



Asia-Pacific
Economic Cooperation

Advancing Free Trade
for Asia-Pacific Prosperity

APEC Committee on Trade and Investment 2018

Annual Report to Ministers



**Asia-Pacific
Economic Cooperation**

**2018
ANNUAL REPORT TO MINISTERS**

COMMITTEE ON TRADE AND INVESTMENT

**November 2018
Port Moresby, Papua New Guinea**

Prepared or Printed by

APEC Secretariat

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APEC#218-CT-01.7

ISSN: 0219-1865

Dear Ministers,

APEC has long championed the virtues of trade and investment liberalization and facilitation as a powerful driver of growth in our region. Trade is an enabler of innovation and technology flows, of new jobs, of higher standards of living and greater prosperity.

In 1993, Ministers established the Committee on Trade and Investment (CTI) in order to pursue opportunities to liberalize and expand trade, facilitate a more open environment for investment, develop initiatives to improve the flow of goods, services, capital and technology within the region and consult on issues of importance and develop consensus to expand and strengthen these flows within the region and globally, and to reduce and remove distortions which impede these flows. This objective is set out in the 1993 *Declaration of an Asia Pacific Economic Cooperation Trade and Investment Framework*, which established CTI. A second objective of the Committee is to create a coherent APEC perspective and voice on global trade and investment issues and increase cooperation among Members on key issues.

While these objectives are as relevant to CTI's work today as they were in 1993, the strategic trade environment in which CTI seeks to carry out its work has changed. Current unease within some parts of the APEC membership about the state of global trade rules, as well as concerns in some quarters of our economies about the distribution of benefits within our societies, have created a more challenging environment in which to reach agreement about the best way forward to achieve CTI's objectives.

Despite this more challenging environment, CTI in 2018 has sought to respond to Papua New Guinea's host year priority to improve connectivity between our economies and deepen regional economic integration. Our work has focused on: what APEC can do to support and improve the multilateral trading system; efforts to achieve free and open trade in the region through reducing barriers to trade and investment; improving procedures at the border and along supply chains in order to facilitate trade; and harmonizing standards and regulations to reduce the costs associated with trade. Good progress has been made in a number of areas.

I am especially pleased that CTI has managed to find new initiatives that will support the improved functioning of the World Trade Organization (WTO) and its rules as agreed by WTO Members. This demonstrates APEC's continued leadership of trade issues that matter not just to the immediate Asia-Pacific region, but globally.

The 2018 Bogor Goals Progress Report, which CTI contributed to, shows the state of play in our economies' efforts to reduce barriers to trade and investment. The report highlights a number of improvements, but also reflects on where economies have regressed and where more work is required if we are to credibly meet the Bogor Goals by 2020.

CTI has contributed during 2018 to APEC's discussions on a post-2020 vision to come after the Bogor Goals. CTI's contribution has focused on services, investment, trade facilitation, supply chains and connectivity.

At CTI's first meeting of the year, Members also explored how trade contributes to economic inclusion and what more can be done to make trade truly beneficial for all participants in our societies. This was a fruitful discussion from which nascent CTI work will emerge.

There are two areas of work where progress has not been as substantial as I had hoped for at the start of the year. The first is our work to support APEC's vision of a Free Trade Area of the Asia Pacific (FTAAP). Some good progress has been made on a practical program of FTAAP-related work in a limited number of areas, but, as detailed in this report, there are a number of proposed initiatives related to extant trade and investment issues that members have not been able to reach consensus on inclusion in our FTAAP work. It is my view that progress will likely remain slow until Members have a cohesive view of the end-state objective for FTAAP and how we should get there. We will pay careful attention to Ministers' deliberations on this point.

The second area is digital issues as they relate to trade. Progress has been made in some areas, particularly those related to e-commerce, but differing domestic regulatory approaches has made consensus difficult to achieve on a broader suite of digital trade issues. Achieving a coherent, cohesive approach on these issues is not just an academic exercise – all APEC economies acknowledge the important role that the digital environment will have on trade-driven growth in the future. It is my hope that Papua New Guinea's proposed new governance structures and actions for 2019, will, if agreed, create a more enabling environment for CTI and its sub-fora to carry out work on digital issues relating to trade and investment.

On behalf of the Committee, I want to pass on our appreciation to Papua New Guinea for the gracious hospitality and arrangements throughout 2018, without which the Committee could not have met. I also wish to acknowledge the hard work of the convenors of the 11 CTI sub-fora and industry dialogues, some of whom stepped down from their roles in 2018 after many years of service. I wish to thank the APEC Secretariat for its support to the Committee and its sub-fora. And I would like to thank the Policy Support Unit for its outstanding research and policy analysis, which underpins much of CTI's work. The Committee appreciates also the practical inputs and advice it receives from the APEC Business Advisory Council.

Finally, it is important I acknowledge the contributions and leadership from all the Members of CTI. The Committee's work is economy-driven, voluntary and consensus-based. Without the drive and determination of those economies leading their individual areas of interest, CTI would have little to include in its Annual Report. That is not the case – this report is testament to the hard work of all 21 economies. I trust this report shows that, despite the challenges mentioned earlier in this report, our commitment to addressing global trade and investment issues remains strong and the tradition of cooperation is very much alive in APEC.

CTI looks forward to your consideration of this report and your guidance to help us take our work forward.

Sincerely,



Justin Allen
Chair, APEC Committee on Trade and Investment

Contents

CTI 2018 Recommendations and Highlights.....	1
Introduction	5
Section I: Support for the Multilateral Trading System	7
Section II: Advancing Regional Economic Integration	8
Section III: Trade Facilitation and Strengthening Comprehensive Connectivity and Infrastructure	21
Section IV: Promoting Innovative Development and Inclusive Approaches.....	27
Section V: Engagement with the Business Sector and Industry Dialogues.....	29
Section VI : Streamlining CTI and CTI Sub-Fora	34
Appendices	
Appendix 1 - Cross-cutting Principles on Non-Tariff Measures.....	1-1
Appendix 2 - APEC’s Bogor Goals Progress Report.....	2-1
Appendix 3 - Table on APEC Economies’ Progress in Implementing the WTO Agreement on Trade Facilitation (TFA) as of 9 November 2018.....	3-1
Appendix 4 - Summary Report on APEC Measurement of APEC TiVA under GVCs.....	4-1
Appendix 5 - Environmental Services Action Plan (ESAP) Interim Review	5-1
Appendix 6 - Manufacturing Related Services Action Plan (MSAP)-Interim Review	6-1
Appendix 7 - 2018 Stocktake - The APEC Supply-Chain Connectivity Framework Action Plan (SCFAP) II 2017-2020	7-1
Appendix 8 - Overall Progress Report of APMEN 2015-2018.....	8-1
Appendix 9 - 2018 CTI Pathfinder Initiatives.....	9-1
Appendix 10 - APEC Life Sciences Innovation Forum Letter to Ministers and Leaders (Including Action Plan)	10-1
Appendix 11 - APEC Guidebook on Quality of Infrastructure Development and Investment	11-1
Appendix 12 - APEC Guideline for Quality of Water Infrastructure	12-1
Appendix 13 - APEC Non-binding Principles for Domestic Regulation of the Services Sector	13-1

CTI 2018 Recommendations and Highlights

CTI recommends that Ministers **endorse:**

- CTI's 2018 Annual Report to Ministers
- The APEC Cross-cutting Principles on Non-Tariff Measures (see Appendix 1)

CTI recommends that Ministers **welcome:**

- The Non-Binding Principles for Domestic Regulation of the Services Sector (see Appendix 13)

CTI recommends that Ministers **note:**

- The 2018 Bogor Goals Progress Report (see Appendix 2)
- Progress on Economies' Implementation of the WTO Trade Facilitation Agreement (see Appendix 3)
- The planned completion by end of 2018 of the APEC Trade in Value Added Database and Summary Report on APEC Measurement of APEC Trade in Value Added (TiVA) under Global Value Chains (GVCs) (Appendix 4)
- The Environmental Services Action Plan Interim Review (see Appendix 5)
- The Manufacturing Related Services Action Plan Interim Review (see Appendix 6)
- Contributions of CTI and its sub-fora in implementing the Boracay Action Agenda to Globalize MSMEs as reflected in the 2018 Mid-term Review of Progress
- A list of APEC initiatives supporting Phase II of the APEC Supply Chain Connectivity Action Plan (Appendix 7)
- The Asia-Pacific Model E-Port Network 2018 Review Report, the Overall Progress Report 2015-2018 (see Appendix 8) and updated Terms of Reference (2018-2022).
- The revision of the APEC Guidebook on Quality Infrastructure Development and Investment (see Appendix 11)
- The development of a Guideline for Quality of Water Infrastructure (see Appendix 12)
- The LSIF Executive Board Co-Chairs Letter to Ministers and Leaders and LSIF Action Plan on rare Diseases (see Appendix 10)
- The current CTI Pathfinder Initiatives (see Appendix 9)

Furthermore, CTI presents the following highlights from the 2018 year:

- CTI continued to discuss how it can support and improve the functioning of the **multilateral trading system** and undertook initiatives to: support implementation of the WTO Agreement on Trade Facilitation following ratification by all 21 APEC economies; promote transparency

