



**Asia-Pacific
Economic Cooperation**

2014/SOM1/037
Agenda Item: 2

CTI Chair's Report

Purpose: Consideration
Submitted by: CTI Chair



**First Senior Officials' Meeting
Ningbo, China
27-28 February 2014**

Executive Summary

The Committee on Trade and Investment (CTI) met on 24-25 February 2014 to discuss its Work Program for the year.

CTI's 2014 work program is organized around five priority areas that would contribute to APEC 2014 Priorities under the theme, "Shaping the Future through Asia-Pacific Partnership", namely: (i) support for the multilateral trading system/WTO; (ii) advancing regional economic integration; (iii) strengthening connectivity and infrastructure development; (iv) expanding regulatory cooperation and advancing regulatory coherence; and (v) contributions to APEC growth strategy and cross-cutting mandates. It agreed on work plans in three areas: Strengthening REI and Advancing Free Trade Area of the Asia-Pacific (FTAAP); Next Generation Trade and Investment Issues; and Supply-Chain Connectivity.

Recommendations

CTI recommends that SOM **endorses**:

- the proposed 2014 CTI work program and the projected list of deliverables from its sub-fora and Industry Dialogues;
- the recommendations on improving the efficiency and effectiveness of CTI sub-fora (Annex 5);
- representation by the LSIF Regulatory Harmonization Steering Committee to the International Medical Device Regulators Forum (IMDRF); and
- the APEC/EU Referential for the Structure of the EU Binding Corporate Rules and APEC Cross Border Privacy Rules System (see Annex 7).

CTI also recommends that SOM **notes**:

- the intention of APEC economies to work towards appropriate statements at MRT, AMM and/or AELM on supporting the multilateral trading system/WTO;
- the preparations underway for the Bogor Goals Progress Report 2014;
- the establishment of the Friends of the Chair (FoTC) on Strengthening REI and Advancing FTAAP;
- the progress in the implementation of Supply Chain Connectivity Framework Action Plan (SCFAP) including the systematic approach to improving supply chain performance;
- the suite of CTI-level activities in the margins of CTI2/SOM2 in support of the CTI 2014 work program including Policy Dialogue on Information Sharing on RTAs/FTAs; Dialogue on GVC Collaboration; Third ARCAM Dialogue on Electric Vehicles Standards; Capacity Building Workshop on Global Data Standards; and REI Capacity Building Workshop to Prepare for FTA Negotiations; and
- CTI's intention to submit at SOM2, a report, including forecast of TILF deliverables for 2014, on progress in all priority areas.

27 February 2014

The Chair
APEC Senior Officials' Meeting (SOM)
Ningbo, China

APEC COMMITTEE ON TRADE AND INVESTMENT (CTI): Chair's Report

Introduction

The Committee on Trade and Investment (CTI) met on 24-25 February 2014 in Ningbo to follow through on the instructions received from Leaders, Ministers and SOM in Bali last October. All CTI sub-fora, except the Automotive Dialogue, had their first meeting of the year prior to this CTI meeting.

CTI Work Program in 2014

2. CTI discussed and organized its 2014 work program around five priority areas that would contribute to APEC 2014 Priorities under the theme, "Shaping the Future through Asia-Pacific Partnership", namely: (i) support for the multilateral trading system/WTO; (ii) advancing regional economic integration; (iii) strengthening connectivity and infrastructure development; (iv) expanding regulatory cooperation and advancing regulatory coherence; and (v) contributions to APEC growth strategy and cross-cutting mandates. It developed work plans in three areas: Strengthening REI and Advancing Free Trade Area of the Asia-Pacific (FTAAP); Next Generation Trade and Investment Issues; and Supply-Chain Connectivity through the Friends of the Chair (FoTC) groups for these three areas.

(a) Support for the Multilateral Trading System (MTS)/WTO

3. CTI discussed a proposal¹ by the United States on "APEC Support for Implementation of the WTO Trade Facilitation Agreement". There was broad support for a statement on this issue at the Ministers Responsible for Trade (MRT) meeting. CTI noted China's intention, as host economy, to prepare a standalone statement in support of the MTS/WTO, covering implementing the WTO Trade Facilitation Agreement, reaching consensus on the post-Bali work plan, extending the standstill on protectionism for another two years and encouraging wider participation in negotiations on environmental goods. CTI also discussed additional elements that could be included in the standalone statement such as the expansion of the Information Technology Agreement, as reflected in a room document circulated by Canada (to be tabled at SOM1). CTI agreed to provide comments to the United States on its proposal regarding Trade Facilitation Agreement by 21 March. CTI members noted the importance of liaising closely with their representatives in Geneva on these issues.

