GSAS activities composed of workshops and an analytical survey were undertaken in 2015 to identify more targeted and practical sector level analysis of the automotive industry and its GVCs. From the workshops and survey conducted, several impediments were identified that restricted developing economy SMEs from participating in GVCs: (1) lacking adequate standards or product quality and/or business capability; (2) lacking competitiveness to become an automotive GVC industry player; (3) lacking awareness/knowledge on GVCs; and (4) lacking ability to overcome non-tariff barriers (NTBs). The project will continue to be implemented further in 2017 through a workshop on these issues. Specifically, for the second phase of the GSAS project, the workshop will be organized: (1) to deliberate on outcomes of GSAS workshops and survey analysis completed in Phase 1; (2) to share best practices on solutions or programs to integrate SME suppliers into automotive GVCs; and (3) to discuss the elements of the multi-year APEC Regional Automotive Supplier Excellence Programme (RASEP) as mandated in the 2015 CTI Annual Report.

- AD also continuously updates the Compendium of Automotive Business Regimes in APEC, which aims at empowering APEC SMEs to penetrate the automotive GVCs through updated trends and knowledge on the automotive markets in the APEC region. The compendium is intended to be
an investment guide and contain useful information/data on individual member economies.

**Chemical Dialogue**

- CD serves as a forum for regulatory and policy officials and industry representatives to discuss and identify solutions to challenges facing the industry and downstream users throughout the Asia-Pacific region. APEC economies account for approximately 60% of global chemical trade, providing the CD with an important precedential role worldwide.

- At the CD’s 17th meeting in Lima, Peru (“CD17”), the CD endorsed a revised version of its Strategic Framework to govern its work from 2017-2019. The revised Framework is organized around the following revised three Shared Goals:

  1. To facilitate trade by expanding and supporting regulatory cooperation and mutual recognition in the region;
  2. To promote understanding of the chemical industry’s role as a provider of innovative solutions for sustainable economic, environmental, and social development; and
  3. To enable effective cooperation between industry and governments to improve chemical product stewardship and safe use.

- CD maintained a robust work stream including substantial contributions to CTI’s priorities, primarily through promoting regulatory cooperation and collaborating with other APEC fora to progress APEC’s priorities.

- In response to instructions from the Ministers Responsible for Trade in 2015, the Virtual Working Group (VWG) on the Globally Harmonized System for the Classification and Labeling of chemicals (GHS) undertook a benchmark survey of the divergence in GHS implementation across APEC economies. That survey confirmed on an APEC-wide basis, what the annual implementation reports had reported at an individual-economy level; APEC economies are implementing GHS differently – different hazard categories, revision numbers, classifications, cut-off values, etc. – undermining the benefits of a globally harmonized system.

- CD continued its efforts to promote the broader implementation of, and reduced divergences in, APEC member economy implementation of the GHS. CD submitted an annual report on GHS implementation status in APEC member economies to APEC MRT. This report underscores the importance of this work and the importance of APEC as a regional forum to maximize the trade and efficiency value and minimize the unnecessary costs of divergent implementation of the GHS.

- CD continued its active collaboration with the Oceans and Fisheries Working Group (OFWG) through its joint Virtual Working Group on Marine Debris which has also contributed to, and helped carry forward, the work of the SOM Friends of the Chair Initiative on Urbanization. CD worked with the Economic Committee (EC) by providing a presentation at the EC’s Good Regulatory Practices conference regarding the stakeholder consultation process undertaken on chemical regulation in the United States; acted with SCCP by introducing a recently initiated workstream to address unintended non-tariff barriers to chemical importation and inviting participation by SCCP members. CD also provided a “regional” contribution to the 4th International Conference on Chemicals Management (“ICCM-4”), under the auspices of the
Strategic Approach to International Chemicals Management ("SAICM"), and developed a reporting template to promote steps to meet SAICM objectives by ICCM-5 in 2020; and supported the UN Sub-committee of Experts on the GHS ("UNSCEGHS") by approving the informal sharing of the CD’s annual report on GHS with the UNSCEGHS, inviting the Chair of the UNSCEGHS to the CD’s workshop on GHS implementation, and agreeing to explore future paths to further collaborate.