- through the improvement of SPS notification; and progress implementation of the WTO decision on agriculture export subsidies.
- CTI contributed to the 2018 **Bogor Goals Progress Report** and discussed how to accelerate progress in the final two years of the Bogor Goals period in those areas where gaps remain.
 - Various work is underway by CTI and its sub-fora to implement the **Lima Declaration on FTAAP**. Implementation has begun on initiatives related to tariffs, non-tariff measures, Rules of Origin, transparency and Next Generation Trade and Investment Issues including MSMEs and investment aspects, and various information sharing and Capacity Building Needs Initiative activities were carried out during 2018. Discussion continues in CTI on potential areas of implementation under the Lima Declaration on FTAAP including digital trade and e-commerce, state-owned and controlled enterprises, labor-related and environment-related provisions, and investment.
 - New work has been undertaken in the area of **Internet and digital economy and e-commerce** including: further trade policy dialogues under the *Work Plan to Identify Building Blocks to Facilitate Digital Trade for 2018*; a Public-Private Dialogue on *Existing and Emerging Issues Related to E-Commerce and the Digital Economy*; a *Survey on E-Commerce Regulations in APEC*; a *Study on Fostering an Enabling Policy and Regulatory Environment in APEC for Data-Utilizing Businesses*; an initiative to *Promote Cross-Border E-Trade under the Framework of RTAs/FTAs*; the *2018 IDEAS Show@APEC*; a new work plan for the Electronic Commerce Steering Group Data Privacy Sub-Group; and cooperation on the APEC Cross-Border Privacy Rules and Cross-Border Privacy Enforcement Arrangements. CTI continues to discuss proposed building blocks to facilitate digital trade].
 - CTI has undertaken work to support **micro, small and medium-sized enterprises' integration into regional and international markets** including: the development of a *Compendium on Methodologies for SMEs' Internationalisation*; studies on *SMEs Integration into Global Value Chains* in the fashion design, tourism and software services industries; as well as several projects to improve the capacity of MSMEs to effectively use and protect intellectual property.
 - There was no progress in 2018 from those few remaining economies yet to implement the 2012 Leaders' commitment to reduce applied tariffs rates on 54 product lines in the **APEC List of Environment Goods**.
 - The APEC **Green Supply Chain Network** held its annual conference and development forum in Guangzhou, China in September 2018, completed the APEC Green Supply Chain Showcase Center in Tianjin and also carried out two capacity building workshops during the year.
 - A range of initiatives have been carried out by the Group on Services in support of the **APEC Services Competitiveness Roadmap** including: completion of the Non-Binding Principles for Domestic Regulation of the Services Sector; progress of the technical group to develop an APEC index to measure services trade restrictiveness; completion of the interim review of the *Environmental Services Action Plan*; a workshop on *Best Practices Recognition of Professional Qualifications*; a *Workshop on Promoting Regional Connectivity of Professionally Qualified Engineers in APEC*; a *Symposium on Services Trade*; a *Seminar on Increasing the Competitiveness of the Telecommunications Sector*; a public-private dialogue on cross-border e-commerce in services; and a project looking at *Services and Food Systems*.
 - The interim review of the *Manufacturing Related Services Action Plan* was concluded in 2018, with the final report due in 2020.

- CTI and the Investment Experts Group continue to move forward APEC's **investment** agenda including: by agreeing the Investment Framework Action Plan IV to be carried out from 2019; a *Study on Inclusive Business in APEC*; and a *Workshop on Sustainable and Inclusive Investment Practices within the APEC Region*.
- In 2018, **trade facilitation** work focused on supporting economies to implement their commitments under the WTO Trade Facilitation Agreement through a focus on customs cooperation and capacity building including: *Practical Steps for Implementing Provisions of the WTO TFA*; a survey on the *Implementation of Article 3.6 and 3.8 of the WTO TFA*; *Capacity Building for Developing Economies to Address Obligations Under Article 1 of the WTO TFA*; capacity building on *Advance Rulings Phase II* and *Expedited Shipment Phase II*; and a *Trade Policy Dialogue on the WTO TFA Category B and C Commitments*.
- CTI and SCCP continued to collaborate to implement Phase II of the **Supply Chain Connectivity Framework Action Plan** (SCFAP II) including through capacity building projects on: *Progressing on Chokepoint 1 of SCFAP II*, and a *Workshop on Implementation of APEC Customs APEC Transit Guidelines*.
- The *Study on Single Window Systems' International Interoperability: Key Issues for its Implementation* underscored the need for ongoing collaboration between economies. Members recognized the different implementation stages of their Single Window Systems and agreed to continue exchanging views, experiences and best practices in the APEC region.
- In other supply chain related activities, the **APEC Alliance for Supply Chain Connectivity**, an advisory group consisting of supply chain and customs experts from the public and private sectors, met and discussed capacity building programs, issues related to the WTO TFA, and the role of digital connectivity in supply chains.
- The **Asia-Pacific Model E-Port Network (APMEN)** 2018 Review Report and the Overall Progress Report 2015-2018 were finalised and an updated Terms of Reference is endorsed. APMEN also held the Fourth Public-Private Dialogue, the fourth APMEN Joint Operational Group Meeting and the third capacity building program in China.
- On people-to-people connectivity, progress has been made to improve the consistency of the **APEC Business Travel Card** (ABTC) experience for its users. As at 30 June 2018, approximately 278,282 ABTCs have been issued.
- Progress has been made to promote **quality infrastructure development and investment** with three main outputs across the year: further progress was made on peer reviews under the initiative on *Peer Review and Capacity Building on APEC Infrastructure Development and Investment*; the *APEC Guidebook on Quality Infrastructure Development* was upgraded; and a *Guideline on Quality of Water Infrastructure* was developed.
- Work on **regulatory cooperation and convergence** included: finalization of the study on *Promoting Competitiveness: Test of Ex Ante Control of Regulation on Advertising-Sales Promotion*; a paper on *Developing Indicators to Assess the Strength of Standards and Conformance Infrastructure in APEC*; and two workshops on food safety related to food adulterated with drugs/psychoactive substances.
- CTI held a policy dialogue to consider ways the Committee might seek to address challenges of **economic inclusion** in APEC economies and across the region. In response, Mexico held a workshop on *Best Practices in Circular Economy: Redefining Growth – from Waste to Worth*, addressing not only economic inclusion, but also the achievement of balanced, sustainable, innovative and secure growth.

- The Intellectual Property Experts Group held an extensive range of workshops and capacity building activities across the year to advance **intellectual property** issues including on trademark infringement and copyright, anti-counterfeiting, intellectual property management and commercialisation for SMEs, and on patent licensing and commercialisation.
- The **Automotive Dialogue** (AD) met twice in 2018 and continues to develop new work on areas includes taxes related to motor vehicles, electric vehicles and autonomous vehicles. In 2019, the AD will develop a roadmap or guiding principles on autonomous vehicles best practices from a regulatory viewpoint.
- The **Chemical Dialogue** (CD) produced a number of outputs in 2018 including: the annual report on the Globally Harmonized System for the Classification and Labelling of Chemicals (GHS); two papers on the economic importance of the chemical industry to trade; and, with the Oceans and Fisheries Working Group, endorsed the 2018 work plan for the Virtual Working Group on Marine Debris.
- The **Life Sciences Innovation Forum** (LSIF) worked with the Health Working Group to deliver the 8th APEC High Level Meeting on Health and the Economy and with the Finance Ministers' Process to address barriers to the deployment of innovative healthcare funding mechanisms.
- CTI worked to support the APEC Business Advisory Council's priorities for 2018.
- All eleven CTI sub-fora updated their Terms of Reference during 2018 and their mandates will be reviewed in another four years' time. CTI is considering the most appropriate methods to undertake reviews of the sub-fora.