(b) Achieving the Bogor Goals

4. CTI received an update² from the PSU on the preparation of the Bogor Goals Progress Report 2014 based on economies' individual action plans. CTI Chair called on those economies that have not submitted their IAPs to do so as soon as possible.

¹ 2014/SOM1/CTI/003

² 2014/SOM1/CTI/005

CTI noted that the PSU reports on economies will be prepared for discussion by Senior Officials at SOM2.

5. CTI also received an update from the PSU on its research and analytical work, as agreed at CTI2 2013, on the use of non-tariff measures (NTMs) in the region and strategies that economies could adopt to pursue the policy objectives underlying the NTMs in more trade facilitative ways. CTI agreed that members should provide comments on the consolidated paper³ prepared by the PSU by 21 March with a view to finalization of the paper for presentation at CTI2.

6. CTI discussed the proposed terms of reference (TOR) for the PSU study on promoting trade in products which contribute to sustainable development and inclusive growth through rural development and poverty alleviation. The CTI agreed on the TOR, which state, amongst other things, that “a limited, manageable and practical number of products nominated, with rationale, by each economy, in HS code (6 digits), will be discussed for the scope of the study and will be decided on a consensus basis”. (see Annex 1). CTI further agreed that economies could submit product nominations for inclusion in the study by 28 March. Indonesia will compile product nominations for consideration by CTI members ahead of CTI2.

(c) Exploring an FTAAP

7. CTI discussed a proposal by China on an APEC Framework of Strengthening Regional Economic Integration (REI)⁴. There was broad support for work to take forward the process for the eventual realization of an FTAAP, building on previous work and on a step-by-step basis. A new CTI FoTC on Strengthening REI and Advancing FTAAP, co-led by China and the United States, was established to drive this work. CTI agreed in principle to a work plan (see Annex 2), on the understanding that further comments/inputs on the issues/questions listed in the work plan could be provided by economies by 14 March. A revised version of the work plan will be circulated by the FoTC co-leads after that date. CTI also agreed that proposals and ideas in response to the issues/questions in the current work plan should also be provided by 14 March. CTI noted China’s intention to circulate separate papers on the “road-map” and “feasibility study” elements of the work plan by the end of March. CTI also agreed in-principle to an “information-sharing mechanism” on FTAs/RTAs, noting that its format and structure would be subject to further discussion. This information-sharing would commence with the Policy Dialogue on Information Sharing on RTAs/FTAs in the Asia-Pacific Region scheduled for the margins of SOM2. Economies were requested to submit inputs for the proposed Policy Dialogue by 21 March.

8. CTI welcomed a progress report from Korea on the Regional Economic Integration (REI) capacity building needs initiative (CBNI), including the successful conclusion of the workshops on dispute settlement proceedings (Korea); and government procurement (Viet Nam). CTI noted forthcoming workshops covering the areas of preparation for FTA negotiations, including research and analysis (New Zealand) to be held in the margins of CTI2; safeguards (Indonesia) in June; intellectual property (Viet Nam) in the second half of the year; and non-conforming measures (United States) in the margins of CTI3.

9. Korea presented a discussion paper on a work plan to take the REI CBNI beyond 2014 as well as a new concept note⁵ on Assessing 2012-2014 CBNI Programs

³ 2014/SOM1/CTI/006

⁴ 2014/SOM1/CTI/007

⁵ 2014/SOM1/CTI/052

and Mapping the Future. CTI agreed that economies will provide comments to Korea on (i) its discussion paper by 21 March and (ii) concept note by 7 March with a view to finalizing it for submission for 2014 BMC Session 1 funding.