- CD agreed to consider ways to leverage the projects to promote sharing information on chemicals in products along the supply chain –including chemSHERPA and other programs – more broadly within the region and in support of other CD work.

Life Sciences Innovation Forum

- LSIF collaborated with the Health Working Group (HWG) to organize the 6th APEC High-Level Meeting (HLM6) on Health & the Economy on 21-22 August. The meeting was chaired by the Minister of Health of Peru and organized jointly by the HWG and the LSIF. The overall objective of the meeting was to share and discuss perspectives and experiences prioritizing and financing investments in health and building innovative and efficient health systems to implement “Healthy Asia Pacific 2020 (HAP2020)” in support of the 2030 Sustainable Development Goals (SDGs). Both HAP2020 and the SDGs recognize that high impact investments in health systems yield tremendous benefits that help economies achieve their economic, social, and environmental goals.

- LSIF welcomed the Regional Program on Licensing and Basic Startup on Sep 21-22, Bangkok, Thailand, and also Special Topic Program on ‘Technology Start Up’ on Nov. 9-10, Seoul, Korea this year.

- LSIF together with the ECSG proposed the development of an APEC Framework for the Secondary Use of Medical Data in Health and Medical Research. The next steps include the establishment of a Virtual Working Group (VWG); to include health officials, data privacy officials, regulators, and private sector experts to develop a draft framework. A draft framework will be presented at SOM1, 2017 and submitted for endorsement by Ministers/Leaders in November 2017.

- LSIF welcomed the RHSC Chair’s summary on the following:(1) significant progress continues in all PWAs; (2) in-depth discussions on CoE concept resulted in endorsement of fundamental documents required to operationalize CoEs by early 2017; (3) RHSC continues moving forward in finalizing and launching a new, sustainable model for advancing regulatory convergence on a global scale; and (4) funding of CoE programs is a critical factor – full discussion on options expected at 2017 SOM1.

- LSIF welcomed the intention of Finance Ministers Process officials to have a substantive dialogue over the course of 2017 on ways to address the fiscal and economic impacts of ill health. APEC economies are asked to engage with and encourage participation of their respective Budget and Finance Officials.

- LSIF welcomed the launch of the APEC Digital Hub for Mental Health and endorsed the APEC Report on Strategic Needs in Mental Health following the submission of inputs in 2015-2016 from 15 member economies.
• LSIF welcomed the joint LSIF-HWG Cervical Cancer Workshop to be held on August 23rd and the forthcoming roadmap.

• LSIF welcomed progress of the APEC Blood Supply Chain Partnership Training Network (PTN) and looked forward to the outcomes of the 2nd APEC LSIF Blood Supply Chain Policy Forum and Training Program on Good Manufacturing Practices (GMP) in Hanoi, Vietnam in December 2016.

• LSIF welcomed APEC’s work on preventing, detecting, and responding to infectious disease threats and looked forward to the outcomes of the APEC Policy Forum on strengthening surveillance and laboratory capacity to fight healthcare associated infections and associated antimicrobial resistance in the APEC region in December 2016 in Vietnam.

Collective Action Plans

• Collective Action Plans (CAPs) continue to frame the work plans of CTI and its sub-fora. These CAPs are living documents and, in 2016, were revised and enhanced in pursuit of the Bogor Goals (see Appendix).

• Many of these improvements were made in response to priorities set by Leaders and Ministers, including the call to ensure deliverables in CAPs are relevant to business. The revised CAPs also increase the transparency of trade and investment policies, lower transaction costs of cross-border trade, stimulate competition, and result in greater certainty and predictability.

Pathfinder Initiatives

In 2016, lead economies continued their work on TILF-related Pathfinder initiatives.