Introduction

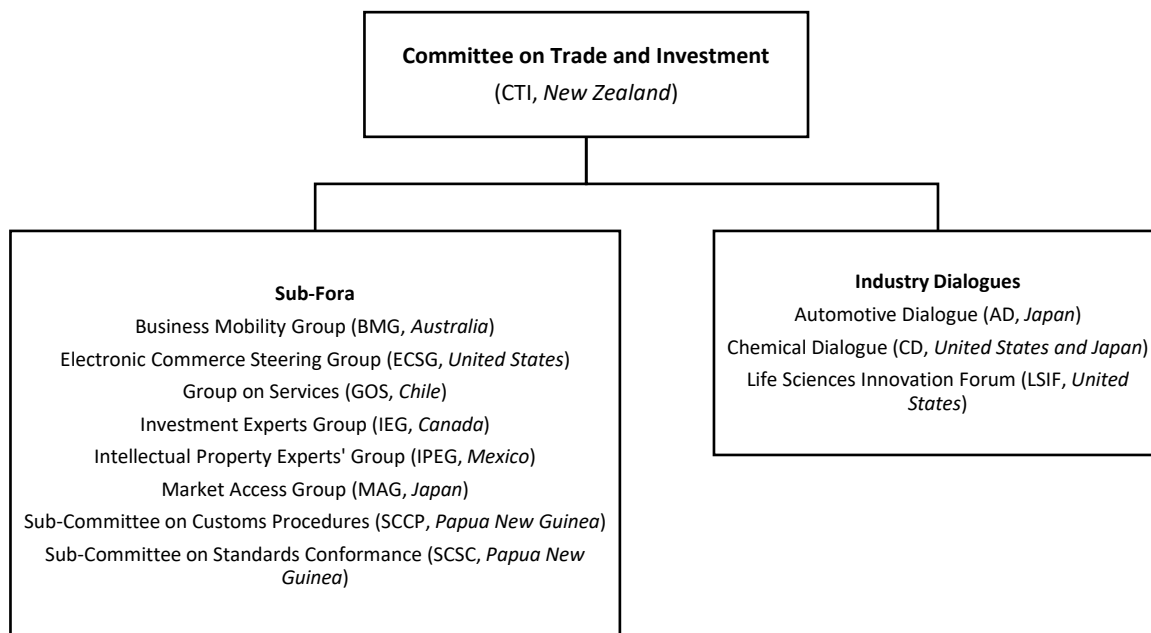
The APEC Committee on Trade and Investment (CTI) was established in 1993 by the Ministerial Declaration of an APEC Trade and Investment Framework. The objectives of CTI are to:

1. Create a coherent APEC perspective and voice on global trade and investment issues and increase cooperation among Members on key issues.
2. Pursue opportunities to liberalize and expand trade, facilitate a more open environment for investment and develop initiatives to improve the flow of goods, services, capital and technology within the region; consult on issues of importance in that context and develop consensus to expand and strengthen these flows within the region and globally, and to reduce and remove distortions which impede these flows in a manner consistent with applicable General Agreement on Tariffs and Trade (GATT) principles.

The 1993 Declaration’s objectives remain highly relevant to CTI’s work today and continue to provide high-level guidance to CTI’s work program. Under this mandate, in 2018, CTI continued its work towards achieving *the Bogor Goals* as set by APEC Leaders in 1994 to achieve the goal of free and open trade and investment in the Asia-Pacific no later than the year 2020. CTI’s work is further guided by the Osaka Action Agenda and supported by economic and technical cooperation initiatives, aimed at building capacity in member economies to assist them in undertaking trade and investment liberalization and facilitation.

CTI oversees eight sub-fora and three industry dialogues:

2018 CTI Structure (including chair/convenors’ economy)



The 2018 CTI Annual Report to Ministers outlines CTI and sub-fora progress and achievements in the key priority areas of APEC’s Trade and Investment Liberalization and Facilitation (TILF) agenda in

support of the APEC 2018 priorities under the theme *“Harnessing Inclusive Opportunities, Embracing the Digital Future”*.

The report is structured around CTI’s priorities and key activities:

- Section I: Support for the multilateral trading system
- Section II: Advancing regional economic integration
- Section III: Trade facilitation and strengthening comprehensive connectivity and infrastructure
- Section IV: Promoting innovative development and inclusive approaches
- Section V: Engagement with the business sector and industry dialogues
- Section VI: Streamlining CTI and CTI sub-fora.

Section I: Support for the Multilateral Trading System

In 2018, CTI and its sub-fora continued to exchange views on the role APEC could play in support of the multilateral trading system as embodied by the WTO, including through reform of aspects of the WTO's functioning. Progress was made in a number of areas that support outcomes under the WTO. A key achievement includes all 21 APEC economies ratifying the WTO Trade Facilitation Agreement (WTO TFA). A range of projects were implemented to support members' implementation of the WTO TFA (see 'Trade Facilitation' under *Section III: Trade Facilitation and Strengthening Comprehensive Connectivity and Infrastructure*). Singapore is leading the work on consolidating economies' progress in implementing TFA, which is shared with Ministers for information (see *Appendix 3 – Progress on Economies' Implementation of the WTO Trade Facilitation Agreement*).

Peru commenced its initiative *Promoting Transparency through the Improvement of Sanitary & Phytosanitary (SPS) Notifications* in 2018, which seeks to develop and adopt a set of recommendations to improve the quality and completeness of WTO's SPS notifications. This will facilitate trade and share more information about SPS regulations for government officials and private sector. Under this initiative, Peru undertook a study on quality and completeness of information of APEC economies' SPS notifications.

Papua New Guinea continued to implement the Work Plan for Export Subsidy, adopted by members in 2017. The Work Plan for Export Subsidy seeks to compile information reflecting the aggregate budgetary outlay and reduction commitments by APEC economies on export subsidy.

The Market Access Group (MAG) has conducted follow-ups to ensure the implementation of the Information Technology Agreement (ITA) expansion by all participating economies, which was agreed upon in 2016. The ITA, which requires participants to eliminate duties on IT products covered by the agreement, was expanded to include additional 201 products which have evolved and have different characteristics today. MAG and CTI welcomed the commitment of all ITA II participants for delivering on the implementation steps of the second set of tariff cuts. MAG and CTI also encouraged wider participation in the ITA II among APEC members.

During 2018 CTI meetings, economies shared views on how CTI might support outcomes from MC11 and previous ministerial conferences that require further progress in Geneva. This included the continued implementation of the WTO TFA, continued expansion of the ITA, renewed progress on the Environmental Goods Agreement, implementation of MC11 Ministerial decisions on fisheries subsidies and a work program on e-commerce, as well as plurilateral initiatives on investment facilitation, micro, small and medium enterprises (MSMEs), domestic regulation in services and women's economic empowerment, taking note of the importance of expanding the numbers of Members participating in them.

Section II: Advancing Regional Economic Integration

Achieving the Bogor Goals

Achieving *the Bogor Goals* for free and open trade in the Asia-Pacific continues to be the cornerstone of CTI's regional economic integration agenda. The APEC Policy Support Unit (PSU) undertook the 2018 Bogor Goals Progress Report to assess economies' collective and individual progress towards trade and investment liberalization (see Appendix 2 - *Bogor Goals Progress Report*). Drawing on APEC-wide indicators as well as economies' Individual Action Plans, the assessment identified areas where gaps remain and opportunities for future work in APEC. Key findings include:

- Tariffs have fallen, but tariffs for agricultural products are more than two times higher than tariffs for non-agricultural products.
- NTMs via trade remedies have increased in the APEC region in recent years.
- Services liberalization continues through FTAs and unilateral measures in many sectors and there are positive measures to attract foreign direct investment. However, there are growing concerns related to new emerging restrictions such as those on cross-border data flows and foreign investment restrictions due to strategic interests.
- A growing number of unresolved sanitary and phytosanitary measures.
- Improvements in customs, as it is cheaper and faster to trade across borders.
- Improvement in the quality of regulations.
- The number of APEC Business Travel Card holders is increasing.
- The network of FTAs continues to expand for APEC economies.

In 2018, CTI contributed to APEC's discussions on APEC's post-2020 vision. CTI actively participated in discussions regarding 'Addressing the Unfinished Business of the Bogor Goals' as part of the 2018 Multi-Stakeholder Dialogue on APEC Toward 2020 and Beyond. CTI's discussions focused on services, investment, trade facilitation, supply chains and connectivity. A key insight from the discussions noted that while important progress has been made in the area of trade and investment liberalization, some of this progress may be undermined by non-tariff measures, regulatory burdens or incoherence.

To facilitate information sharing and increased transparency, the APEC Trade Repository (APECTR), an online source of members' trade and tariff information, is continuously updated through the MAG. The Philippines is the administrator of the online portal and is responsible for the monitoring and timely updating of links provided by each economy. APEC economies have been encouraged to update the APECTR with timely, relevant and accurate information to assist trade facilitation. Both MAG and CTI have actively discussed how to promote the APECTR's use to relevant stakeholders and expand its scope or coverage. In 2018, the APECTR was updated to include Singapore's Survey on *Implementation of Article 3.6 & 3.8 of the WTO Trade Facilitation Agreement*, in contribution to expanding information on best practices in trade facilitation and in furthering work on improving supply chain connectivity.

Implementation of the Lima Declaration on FTAAP

The *Lima Declaration on FTAAP* reaffirms APEC's commitment to advance the process in a comprehensive and systematic manner towards the eventual realization of the FTAAP as a major instrument to further APEC's regional economic integration agenda. To this end:

- APEC economies have continued to implement initiatives to open trade and investment in recent years, including in support of the achievement of the Bogor Goals.
- CTI has continued to identify and address Next Generation Trade and Investment Issues (NGeTI) as critical areas for achieving an eventual FTAAP.
- CTI has been working on several new initiatives related to trade and investment issues.

Furthermore, members have discussed the importance of APEC to continuing its role of incubator of ideas and promoting activities to advance FTAAP, including in new and emerging areas of trade policy.

In 2018, Hong Kong, China and PSU commenced a *Study on Tariffs* as part of the work program on tariffs to take forward the Lima Declaration. The Study seeks to raise awareness on the opportunities, sensitivities and challenges of possibly lowering tariffs within the APEC region, and study market access commitments under potential FTAAP pathways to find areas of convergence and divergence. To date, Hong Kong, China and PSU have updated existing tariff analysis from the *FTAAP Collective Strategic Study* with the most recent indicators such as most favoured nation (MFN) tariff averages, tariff peaks, zero-tariff product lines and zero-tariff trade. The Study will conclude in 2019 with the submission of a final synthesis report.