(d) Global Value Chain Cooperation

10. CTI discussed the proposal by China to develop an APEC Strategic Blueprint for Advancing Global Value Chains Development through Asia-Pacific Partnership⁶ and agreed that economies should provide comments and inputs to China by 21 March. The CTI also noted China's intention to circulate a draft of the blueprint intersessionally in advance of CTI2. China provided an update on preparations for the APEC Dialogue on GVC Collaboration scheduled to be held in the margins of SOM2. China also foreshadowed the circulation of an agenda for dialogue after CTI1. CTI agreed to provide comments and inputs on the draft agenda and suggested speakers to China.

11. CTI discussed China's proposal on the establishment of a Database based on Input-Output Table for GVC and Trade in Value-Added among APEC Members⁷ and agreed to provide comments to China by 21 March.

12. CTI took note of Korea's intention to circulate a proposal on exploring SMEs' participation in GVCs at SOM2.

13. CTI received an update from Japan and the PSU on the "Comprehensive Analysis on Enhanced Resiliency of Cross-Border Value Chains" Study and agreed that economies would provide comments and inputs by 21 March.

(e) Next Generation Trade and Investment Issues (NGeTI)

14. CTI adopted a work plan on next generation trade and investment issues to guide its work in 2014 in response to APEC Economic Leaders' instructions from October 2013 (see Annex 3). CTI, through its FotC on Next Generation Trade and Investment Issues (NGeTI FoTC), received updates on the progress in the previously agreed issues and discussed two new ideas for consideration as additional next generation trade and investment issues to be addressed in 2014. These issues were (i) Promoting Open and Competitive Services Markets to Support the Growth of Global Value Chains⁸ proposed by Australia (co-sponsored by Japan and United States) and (ii) Manufacturing Related Services in Supply Chains/Value Chains⁹ proposed by Japan (co-sponsored by United States). CTI agreed that economies would submit comments to the proponents on the two proposals on 2014 NGeTI issues by 21 March and proponents will circulate revisions, along with any new proposals, by 4 April so that members would be better placed to select at CTI2 one to two issues to be addressed in 2014. Lead economies for existing NGeTI issues would also circulate any new proposals by 21 March.

(f) Environmental Goods and Services/Green Growth

15. CTI received updates from several economies (Canada, Chile, Indonesia, Korea, New Zealand, Papua New Guinea and the United States) on progress in implementing their commitments to reduce their tariffs on the 54 products in the APEC

⁶ 2014/SOM1/CTI/008

⁷ 2014/SOM1/CTI/009

⁸ 2014/SOM1/CTI/011

⁹ 2014/SOM1/CTI/012

List of Environmental Goods by five percent or less by 2015. CTI agreed to develop a table intersessionally to capture such updates by economies and to have the review of progress as a standing item on the CTI's agenda.

16. CTI discussed a concept note¹⁰ from China on Capacity Building on Implementation of APEC's Environmental Goods Commitments and agreed that economies would provide comments to China by 7 March with a view to finalizing it for submission for 2014 BMC Session 1 funding.

17. CTI took note of the update by China on the organization of the first Public-Private Partnership on EGS (PPEGS) dialogue on clean and renewable energy and its intention to circulate the agenda for the dialogue after CTI1. CTI agreed to provide comments and inputs on the draft agenda and suggested speakers to China.

18. CTI also discussed new proposals from Japan (co-sponsored by Australia and the United States) on Trade Liberalization of Environmental Services¹¹ and from China on the Establishment of APEC Cooperation Platform on Green Supply Chain¹². CTI agreed that economies would provide comments to Japan and China on their respective proposals by 21 March. CTI also agreed that Japan's proposal would be circulated to the Group on Services (GOS) for comment by the same deadline.

19. CTI welcomed the further information provided by the United States on "Electronic Stewardship"¹³, including a compilation of economies' responses to the 2013 questionnaire and a review of existing literature on electronics stewardship. CTI also encouraged economies to circulate the information to relevant stakeholders in their economies. The United States welcomed any comments or questions from economies on the further information on "Electronics Stewardship".

20. On investment, CTI discussed the proposal from China which was tabled in the IEG on sustainable investment. CTI noted China's call for nominations by 21 March by economies of case studies to be included in the proposal.

21. CTI also discussed a proposal by China on Draft Strategic Plan on Capacity Building to Promote Trade and Investment Agenda¹⁴ and agreed that economies would provide comments on the proposal to China by 21 March. CTI also agreed that the proposal would be shared with the BMC, SCE and the APEC Secretariat for comments by the same deadline.