Table: Status of TILF-Related Pathfinders

<table>
<thead>
<tr>
<th>Pathfinder</th>
<th>Lead economy</th>
<th>APECForum responsible</th>
<th>Membership status - Sept 2004</th>
<th>Membership status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade and the Digital Economy</td>
<td>United States</td>
<td>N/A (launched at Leaders level; CTI has oversight)</td>
<td>18</td>
<td>20</td>
</tr>
<tr>
<td>Advance Passenger Information (API)</td>
<td>Australia</td>
<td>BMG</td>
<td>All agreed on API standards; 6 either fully implemented or committed to implementation; 8 undertaken feasibility studies; 6 committed to undertaking feasibility studies.</td>
<td>All agreed on API standards; 16 either fully implemented or committed to implementation; 11 undertaken feasibility studies.</td>
</tr>
<tr>
<td>Mutual Recognition Arrangement of Conformity Assessment on Electrical and Electronic Equipment</td>
<td>Participating Economies</td>
<td>SCSC</td>
<td>15 participating in Part I; 3 participating in Parts II &amp; III.</td>
<td>18 participating in Part I; 5 participating in Part II; 4 participating in Part III.</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td><strong>Electronic Certificates of Origin</strong></td>
<td>Korea and Chinese Taipei</td>
<td>ECSG</td>
<td>2</td>
<td>3 Chile, China, Malaysia Philippines, Thailand and Vietnam have indicated an interest to join in the pathfinder.</td>
</tr>
<tr>
<td><strong>Food MRA</strong></td>
<td>Thailand</td>
<td>SCSC</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td><strong>Technology Choice Principles</strong></td>
<td>United States</td>
<td>CTI</td>
<td>N/A (adopted in 2006)</td>
<td>15</td>
</tr>
<tr>
<td><strong>Data Privacy</strong></td>
<td>Australia, Canada, &amp; United States</td>
<td>ECSG</td>
<td>N/A (adopted in 2007)</td>
<td>16</td>
</tr>
<tr>
<td><strong>Self-Certification of Origin</strong></td>
<td>Australia, New Zealand, Singapore &amp; United States</td>
<td>CTI</td>
<td>N/A (adopted in 2009)</td>
<td>11</td>
</tr>
<tr>
<td><strong>Facilitating Trade in Remanufactured Goods</strong></td>
<td>Japan &amp; United States</td>
<td>MAG</td>
<td>N/A (adopted in 2011)</td>
<td>13</td>
</tr>
<tr>
<td><strong>APEC Baseline De Minimis Value</strong></td>
<td>United States</td>
<td>CTI/SCCP</td>
<td>NA (adopted in 2011)</td>
<td>10</td>
</tr>
</tbody>
</table>
Section VII: Interaction with ABAC

CTI and its sub-fora collaborate with the business community to ensure that private sector perspectives contribute to APEC’s trade and investment outcomes. In 2016, the Committee continued to engage with ABAC as the key voice of the business community in the APEC process. The CTI Chair attended two ABAC 2016 meetings to brief ABAC on the Committee’s work programs and exchange views on issues of mutual interest. Senior representatives from ABAC also participated in meetings of the Committee and a number of its sub-fora. CTI welcomed their active participation.

During 2016, CTI and its sub-fora delivered outcomes consistent with ABAC’s 2015 recommendations. The highlights include the following:

- **To Support the Multilateral Trading System**
  - CTI and its sub-fora have continuously worked to support entry into force of the TFA by urging member economies to notify the WTO of their acceptance of the TFA as quickly as possible and through monitoring the progress.

- **Enable a Free Trade Area of the Asia-Pacific**
  - The “Collective Strategic Study on Issues Related to the Realization of the FTAAP” and the accompanying Recommendations were finalized.
  - Progress has been made on information sharing including a series of Trade Policy Dialogues on FTAs/RTAs focused on WTO-Plus issues and a report on RTAs/FTAs prepared by PSU. A number of projects under the 2nd CBNI which aims at strengthening the capacity of officials to engage on topics covered under modern, comprehensive FTAs were conducted during 2016 and are being planned for 2017.

- **Advance the New Services Agenda**
  - CTI contributed to the formulation of the “APEC Services Competitiveness Roadmap” through providing substantial inputs.
  - There was progress in discussions related to developing a services trade restrictiveness index (STRI) for APEC economies, including holding a capacity building workshop to nurture better understanding among APEC economies on the existing STRI of international organizations, and discussion of a proposal to advance this issue.

- **Build and strengthen Global Value Chains**
  - A range of activities including workshops/seminars on GVCs under the “APEC Strategic Blueprint for Promoting Global Value Chains Development and Cooperation” were conducted.