A key outcome of CTI in 2018 was the endorsement of the *APEC Cross-cutting Principles on Non-Tariff Measures* (see *Appendix 1 – APEC Cross-cutting Principles on Non-Tariff Measures*), led by New Zealand and Korea. The Principles enable a collective and principled APEC approach to Non-Tariff Measures (NTMs) that could usefully assess the consistency of existing measures as well as aid economies in developing any new measures. Additionally, this approach could provide a way forward for future trade agreements and arrangements, and FTAAP. The Principles are WTO-consistent and include the views of the private sector (including the APEC Business Advisory Council (ABAC)), relevant scientific research centers and other stakeholders.

As part of the work related to NTMs, a *Public-Private Dialogue (PPD) to Advance Understandings on NTMs in the Textile and Garment Industry*, was held on 12-13 April 2018 in Viet Nam. A *Capacity-building Workshop on Addressing NTMs in FTAs/RTAs* under the 3rd REI CBNI was held on 17 May 2018 in Port Moresby. The one-day workshop provided in-depth capacity building for government officials; shared best practices and experiences of how NTMs have been addressed in bilateral FTAs and RTAs and innovative approaches to NTMs; and explore how NTMs may be addressed in future FTAs/RTAs.

CTI endorsed Indonesia's proposal for *Understanding Non-Tariff Measures on Agriculture, Forestry and Fisheries Sectors to Enhance Rural Development and Poverty Alleviation in the Asia Pacific Region*. The proposal aims to further develop economies' understanding of and address NTMs in agriculture, forestry, and fisheries sectors through a Trade Policy Dialogue and capacity building workshops.

To take forward the *2016 Lima Declaration on FTAAP* in the area of Rules of Origin (ROO), Singapore and New Zealand submitted a proposal to *Review and Update the 2007 APEC Model Measures for RTAs/FTAs on ROO*. The proposal sought economies' review of the existing *APEC Model Measures in ROO* developed in 2007. The review is ongoing. Once completed, the updated model measures will be circulated to the APEC economies and economies will be encouraged to reference the model measure when negotiating or reviewing their FTAs. To further support the simplification of ROO,

Singapore proposed for APEC to develop and agree on a set of *APEC Guiding Principles for ROO* which APEC economies will take into account when negotiating ROO. The proposal is currently under consideration by CTI members.

Investment Experts Group (IEG) members continued to contribute to the implementation of the Lima Declaration through ongoing work on the *IEG Work Plan for the Next Generation Trade and Investment Issues* (IEG Work Plan on NGeTIs) which IEG and CTI endorsed prior to IEG2, 2017. The work plan allows IEG members to track the progress of work within IEG in examining the investment aspects of the existing and potential NGeTIs. IEG members started work on their selected topics based on existing modalities within APEC and consistent with members' individual priorities.

In 2018, Australia undertook the *Stocktake on NGeTI Elements on FTAs/RTAs* in response to the Lima Declaration on FTAAP. The Stocktake reviewed NGeTI in existing RTAs/FTAs in the APEC region, other regions and in the World Trade Organization (WTO). The report is a reference document for CTI and provides a basis for CTI discussion and generating ideas for future CTI work on NGeTI issues.

Russia has launched an initiative on *Enhancing Trade Policy Transparency in APEC* as part of the work plans on FTAAP. It aims to summarize work undertaken by APEC economies in the area of trade policy transparency and identify future possible steps to promote a transparent and predictable trade and investment environment in the region.

Russia also launched a Work Program on Environment-related Provisions in FTAs/RTAs. The Work Program aims to build greater understanding of APEC economies' approaches and experiences on the inclusion of environment-related provisions in RTAs/FTAs through desk research, data gathering and a workshop to share practices and approaches.

China's self-funded project to hold a workshop in 2019 on *Optimizing Investment Measures in the Asia-Pacific Region* was endorsed by CTI. The workshop seeks to help economies identify the areas of convergence in investment practice and exchange experiences on the negotiation and implementation of IIAs (international investment agreements, including bilateral investment treaties (BITs), bilateral investment agreements (BIAs), investment chapters under regional trade agreements (RTAs)/ free trade agreements (FTAs)).

CTI conducts various activities to help enhance the ability of APEC member economies to negotiate high-quality and comprehensive free trade and regional trade agreements. A key activity includes the *APEC Information Sharing Mechanism on RTAs/FTAs* to share information among economies of recently concluded FTAs/RTAs, especially on WTO-plus aspects or aspects that are not covered by the WTO. CTI's work under the Information Sharing Mechanism in 2018 included:

- As part of PSU's *Annual Report on Trends and Developments in Provisions and Outcomes of RTAs/FTAs Implemented in 2017 by APEC Economies*, the PSU analysed four agreements that entered into force in 2017 (Canada – Ukraine, Canada – European Union (CETA), Peru – Honduras and Singapore – Turkey) and four chapters (competition policy, temporary movement of natural persons, investment and customs procedures).
- Papua New Guinea's *SOM Symposium on RTAs/FTAs* discussed practical measures that could be implemented to ensure that trade contributes to economic growth, and where domestic structural reform resulting from implementation of FTAs/RTAs can also contribute to achieving benefits from trade. The symposium provided a platform for economies to share policy ideas to identify how trade and international cooperation more broadly, can support a more inclusive economic environment.

- Australia facilitated a Trade Policy Dialogue on *WTO-Plus Elements of Select RTAs/FTAs – State Owned Enterprises (SOEs)* as part of the Information Sharing Mechanism at the 2nd CTI meeting in 2018. Participants heard presentations from the United States, Canada and Japan and engaged in a useful discussion about how SOEs can be considered in RTAs/FTAs. This TPD was a good example of how the CTI information sharing mechanism can be used to constructively discuss sensitive policy issues.

Since 2012, CTI has been actively implementing capacity building projects under the Regional Economic Integration (REI) Capacity Building Needs Initiative (CBNI). The objectives of the REI CBNI are to:

1. Build up APEC member economies' FTA negotiation capacity by providing a platform to share current practices and hands-on experience and exchange views on the emerging issues of FTA negotiations.
2. Analyse the recent trends, policy implications and challenges of FTAs/RTAs in the region.
3. Narrow FTA capacity gaps through a better understanding on different practices in FTA negotiations among member economies, thereby contributing to the implementation of the Lima Declaration.

During AMM 2017, APEC Ministers endorsed the third phase of the REI CBNI for the period 2018-2020. Various CBNI projects were implemented/approved in 2018:

- *FTAAP Capacity Building Workshop on Intellectual Property Rights under the 3rd REI CBNI* (Korea);
- *FTAAP Capacity Building Workshop on Competition Chapter in FTAs/EPAs under the 3rd REI CBNI* (Japan);
- *Capacity Building Workshop on Addressing NTMs in FTAs/RTAs under CBNI3* (New Zealand);
- *Capacity Building Workshop on RTAs/FTAs Negotiation Skills and Techniques* (Viet Nam)
- *Capacity Building Workshop on RTAs/FTAs Negotiation Skills on Small and Medium Enterprises* (Viet Nam); and
- *APEC Capacity Building on Domestic Consultation in RTAs/FTAs Negotiations* (Viet Nam).

During 2018, various proposals to contribute to the implementation of the Lima Declaration on FTAAP were discussed within CTI, but are yet to be endorsed. These include:

- Proposal on Work Plan on Digital Trade and E-Commerce for the Realization of the FTAAP
- Proposal on a Work Program Related to FTAAP Addressing State Owned and Controlled Enterprises
- Proposal on a Work Program on Labor-related Provisions in FTAs/RTAs.

Internet and Digital Economy and E-Commerce

As part of Papua New Guinea's host year theme "*Harnessing Inclusive Opportunities, Embracing the Digital Future*", CTI and sub-fora, primarily the Electronic Commerce Steering Group (ECSG), actively conducted work and discussions on e-commerce and digital trade issues.

CTI continued to implement the *Work Plan to identify building blocks to facilitate digital trade for 2018*. The Work Plan seeks to:

- Exchange information on domestic policies and measures and international efforts related to the possible building blocks with a view on how they facilitate digital trade, and share [possible] best practices and experiences to better understand how the possible building blocks facilitate digital trade;
- Identify and discuss possible solutions and best practices with regard to facilitating digital trade through the promotion of the building blocks, focusing on the trade-related aspects of these building blocks, including identifying capacity building for developing economies and cross-border regulatory cooperation;
- Finalize a list of possible initial building blocks to facilitate digital trade as appropriate.

Two Trade Policy Dialogues (TPDs) on Digital Trade were held in 2018. The TPDs covered topics such as the evolution of emerging technologies, and how they are changing trade and business models; economies' policies on issues such as data privacy and facilitation of data flows; and the opportunities and challenges of digital trade experienced by businesses including MSMEs. The United States' proposed draft Building Blocks to Facilitate Digital Trade is under consideration by CTI.