(g) Supply-Chain Connectivity Framework and Action Plan (SCFAP)

22. CTI adopted a work plan on supply-chain connectivity, developed by the FoTC on Supply-Chain Connectivity, to progress the supply-chain connectivity framework and action plan (see Annex 4). CTI, through its FoTC on Supply-Chain Connectivity, received updates on progress in implementing the SCFAP and the systematic approach to improving supply chain performance. This included progress in the diagnostic reports of chokepoint leads, the coordination of diagnostic reports, and work to draw up the capacity building plan. CTI also agreed to provide inputs to China, as host economy, for a statement on supply chain connectivity to be prepared for endorsement at MRT by 15 March. CTI welcomed the establishment of a new sub-

¹⁰ 2014/SOM1/CTI/013

¹¹ 2014/SOM1/CTI/018

¹² 2014/SOM1/CTI/014

¹³ 2014/SOM1/CTI/015, 2014/SOM1/CTI/016, 2014/SOM1/CTI/017

¹⁴ 2014/SOM1/CTI/021

fund on supply chain connectivity under the APEC Support Fund to meet capacity-building needs for economies in enhancing their supply chain performance¹⁵.

23. CTI discussed the proposed Capacity Building Plan to Improve Supply Chain Performance¹⁶ by the United States to advance Stage 3 of the systematic approach to SCFAP. The United States proposed but will circulate a more detailed paper separately regarding the proposed establishment of a group of interested experts from economies, multilateral institutions and private sector companies and associations (APEC Alliance for Supply Chain Connectivity – A2C2) to advise and assist in the capacity building. CTI agreed that economies would provide comments to the United States by 21 March. CTI also discussed two concept notes by the United States for possible funding under new sub-fund. These are (i) Capacity Building and Technical Assistance to Implement Programs on Pre-Arrival Processing; and (ii) Capacity Building and Technical Assistance to Implement Programs on Expedited Shipments. CTI agreed that economies would provide comments to the United States by 7 March with a view to finalizing it for submission for 2014 BMC Session 1 funding.

24. CTI also discussed a concept note¹⁷ from China on “Promoting Supply Chain Connectivity through a Model E-Port Initiative” and agreed that economies would provide comments to China by 28 February.

25. CTI welcomed China’s report on the APEC Workshop on New Way to Promoting Supply Chain Connectivity in the Context of Global Value Chain held on 21-22 February in Ningbo, under its Multi-year Project - Enhancing Logistics Performance through Training and Networking for APEC Local/ Regional Logistics Sub-Provider. CTI noted China’s intention to circulate a summary report on the workshop, including policy recommendations, intersessionally.

26. CTI agreed to the self-funded project¹⁸ by Hong Kong, China and New Zealand on the Application of Global Data Standards to Enhance Supply Chain Connectivity, which comprises (i) a one-day CTI workshop to be held in the margins of SOM2 and (ii) a half-day CTI trade policy dialogue (TPD) to be held in the margins of SOM3. CTI agreed that economies would provide comments/ inputs to the agendas as well as suggested speakers for the workshop and TPD.

27. CTI received an update from the United States on progress in the implementation of the capacity building program for the Pathfinder to Enhance Supply-Chain Connectivity by establishing a Baseline De Minimis Value and agreed to provide nominations for further case studies under the capacity building program by 21 March to the United States.

28. CTI agreed to the self-funded project¹⁹ by Japan on Capacity Building of Infrastructure Development and Investment in APEC and that economies would provide suggestions for speakers for the proposed seminar to Japan.

29. CTI took note of the SCCP’s initiative to formulate a framework paper for advancing supply chain connectivity through mutual recognition, mutual assistance and mutual sharing and its call for comments/inputs to the framework by 21 March.

¹⁵ 2014/SOM1/CTI/024

¹⁶ 2014/SOM1/CTI/029

¹⁷ 2014/SOM1/CTI/022

¹⁸ 2014/SOM1/CTI/023

¹⁹ 2014/SOM1/CTI/026

(g) Expanding Regulatory Cooperation and Advancing Regulatory Convergence

30. CTI discussed and agreed to the actions set out in proposal²⁰ from the United States on the APEC Regulatory Cooperation Advancement Mechanism (ARCAM) Dialogue on Electric Vehicle Standards, as well as the self-funded concept note²¹ to organize the dialogue in the margins of CTI2. CTI also agreed that economies should provide comments/inputs to the “roadmap” referred to in the proposal and the draft agenda²² for the dialogue by 21 March.