- **Accelerate Investment Liberalization and Facilitation**
  - Under the Investment Facilitation Action Plan (IFAP), designated economies reported on their state of implementation during 2015-2016 on three priority themes: e-transparency,
reducing investor risk, and simplifying business regulation. The PSU will assess the outcomes of implementation to be reported at IEG1 in 2017.

• **Accelerate Green Growth**
  - “Detailed Implementation Plans” by each economy to implement the Leaders’ commitment of reducing tariffs on the 54 Environmental Goods List was compiled and published on the APEC website in January 2016. CTI has continuously monitored the progress of implementation of the commitment, urging economies that have not fully implemented the commitment to do so as early as possible.
  - Based on the Environmental Services Action Plan (ESAP) endorsed by Ministers in 2015 comprising actions to promote liberalization and facilitation of environmental services, a study on the regulatory situation in APEC economies for environmental services classified under CPC 94 was conducted by the PSU. Further work is anticipated in 2017 on a wider scope of environmental services.
  - Activities related to the APEC Cooperation Network on Green Supply Chain (GSCNET) were conducted, including the Annual Conference and Capacity Building Workshop which was held on 29 July in Tianjin.
  - Discussions were made on facilitating trade and investment in sustainable materials management (SMM) through the 4th ARCAM Dialogue held in the margins of SOM3.

• **Accelerate Infrastructure Development**
  - There was progress in 2016 on CTI work related to promoting infrastructure investment among APEC economies from the viewpoint of “quality of infrastructure”, people-centered investment, including a project with the Philippines under the “Peer Review and Capacity Building on APEC Infrastructure Development and Investment initiative”, and finalization of the “Study on Infrastructure Investment in the APEC Region”.
  - ABAC participated in the High Level Meeting on Overcoming Barriers to Financing Waste Management Systems to Prevent Marine Litter in the Asia-Pacific Region and plans to explore the topic of waste management in 2017 as part of the Asia-Pacific Infrastructure Partnership Initiative (APIP).

• **Strengthen Supply Chain Connectivity**
  - Final assessment of the Supply Chain Connectivity Framework Action Plan (SCFAP), which sets an APEC-wide goal of achieving a 10% improvement in supply chain performance in terms of reduction of time, cost, and uncertainty during 2010-2015, was carried out.
  - Based on the outcomes of the final assessment of SCFAP and the need to further address issues related to the improvement of supply chain performance, CTI discussed and finalized the “Supply Chain Connectivity Framework Action Plan Phase II” (SCFAP Phase II).
  - Progress was made on the five targeted capacity building projects in the Capacity Building Plan to Improve Supply Chain Performance through the APEC Supply Chain Connectivity sub-fund, i.e., (1) pre-arrival processing, (2) advance rulings, (3) expedited shipments, (4) release of goods, and (5) electronic payments.
  - Two meetings of the APEC Alliance on Supply Chain Connectivity (A2C2) were held during 2016 and provided useful opportunities for public-private consultation with regard to
reviewing the above-mentioned targeted capacity building projects and in advancing works related to further improving supply chain performance.

- A number of pilot projects on the application of Global Data Standards (GDS) were implemented in 2016.
- A targeted capacity building project on GDS provided technical assistance to some of the pilot projects. A PSU study to assess the costs and benefits of applying GDS to supply chains, based on the pilot projects, which is ongoing indicated some positive effects of application of GDS.
- Progress of work has been made on the APEC Model E-Port Network, which aims to improve efficiency of participating ports through better application and interoperability of IC&T systems.

**Promote the Digital and Internet Economy**
- During 2016, two trade policy dialogues (TPD) on digital trade were held in order to gain common understanding of the current situation and characteristics of digital trade. A study on digital trade by PSU is also ongoing.
- To further advance works on digital trade, CTI discussed and endorsed *Next Steps for Advancing work on Digital Trade in 2017* that includes continuing robust trade policy dialogues with industry and other stakeholders in 2017, development of a digital trade work program, sharing experiences and effective practices, and establishment of targeted capacity building programs to expand and promote digital trade in the region.

**Develop the APEC Business Travel Card**
- The APEC business community will be the ultimate beneficiary of the Online Lodgement project, as APEC-wide online lodgement of the ABTC will improve the accessibility of the card and further reduce the cost of doing business in the APEC region. Progress on the outcomes and impacts will be measured by the BMG after the project is completed in 2016 via an outcomes report at SOM1 2017.