A Public-Private Dialogue organized by Peru on 'Existing and Emerging Issues related to E-Commerce and Digital Economy' was held in early 2018. The Dialogue discussed three issues: (i) The development of electronically transmitted content in APEC economies; (ii) the development and diffusion of new technologies; and (iii) consumer protection.

Singapore's proposal on a *Survey on E-Commerce Regulations in APEC* was endorsed in 2018. The survey seeks to obtain APEC economies' domestic approaches, measures and policies related to e-commerce to publish on the APECTR. The project responds to a number of APEC initiatives such as the *APEC Cross-border E-Commerce Facilitation Framework (2017)* and *APEC Internet and Digital Economy Roadmap (2017)*, which call for transparent and increased information sharing of economies' e-commerce regulations.

Japan and PSU (with co-sponsors Peru, the United States and Chinese Taipei) are continuing to implement the *Study on Fostering an Enabling Policy and Regulatory Environment in APEC for Data-Utilizing Businesses*. The Study seeks to:

- Raise awareness and deepen understanding of leading data-utilizing business models including e-commerce and digital trade, and ways of protecting privacy and security of data, through case studies and interviews with firms including MSMEs, in both developed and developing economies.
- Analyze the policy environment which allows leading data-utilizing businesses of different sizes to succeed and creates further data-utilizing business opportunities.
- Compile a report including elements above and a set of policy recommendations.

As at 30 September 2018, 23 firms in seven economies have been interviewed and/or completed the written questionnaire and findings will be presented to CTI in 2019.

The ECSG promotes the development and use of electronic commerce by supporting the creation of legal, regulatory and policy environments in the APEC region that are predictable, transparent and consistent. The ECSG contributes to the reduction of barriers to trade and investment to enable goods, services and capital to flow freely among member economies. Importantly, in 2018, the ECSG updated its Terms of Reference to provide a mandate to also address trade-related digital economy issues. At CSOM 2018, Senior Officials endorsed the proposal from Papua New Guinea to re structure the ECSG into the Digital Economy Steering Group (DESG). The DESG will act as a forum to advise the

SOM on implementation of the APEC Internet and Digital Economy Roadmap, welcomed by APEC Leaders in 2017 and also continue to report to the CTI on the existing ECSG scope of work.

During 2018, ECSG and CTI members endorsed the Work Plan of the ECSG-Data Privacy Subgroup (ECSG-DPS) for 2019. The Work Plan comprises three work streams, aimed at ensuring a policy and regulatory environment that would ensure privacy protection in the APEC region.

The Cross Border Privacy Rules (CBPR) System is a regional cross-border data transfer mechanism and enforceable privacy code of conduct developed for businesses by APEC member economies that follows a set of commonly agreed upon rules, based on the APEC Privacy Framework 2004. It seeks to balance the flow 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. In March 2018, Singapore became the sixth APEC economy to participate in the CBPR System alongside the United States, Mexico, Canada, Japan and the Republic of Korea. Applications to join the CBPR from Australia and Chinese Taipei are currently under review by the Joint Oversight Panel (JOP), the body responsible for determining whether an economy satisfies the participation requirements.

The PRP System, endorsed by Senior Officials in 2015, is a corollary certification system for personal information processors. It is designed to help personal information processors assist information controllers in complying with the APEC Privacy Framework 2004. To receive recognition under the PRP, a processor would be assessed by an APEC-recognized Accountability Agent (AA) via an intake questionnaire which sets forth the baseline requirements of the PRP. In March 2018, Singapore and the United States became the first two economies to participate in the PRP.

AAs perform a key role in the CBPR and PRP Systems by certifying that the privacy policies and practices of participating companies are compliant with the CBPR and PRP Systems program requirements. Application from the Korea Internet and Security (KISA) for recognition as an AA under the CBPR System, as well as TRUSTe's application to be an AA for the PRP System and recertification as an AA for the CBPR System, are currently under review by the JOP.

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 and the effective implementation of the APEC Privacy Framework 2004. To date, 27 PEAs from 11 member economies are participating in the CPEA, with PEAs from the Philippines and Chinese Taipei becoming the latest members in 2018.

Several projects on e-commerce and trade-related digital economy issues were delivered by ECSG, including:

- *Promote Cross-border E-Trade under the Framework of RTAs/FTAs – Based on Best practices in the APEC Region* (China): Reviewed e-trade measures and cross-border e-trade measures under the framework of RTAs/ FTAs in the APEC Region.
- *2018 IDEAS Show@APEC* (Chinese Taipei self-funded project): provided member economies to share their experience and future applications of the e-commerce market, as well as its opinions on whether there are benefits to resource integration in the e-commerce application mechanism.
- *Workshop on Enhancing Regulatory Infrastructure for E-Commerce* (Viet Nam). The workshop held in October 2018, looked to share experiences, identify challenges and difficulties faced by economies in creating a favorable e-commerce regulatory infrastructure for business.
- The website for the CBPR System is being updated.

Global Value Chain Cooperation

CTI 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. The initiatives under the GVCs Blueprint are implemented under 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 with 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 2018, under the leadership of China and the United States, progress was made toward completing the construction of the APEC Trade in Value Added (TiVA) Database, as instructed by the *Strategic Framework on Measurement of APEC TiVA under Global Value Chains (GVCs)* and the *Action Plan on this Strategic Framework*, agreed by APEC Leaders in 2014. The TiVA will serve as an important tool to help better understand the impact of global production networks on APEC economies, and to help economies develop effective economic policies that would improve the opportunities for businesses to participate in the global economy (see *Appendix 4 – APEC TiVA Database Project Summary Report*). The APEC TiVA database will be integrated in the WTO-OECD TiVA database by 31 December 2018.

The APEC TiVA database will be launched as part of the United States' project *Capacity Building Workshop on Strategic Framework on Measurement of APEC TiVA under GVCs and its Action Plan* (approved in Project Session 2, 2018 with planned project commencement in December 2018). The workshop will provide capacity building training to members of the participating APEC economies on (1) understanding the role of GVCs in the APEC region in terms of competitiveness, economic growth, and economic integration; (2) the access and use of the APEC TiVA database; and (3) the application of the TiVA approach and data for trade and FDI policy analysis. The workshop will be held in Chile in 2019, in the margins of the second Senior Officials' Meeting.

Chile's project, *Workshop on Trade and Investment Inter-Dependencies in Global Value Chains (GVCs): Are Policy Frameworks for Trade and Investment, such as Trade and Investment Agreements keeping apace?*, (approved in Project Session 2, 2018) seeks to deepen understanding on business strategies in Global Value Chains (GVCs) and identify opportunities for promoting greater policy understanding in trade and investment agreements. The project will commence in January 2019 and workshop will be held in in the margins of SOM2, 2019.

Contribution to Micro, Small and Medium Enterprises' (MSMEs') Integration into Global and Regional Markets

CTI undertook a number of initiatives and projects to support MSMEs' internationalization. CTI and its sub-fora continued to collaborate with the Small and Medium Enterprises Working Group (SMEWG), particularly to contribute to the implementation of the *Boracay Action Agenda to Globalize MSMEs*, which seeks to foster the participation of APEC MSMEs in regional and global markets. The Philippines presented the 2018 Mid-term Review of Progress Assessment paper and the consolidated 2016-2018 annual stocktakes. The results shed light on the work that APEC and ABAC have undertaken

that support the priority actions of the BAA and indicated areas where more work needs to be done to reach the 2020 common goal of MSME internationalization.

Peru coordinated a joint initiative between CTI and SMEWG on a *Compendium on Methodologies for SMEs Internationalization*. The Compendium seeks to align economies' efforts in positioning SMEs in regional and global markets and develop a compendium of APEC best practices, methodologies and successful stories on SMEs Internationalization. The Compendium currently contains contributions from Peru, Mexico, Chinese Taipei and Malaysia. The compendium will be uploaded to the APEC MSME's Market Place (<https://apecmsmemarketplace.com/>), an interactive repository of APEC activities and APEC economies' individual efforts as a tool to promote cooperation and linkages across MSMEs and other stakeholders with interest in MSME development.

CTI continued to advance work to promote MSMEs' participation global value chains under Work Stream 5 of the GVCs Blueprint. Korea and Peru's initiative to promote MSMEs' integration into GVCs in various services sectors continued in 2018 with a number of projects implemented:

- Hong Kong, China's *Study of SME's Integration into Global Value Chains in Services Industries – Fashion Design* was completed in 2018. The Study analysed the structural aspect of GVCs in the fashion industry (mainly clothing and apparel) and looked into the opportunities and challenges of fashion SMEs integrating into GVCs. The Study provided a framework for analysing GVCs in the fashion industry and highlighted the role governments could play in facilitating SME integration into GVCs, particularly in marketing, distribution and financing.
- Peru's study of *SME's Integration into Global Value Chains in Services Industries: Tourism Sector* was undertaken in 2018. The study sought to facilitate better understanding of the structure of the main tourism GVCs and the opportunities and challenges for tourism MSMEs in the Asia Pacific; provide APEC policy makers with a set of recommendations on how to enhance competitiveness in tourism GVCs; and help MSMEs build capacity and develop strategy for effective integration into services GVCs.
- Korea ran an *APEC Workshop on Promoting MSMEs' Integration into Global Value Chains: Software Services* in August 2018. The workshop consisted of three software service firms to share their experiences in integrating into GVCs. The workshop highlighted present governments' policies in supporting MSMEs' participation in GVCs in the software sector and identified possible policy considerations.