31. CTI welcomed the PSU study²³ on Voluntary Advertising Standards and Regulatory Approaches in Advertising in APEC economies and took note of the recommendations therein.

32. CTI discussed a concept note²⁴ on APEC Advertising Regulatory Capacity Building Mentoring Program by China and Australia and agreed that economies would provide comments to the proponents by 7 March with a view of finalizing it for submission for 2014 BMC Session 1 funding. CTI also agreed that the concept note would be sent to the SCSC for comments by the same deadline.

(h) Streamlining CTI Sub-fora

33. The CTI discussed the draft review paper²⁵ on efficiency and effectiveness of CTI sub-fora. The discussions took into account feedback on the draft paper from CTI sub-fora set out in the respective sub-fora convenor reports. Members raised several issues including the need for more coordination between sub-fora to avoid duplication and overlap; the benefits of closer collaboration between sub-fora through joint meetings on particular topics; the importance of effective and frequent communication between CTI representatives and sub-fora representatives, including on CTI meeting outcomes; the importance of substantive sub-fora agendas and the responsibilities of economies to contribute to those agendas; alignment between those agendas and the APEC Tasking Statement, host economy priorities and APEC goals; and the scope for more referral of tasks by the CTI to sub-fora. CTI agreed to submit the attached paper (see Annex 5) with recommendations and accompanying annexes to Senior Officials for their consideration.

(i) Other elements of the CTI work program and industry dialogues

34. CTI sub-fora and CTI’s three Industry Dialogues were also asked to develop work plans to assist CTI to implement its priorities, as appropriate. A tabulation summarizing highlights of projected deliverables for 2014 is set out in Annex 6. Amongst these, SOM is requested to approve the following:

- Representation by the LSIF Regulatory Harmonization Steering Committee to the International Medical Device Regulators Forum (IMDRF); and
- APEC/EU Referential for the Structure of the EU Binding Corporate Rules and APEC Cross Border Privacy Rules System (see Annex 7).

²⁰ 2014/SOM1/CTI/030

²¹ 2014/SOM1/CTI/030 att2

²² 2014/SOM1/CTI/030 att1

²³ 2014/SOM1/CTI/032

²⁴ 2014/SOM1/CTI/033

²⁵ 2014/SOM1/CTI/034

Decision Points for SOM and Requests from SOM

35. CTI recommends that SOM **endorses**:

- the proposed 2014 CTI work program and the projected list of deliverables from its sub-fora and Industry Dialogues;
- the recommendations on improving the efficiency and effectiveness of CTI sub-fora (Annex 5);
- representation by the LSIF Regulatory Harmonization Steering Committee to the International Medical Device Regulators Forum (IMDRF); and
- the APEC/EU Referential for the Structure of the EU Binding Corporate Rules and APEC Cross Border Privacy Rules System (see Annex 7).

36. CTI also recommends that SOM **notes**:

- the intention of APEC economies to work towards appropriate statements at MRT, AMM and/or AELM on supporting the multilateral trading system/WTO;
- the preparations underway for the Bogor Goals Progress Report 2014;
- the establishment of the Friends of the Chair (FoTC) on Strengthening REI and Advancing FTAAP;
- the progress in the implementation of Supply Chain Connectivity Framework Action Plan (SCFAP) including the systematic approach to improving supply chain performance;
- the suite of CTI-level activities in the margins of CTI2/SOM2 in support of the CTI 2014 work program including Policy Dialogue on Information Sharing on RTAs/FTAs; Dialogue on GVC Collaboration; Third ARCAM Dialogue on Electric Vehicles Standards; Capacity Building Workshop on Global Data Standards; and an REI Capacity Building Workshop to Prepare for FTA Negotiations; and
- CTI's intention to submit at SOM2, a report, including forecast of TILF deliverables for 2014, on progress in all priority areas.

John Larkin
Chair, APEC Committee on Trade and Investment