**Enhance the Internationalization of MSMEs**
- Following 2015, a suite of activities related to SMEs’ participation in GVCs was conducted in 2016 under the “APEC Strategic Blueprint for Promoting Global Value Chains Development and Cooperation”. This included sector-specific workshops (on textiles and agribusiness), as well as a workshop on SMEs’ participation to GVCs held in the margins of SOM3 which integrates the outcomes of the workshops conducted during 2015-2016 on five major industries (agribusiness, textiles, IT, health care and autos). Based on the findings of the workshop, the “GVCs Policy Report” was agreed by CTI.
- In addition to the current five major industries, CTI agreed to add service industries (software, tourism and logistics) to carry out work in promoting MSMEs’ participation in these sectors.
- Developing a compendium of APEC best practices, methodologies and successful stories on SMEs internationalization that serves to assist MSMEs to enter the global market was proposed and agreed at the CTI, subject to further inputs by the SMEWG. As a result of further discussions, it was agreed that the CTI and the SMEWG will co-chair the initiative.
Further works and coordination with the SMEWG to implement the initiative is expected in 2017.

- A work plan on *Promoting e-Commerce to Globalize MSMEs to support the Boracay Action Agenda* was agreed by CTI to identify and address barriers/difficulties faced by MSMEs to participate in e-commerce and develop a set of recommendation for capacity building planning.

- A Supporting Industry Initiative was agreed by CTI to share policy experiences and to suggest best policies for supporting industries through developing a “supporting industry policy guideline” by the end of 2017, taking into account combining policy elements such as clustering, research and development (R&D), human resources development, business matching, improvement of trade and investment environment, and access to finance.

**Build Innovation and Value-Adding Activities in MSMEs**

- During 2016, a number of projects which intend to improve capacities of MSMEs’ effective utilization of intellectual property rights has been proposed, discussed and implemented under the IPEG.

- The *Best Practices in Trade Secret Protection and Enforcement Against Misappropriation* was endorsed by CTI and Senior Officials at SOM3, which serves as a non-binding, voluntary guidance for economies to develop policies recognizing the pro-innovation and pro-investment effect of trade secret protection and enforcement, and that MSMEs may especially be affected by its misappropriation.
Section VIII: Streamlining CTI and CTI Sub-Fora

Highlights

- In 2014, Senior Officials approved the recommendations on streamlining the CTI sub-fora (2014/Som1/037anx5) following a review on the effectiveness and efficiency of the CTI sub-fora and instructed the CTI to review the operation of the sub-fora two (2) years after the implementation of the recommendations. CTI commenced a review to continue efforts to streamline, strengthen and sharpen the CTI and its sub-fora. The review commenced after SOM 3, 2016, via the dissemination of a survey questionnaire to all CTI and sub-fora members and Convenors. The questionnaire comprises (1) a review of the implementation of the 2014 recommendations, particularly on whether the streamlining efforts have improved the efficiency and effectiveness of CTI and sub-fora work; and (2) identification of new actions to sharpen the CTI and CTI sub-fora agenda to place greater focus on initiatives that promote and strengthen regional economic integration.

- The CTI Chair and the APEC Secretariat will compile the results of the survey, on the basis of which a report containing recommendations for concrete actions will be produced. The draft report will be discussed at CTI1 in 2017 for finalization, and any recommendations will be brought for endorsement by Senior Officials at SOM1 in 2017.

- Streamlining of the CTI sub-fora also contributes to and is part of a wider effort of reforming APEC. While different fora and groups have been set up in APEC in order to address increased diversification of issues to be dealt with, a number of economies supported calls to review the current APEC structure to increase efficiency and flexibility of APEC to respond to the changing environment and to focus resources on issues that will bring APEC closer to its goals. With discussions on all APEC rationalization anticipated on Senior Official’s level in the near future, the outcomes of CTI sub-fora streamlining will be expected to provide meaningful inputs to the discussion.

- CTI also agreed to endorse the proposal on the process of selecting a CTI Vice Chair for implementation in 2017 to 2020. Starting next year, Viet Nam as the host economy, will assume the vice chair role. More than giving support to the CTI Chair, this will also enhance coordination between the CTI and the APEC Chairmanship.