Furthermore, as part of APEC's 2018 projects, two CTI projects supporting MSMEs were approved:

- *Research on Promoting Trade in Services by SMEs and Women Entrepreneurs* (Japan). The project, commencing in November 2018, will undertake research analyzing the extent service trade liberalization can be achieved for promoting SMEs and women's participation in services trade.
- *APEC Capacity Building Workshop on RTA/FTA Negotiation Skills on Small and Medium Enterprises* (Viet Nam). The project is targeted to train mid-level and junior government officials, who are responsible for RTAs/FTAs coordination, negotiation and implementation on SMEs chapters. The project will commence in November 2018 and a workshop will be implemented in 2019.

The PSU completed a policy brief on *Globalization, Inclusion and E-Commerce: APEC Agenda for SMEs*. The policy brief highlighted the potential of e-commerce and the policy issues that APEC can address to facilitate the internationalization of SMEs through e-commerce.

In 2018, the Intellectual Property Expert's Group (IPEG) implemented a number of projects which intend to improve capacities of MSMEs' effective utilization of intellectual property rights (IPR) as well as its protection, including the following:

- Research led by Peru on the utilization and exploitation of patents by independent investors and prepare an Inventor's Handbook and Policy Recommendations to foster independent inventors' patented technology commercialization to facilitate and promote patent management and technology commercialization in APEC region.
- A three-day seminar to exchange experiences in intellectual property management and commercialization for small and medium enterprises (SMEs). In the event organized by Russia, APEC economies identified problems that SMEs face in commercializing their IP and discuss on ways to solve the problems.
- The project on the *Guidelines on the Best Licensing Practices of Collective Management Organizations (CMOs) to MSMEs* was proposed by Chinese Taipei. The seminar was held on 23 – 24 October 2018, in Chinese Taipei and will discuss analyzed findings on the questionnaire and interviews on Collective Management Organizations (CMOs) to MSMEs. The seminar will result in a booklet titled *Guidelines on the Best Licensing Practices of CMOs*. This publication will include a description of challenges faced in the digital age, successful stories in six economies, and advice that will help cope with difficulties and become more competitive in the future.
- Hong Kong, China self-funded a project to promote best practices on licensing for SMEs in creative industries, targeting the increase of competitiveness for the creative industries in the global marketplace. The two-day workshop built SMEs' capacity in creative industries and promoted best practices in IP licensing as their IP commercialization strategies so as to add value not only to their companies, but the regional economy.

Environmental Goods/Green Growth

On the 2012 Leaders' commitment to reduce applied tariff rates on 54 products in the APEC List of Environmental Goods (EG List) to five per cent or less by the end of 2015, MAG took over the role in 2017 to monitor economies' progress in implementing the commitment. The remaining economies are encouraged to implement the Leaders' commitment as soon as possible.

In accordance with the 2018 work plan for the *APEC Green Supply Chain Network (GSCNET)*, the Annual Conference and Development Forum of GSCNET was held in September 2018 in Guangzhou, China. The GSCNET completed the APEC Green Supply Chain Showcase Center in Tianjin, held two capacity building workshops and is in the process of developing a new showcase center establishment program in Sydney, Australia.

Advancing the Services Trade Agenda

Recognizing the importance of services to the future growth of all APEC economies, Leaders committed to "develop a strategic and long-term APEC Services Competitiveness Roadmap (ASCR) in 2016 with the adoption of a concerted set of actions and mutually agreed targets to be achieved by 2025. The Group on Services is responsible for coordinating the APEC-wide response to the ASCR and reporting to Senior Officials on implementation of the ASCR.

As agreed in 2017, four of the five additional working groups proposed their own APEC-wide actions and baseline indicators in contribution to the implementation of the ASCR. These groups are:

- 1) Energy Working Group (EWG)
- 2) Investment Expert Group (IEG)

- 3) Small and Medium Enterprises Working Group (SMEWG)
- 4) Telecommunication and ICT Working Group (TELWG)

The development of a set of good practice principles on domestic regulation in the services sector is one of the APEC-wide Actions in the ASCR Implementation Plan. In 2018, Korea led work to complete a set of non-binding principles for domestic regulation of the services sector, in order to provide policymakers in APEC economies with guidance on adopting rules in the services sector (see Appendix 13 - *Non-Binding Principles for Domestic Regulation of the Services Sector*). The text is built upon the existing principles and texts including GATS, APEC-OECD Integrated Checklist on Regulatory Reform (2005), APEC Principles for Cross-Border Trade in Services (2009), WTO Working Party on Domestic Regulation (WPDR)'s consolidated text, Trade in Services Agreement (TiSA) text, and best practices in the existing FTA/RTAs.

Development of services data and statistics is also an APEC-wide Action under the ASCR. In 2018, a technical group was established after SOM1 to develop an APEC Index to measure the services regulatory environment in APEC. The group is chaired by Korea and consists of experts from 10 economies on a voluntary basis, as well as representatives from OECD and the World Bank. Two meetings were held in 2018 to discuss a potential base index, sectors to be selected, and the methodology to be used.

On the Environmental Services Action Plan (ESAP) endorsed by Ministers in 2015, progress was made in working on a wider range of services in environmental industries/businesses as mandated by ESAP. The interim review of ESAP was endorsed by CTI and GOS at the margins of SOM3 (see Appendix 5 – *Environmental Services Action Plan (ESAP) – Interim Review*), and was placed as a deliverable of the Phase 2 of ESAP which aimed at examining the progress of what APEC learned from its previous studies, identifying key challenges, and compiling a set of recommended action agendas. The Phase 3 of ESAP will commence soon and toward the final review in 2020, APEC is expected to take concrete actions based on the recommended action agendas.

As emphasized in the ASCR Implementation Plan, APEC sub-fora that are accountable for delivering the outputs under the agreed actions will pursue capacity building activities in the process of implementation. The following capacity building programs were conducted in 2018 by CTI or its sub-fora:

- Australia's self-funded Workshop on *Best Practice Recognition of Professional Qualifications* was held on 12 April 2018 in Kuala Lumpur. The workshop provided enhanced understanding among participants gained through sharing of best practice approaches from Singapore, Australia, Canada and the Philippines; and the exercises and brainstorm discussions that took place encouraged participants to explore the approach used in the APEC Engineer initiative and its application to other professions (e.g. Accountancy). The participants learnt that a high level of international standardization and strong international cooperation would be vital to enhancing recognition of professional qualifications, registration, membership, and certification and licensing within the APEC community.
- Australia also organized a *Symposium on Services Trade* on 30 May – 1 June in Singapore which focused on four areas, namely digital, financial, and professional and education services. 39 participants from 13 Economies participated in the Symposium. The four areas identified by the symposium participants as having significant and widespread support for further capacity building policy work were: (i) collaboration in responding to the rapid developments in Internet-based technology to promote a regulatory approach

that provides appropriate prudential oversight, legitimate consumer and security protections while enabling the flow of trade-related data in the context of an increasingly digitalised world; (ii) enhancing flexibility for business visitors and professionals, building on initiatives such as the APEC Business Travel Card; (iv) developing a set of good practice principles on domestic regulations in the services sector and development of an APEC-wide services-related statistics to measure and support the implementation of the Roadmap and improve tracking of services trade and investment more broadly.

- Australia's self-funded *Seminar on Increasing the Competitiveness of the Telecommunications Sector*, was held on 9 August 2018 in Port Moresby, provided a platform to share experience and explore the case for robust telecommunications sector, particularly given the impact of the digital economy revolution to this sector. Case studies with Indonesia, Papua New Guinea and Thailand were conducted with key focus on international connectivity, accessibility and affordable access, innovation through technology (apps, OTT's and sectoral initiatives), regulatory requirement and inclusion.
- Papua New Guinea in collaboration with the Pacific Economic Cooperation Council (PECC) and the Asia Pacific Services Coalition organized a PPD on *Cross-Border E-Commerce in Services: The Transformation to Digitization; Addressing the Challenges and Reaping the Benefits for Regional Trade in Services* in the margins of SOM3. The PPD consisted of two sessions highlighting the role of cross-border e-commerce in services in regional trade and regional services value chain development and the implications of digitalisation in implementing ASCR.
- Australia is pursuing a joint GOS-Human Resource Development Working Group (HRDWG) initiative on improving professional licensure through case studies and an APEC workshop which is expected to be completed in 2019. The case studies would provide assessment on volunteer economies' regulatory practices, licensing procedures, and other behind-the-border barriers identified by practitioners. In addition to delivering economy-specific case study reports, an APEC GOS workshop will be held to disseminate the report findings and discuss workable solutions to address professional licensing and registration barriers.
- Singapore's joint GOS-Human Resource Development Working Group (HRDWG) initiative on *Promoting Regional Connectivity of Professionally Qualified Engineers in APEC*, developed and launched an online APEC Engineers databank at its workshop on 13 August 2018 in Port Moresby. The databank serves as a credentials-sharing platform for professionally qualified engineers in the Asia Pacific region. The workshop also discussed challenges and recommendations in facilitating trade in engineering services.
- New Zealand is leading cross-fora collaboration under ASCR on the *Services and Food System Project*, which aims to examine the impact of the services environment on the parties engaged in the food supply chain (development, production, processing, distribution and sales) of the agriculture and fisheries sectors. The focus will be on barriers to critical services that will assist member economies to improve efficiency along the food value chain in order to improve food systems for food security. PSU has been commissioned to research and produce a report on the regulatory environment within APEC economies impacting on trade in services in food value chains that contribute to food security.

APEC Leaders have noted the value of stakeholders' involvement to implement the ASCR. The views of PECC, ABAC, the Asia-Pacific Services Coalition and other private sector entities will be taken into account on a regular basis by GOS in monitoring and evaluating progress.

Next Generation Trade and Investment Issues

In 2018, Japan undertook an Interim Review of the Manufacturing related Services Action Plan (MSAP). The MSAP (endorsed by APEC Ministers in 2015), seeks to increase the availability and accessibility of services, through the liberalization and facilitation of manufacturing-related services, and to further deepen economic integration in the region. An Interim Review of MSAP, endorsed by CTI and GOS in October 2018, collected and analyzed the current state of regulatory regimes, the policy environment and positive progress on key action agendas of 13 APEC economies (see *Appendix 6 – Manufacturing Related Services Action Plan (MSAP) – Interim Review*). The Final Review of MSAP will be undertaken in 2020 and will review the full implementation of MSAP, including future cooperation/capacity building activities recommended in the Interim Review.

The MAG project, *Seminar on Understanding the Impact of Smart Manufacturing in Policy and Regulatory Approaches*, was held on 25-26 September 2018 in Penang, Malaysia. The seminar looked to build an understanding amongst economies on the concept of "Smart Manufacturing" in industries and its implication on both the public and private sectors. The seminar focused on understanding its definition, applications, benefits and challenges, and most importantly, the impact on the value chain eco-systems. A baseline study is also underway which inputs will be collated to develop a best practices compendium on Smart Manufacturing.

Investment

IEG continued its work to move forward the investment agenda, including implementing the Investment Facilitation Action Plan (IFAP). The IFAP was endorsed in 2008 and aims to strengthen the competitiveness and sustainability of economic growth of APEC member economies and making further progress toward achievement of the Bogor Goals, with three priority themes: e-transparency, reducing investor risk and simplifying business regulation. In 2018, IEG members agreed to continue IFAP implementation through the launch of the 4th phase of IFAP (IFAP IV) with implementation focused on:

- Areas with strong analytical and empirical foundations;
- Activities that seek to incorporate hard lessons from previous APEC projects; and
- Activities that produce concrete, tangible outcomes that can be widely distributed.

IEG continued work on the *Inclusive Business (IB) in APEC Study* led by the Philippines, which was endorsed by IEG. The Study, adapting the G20 Inclusive Business framework, makes seven key recommendations for Inclusive Business in APEC as follows:

- To include IB in the APEC agenda, and institutionalize IB capacity building and sharing of experiences;
- To raise awareness on IB;
- To work with other organizations to advance IB globally;
- To create a stronger enabling environment for IB;
- To engage national and sectoral business associations as promoters of best practices in IB, through ABAC, to embrace IB as a theme, and mainstream IB models among APEC members;

- To engage with the growing number of national, regional and global stakeholders that form an IB support ecosystem; and
- To engage development partners for technical assistance and/or funding for an IB support program to achieve collective impact.

A conference on IB will be held in Manila in November 2018.

A Workshop on Sustainable and Inclusive Investment Policies within the APEC Region was held on 11-12 August, 2018 in Papua New Guinea. The Workshop established and promoted discussion on sustainable and inclusive investment policies within the APEC region to better understand and formulate strategic investment policies that will contribute to creating wealth and reducing poverty, support the development of MSMEs and women, and generate broad-based economic growth across all sectors of the economy.

Section III: Trade Facilitation and Strengthening Comprehensive Connectivity and Infrastructure

Trade Facilitation and Improvement of Supply Chain Performance

In 2018 all 21 APEC economies ratified the WTO Trade Facilitation Agreement (WTA TFA). Singapore's monitoring of economies' implementation and notification of the WTO TFA found 12 APEC member economies are implementing all provisions of the WTO TFA and all economies have notified their Category A commitments.

CTI and the Sub-Committee on Customs Procedures (SCCP) continued to work on various initiatives to improve economies' ability to implement the articles included in the WTO TFA. In its last meeting in 2018, SCCP members acknowledged the gaps and different challenges they face in implementing the WTO TFA at the domestic level. In this regard, they committed to promote effective cooperation among relevant stakeholders from the public and private sectors in its implementation, including working with the World Customs Organization (WCO) on capacity building initiatives and technical assistance. In addition, SCCP committed to keep working on the update of its Workplan and Collective Action Plan to assist Member Economies in implementing the WTO TFA.

Specifically, SCCP Member economies agreed on the relevance of implementing Article 12 of the WTO TFA on 'Customs Cooperation', and to explore the opportunities it provides for APEC customs administrations to improve information exchange, with a view to facilitate trade and secure the international supply chain. In this regard, Chile proposed to discuss within SCCP a strategic action plan on implementing Article 12 of TFA in 2019.

In order to advance the important work APEC is doing to improve supply chain connectivity, and support the implementation of the WTO TFA, the United States and Singapore are leading the initiative *Practical Steps for Implementing Provisions of the WTO Trade Facilitation Agreement*. The Practical Steps contributes to the implementation of the Article 1.2.1 and Article 1.4 of the WTO TFA, by seeking economies to rectify information gaps in the APECTR regarding procedures, forms and documents on imports, export and transit as well as contact information for enquiry points.

Singapore's Survey on the *Implementation of Article 3.6 and 3.8 of the WTO Trade Facilitation Agreement* was completed and economies' implementation on Advance Rulings was published on the APECTR and the SCCP webpages.

In 2018, the following capacity building projects were undertaken to support economies' implementation of the WTO TFA:

- *Capacity Building for Developing Economies to Address Obligations Under Article 1 of the WTO TFA* (United States): The project undertook technical assistance and capacity building for developing member economies working to address obligations under Article 1 of the Agreement. Specifically, economy-level programs will look at issues related to the publication of import/export guides setting forth the practical steps necessary to import, export and transit in an economies territory (TFA Article 1.2.1), as well as the requirement for economies to publish all fees and charges related to import/export and transit of goods (Article 1.1(c)).
- *Advance Rulings Phase II* (United States): This capacity building project seeks to operationalize and implement technical assistance recommendations from on ground

assessments conducted in 2016, in order to fully implement Article 3 of the WTO Trade Facilitation Agreement (TFA).

- *Expedited Shipment Phase II (United States)*: The project seeks to operationalize and implement technical assistance recommendations from the on-ground assessments conducted in 2016, for a reliable and WTO TFA-compliant Expedited Shipments regime.
- *Trade Policy Dialogue on the WTO TFA Category B and C Commitments* (Papua New Guinea) which shared economies' experiences and challenges of implementing their *Category B and C measures*.

CTI and SCCP continued to collaborate to implement *Phase II of the Supply Chain Connectivity Framework Action Plan* (SCFAP II) and addressing its five chokepoints:

- Chokepoint 1: Lack of coordinated border management and underdeveloped border clearance and procedures;
- Chokepoint 2: Inadequate quality and lack of access to transportation infrastructure and services;
- Chokepoint 3: Unreliable logistics services and high logistical costs;
- Chokepoint 4: Limited regulatory cooperation and best practices; and
- Chokepoint 5: Underdeveloped policy and regulatory infrastructure for e-commerce.

In 2018, Singapore undertook a stocktake on initiatives to implement SCFAP II across all APEC fora (see Appendix 7 - *2018 Stocktake of the APEC Supply Chain Connectivity Framework Action Plan (SCFAP) II 2017-2020*).

In order to implement SCFAP II, the following capacity building projects were undertaken:

- *Progressing on Chokepoint 1 of SCFAP II (SCCP, Republic of Korea)*, by the completion of an Authorized Economic Operator (AEO) Status Survey, coordinated by Korea. The outcome of this Survey, which analyses best practices and progress of member economies in implementing previous recommendations to provide areas with room for improvement, is expected to be used to further support the implementation of AEO in the APEC region.
- *Workshop on "Implementation of APEC Customs APEC Transit Guidelines (SCCP, Chile)*, on 11-12 September, San Pedro de Atacama, Chile. During the event, participants discussed how to align the transit rules of each APEC economy with the contents established in the APEC Customs Transit Guidelines in order to make them foreseeable for international trade operators and, in consequence, facilitate customs clearance and improve the smoothening of processes among APEC Members and the different international trade operators. Representatives of the Private Sector and WCO discussed with customs administrations on APEC's priority of promoting supply chain connectivity in the APEC region.

SCCP Member economies agreed to continue exchanging views and best practices on effective ways to implement AEO programs, including promotion of Mutual Recognition Arrangements (MRA) in the APEC region. In addition, they agreed to future discussions regarding a multilateral approach to MRAs and encouraged experience sharing in negotiating and signing a multilateral MRA.

In 2018, PSU and Peru finalized the *Study on Single Window Systems' International Interoperability: Key Issues for its Implementation*. The study underscored the need for ongoing collaboration between economies, the need to establish a pragmatic working definition of "interoperability", determine how it can be achieved and sustained, and its progress evaluated based on a pre-defined performance

criteria. As a possible next step, the study recommended a “limited” pilot using blockchain technology to demonstrate trust, efficiency and effectiveness. Additionally, further case studies highlighting the potential benefits and challenges on single window systems’ international interoperability (SWII) implementation will be useful in encouraging wider adoption of SWSII.

During the discussions held this year, SCCP members recognized the different implementation stages of their Single Window Systems and agreed to continue exchanging views, experiences and best practices in the APEC region. In this regard, SCCP members acknowledged the challenges of SWII and agreed to keep discussing harmonization of standards; and highlighted the importance of enhancing collaboration with private sector on this topic.

The *APEC Alliance for Supply Chain Connectivity (A2C2)*, an advisory group consisting of supply chain and customs experts from the public and private sectors held its eighth meeting in August 2018. The meeting was attended by 48 public and private stakeholders from 16 economies. The meeting discussed progress and lessons learned on capacity building programs in Malaysia, Viet Nam and the Philippines, discussed and reflected on issues related to the WTO TFA and explored the role of digital connectivity in supply chains.

The *Asia-Pacific Model E-Port Network (APMEN)* was established in 2014 at the 22nd APEC Economic Leaders Meeting (AELM) in Beijing. The objectives of APMEN are to create an enabling environment for model e-ports and promote supply chain connectivity and trade facilitation in the Asia-Pacific region by:

- Building an understanding amongst APEC economies of the salient characteristics of a model e-port and how it can benefit APEC’s supply chain and trade facilitation work.
- Performing a review of existing literature and work on e-ports to improve economies’ understanding.
- Sharing information and experiences in developing, operating, and promoting e-ports.
- Collaborating on identification of model e-ports and exemplary practices for e-port development in this region.

APMEN continued to implement the APMEN Implementation Measures for SCFAP II to address Chokepoints 1, 2 and 4 of SCFAP II. By 2018, a total of 19 ports and e-ports from 11 APEC economies joined APMEN. APMEN seeks to address SCFAP II Chokepoints 1, 2 and 4. In 2018, APMEN held the 4th APEC Public-Private Dialogue (PPD) on Advancing Trade Facilitation and Supply Chain Connectivity through APMEN. The PPD focused on the regional integration of the international trade Single Window with ASEAN, presented the progress of APMEN pilot projects and explored the application of blockchain and other emerging technologies in trade. APMEN held the 4th meeting of the APMEN Joint Operational Group (AJOG), which included participants from Australia, Canada, China, Hong Kong China and Malaysia. CTI finalized the 2018 Review Report on APMEN and the Overall Progress Report of APMEN 2015-2018 (see Annex 8). The pilot projects of Sea Freight Logistics Visibility (Phase 1) and Digitalization of Air freight Logistics are expected to be completed by the end of 2018. The draft revised APMEN Terms of Reference is endorsed by CTI members.

Strengthening Connectivity and Infrastructure

People-to-People Connectivity

The Business Mobility Group (BMG) continued to support people-to-people connectivity, enhanced traveler facilitation and border integrity in the APEC region through improving consistency of the ABTC travel experience. Key activities in 2018 included:

- Revision of the Terms of Reference to ensure that the work of the BMG aligns with APEC priorities, focusing on strengthening capacity and capability of economies in border management and risk-mitigated travel to facilitate the efficient flow of bona fide business people in the APEC region;
- Highlighted the integrity of the ABTC through establishing a BMG meeting dedicated to fostering open dialogue on integrity issues and focused efforts on improving information sharing and risk management; and
- Explored complementary uses for Passport Checking Service (PCS) that may expand take up, including the exploring the resubmission of an updated/revised Concept Note to investigate a link between PCS and Interpol's Stolen and Lost Travel Document database (led by New Zealand; co-sponsored by Australia).

The BMG continued to contribute to the APEC Connectivity Blueprint through constant innovation and development of ABTC features.

- Launched the consolidated BMG website (<https://www.apec.org/Groups/Committee-on-Trade-and-Investment/Business-Mobility-Group>) that integrates updated information on the ABTC;
- Modernization of the APEC Business Travel Card (ABTC) to the fullest extent possible by proposing a BMG workshop dedicated to exploring high-level options for developing the ABTC Scheme in a manner that will ensure the ABTC remains a competitive and attractive product; and
- Considered broader developments in business mobility and their interaction with the ABTC (e.g. increased e-channels, biometrics, and e-visa related technology) in order to inform avenues for development of business travel facilitation (including of the ABTC) in future years.

As of 30 June 2018, around 278,282 ABTCs have been issued across the APEC region. This was an increase of 40,282 from the preceding twelve-month period. Economies also strove to improve the application processing times of the card.

Quality Infrastructure

Japan continued to lead the initiative *Peer Review and Capacity Building on APEC Infrastructure Development and Investment* – a review of volunteer economies' relevant laws, regulations and guidelines from the viewpoint of “quality infrastructure, people-centered investment, and good practices and principles” to identify capacity building needs. PSU completed a Peer Review of Viet Nam's road and water supply/sewerage sectors in May 2018. The findings from the review formed the basis of recommendations on further steps that Viet Nam can take to make public-private partnership projects more attractive, easier to develop and execute. Japan also ran a follow-up capacity building program for the Philippines – the first economy reviewed as part of the initiative. Indonesia will be the third economy to join the Peer Review initiative.

Furthermore, CTI endorsed the APEC-funded project *Promoting Quality Infrastructure Investment in Rapidly Urbanizing APEC region*, led by Japan. The project aims to further deepen the discussions on quality infrastructure investment (QII) and contribute to capacity building among officials in charge of infrastructure in order to promote QII activities in the APEC region. As part of the project, Japan will host a two-day conference in 2019.

Japan's self-funded project *Upgrading the APEC Guidebook on Quality of Infrastructure Development* (the Guidebook, see Appendix 11) was completed in 2018. The updated Guidebook included the following elements was endorsed:

- Alignment with development strategy, openness, transparency and fiscal soundness
- Economic and financial soundness: Cost-effectiveness including life cycle cost and utilization of markets
- Local development: Job creation, capacity building and transfer of technologies
- Social and environmental sustainability
- Stability, safety and resiliency.

CTI members also endorsed Japan's *APEC Guideline on Quality of Water Infrastructure* (see Appendix 12) in 2018. The Guideline aims to provide a deeper understanding of how water infrastructure is planned, built and operated; and provide useful suggestions on methods for securing the quality of water infrastructure.

Expanding Regulatory Cooperation and Advancing Regulatory Coherence

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

CTI's direct contributions to regulatory convergence and cooperation continue to be through the implementation of ARCAM, established by Ministers in November 2010. ARCAM aims to create an institutionalized process that will provide, in APEC, early dialogue on emerging regulatory issues, with the goal of producing cooperation among regulators as decision-making occurs and preventing unnecessary technical barriers to trade.

Peru's study on *Promoting Competitiveness: Test of Ex Ante Control of Regulations on Advertising – Sales Promotion* was finalized in 2018. The self-funded study looked to encourage Self-Regulatory Action and Promote Effective Programs in advertising by providing APEC economies with an analytical tool to evaluate the impact of regulations in the market.

Sub-Committee on Standards and Conformance (SCSC)

SCSC continued to support CTI's trade and investment liberalization agenda by helping to reduce the negative effects that differing standards and conformance arrangements have on trade and investment flows in the Asia-Pacific region.

At SOM 3, SCSC, in collaboration with the Economic Committee, held the 11th Conference on Good Regulatory Practices (GRP). The Conference was organized by Mexico and Papua New Guinea.

Various workshops with the International Organization for Standardization (ISO) and the International Electrotechnical Commission (IEC) were held in 2018, including:

- *Workshop in cooperation with IEC and ISO: Developing Competence Requirements and Career Path for Standards Professionals* (Korea). The workshop sought to develop a career path and vision for the young generation to meet the needs of businesses, government agencies, education institutes and standards organizations in the APEC region.
- Various workshops on *ISO/IEC 17011:2017* (Australia) to help transition APEC Member Economy executives, accreditation technical/quality managers and peer evaluators accreditation bodies (ABs) to the new edition of ISO/IEC 17011:2017, Conformity

assessment -- Requirements for accreditation bodies accrediting conformity assessment bodies.

As part of the self-funded project *Towards Strategic Public-Private Partnership: More Regulatory Coherence and Less Technical Barriers to Trade in APEC*, Korea is undertaking a survey to collect and analyze existing good practices and future challenges in order to promote cooperation between government agencies, private companies and trade associations to increase regulatory coherence and reduce technical barriers to trade.

PSU completed the paper *Developing Indicators to Assess the Strength of Standards and Conformance (S&C) Infrastructure in APEC* in April 2018. The paper analyzed the strength of standards and conformance infrastructure in the APEC region by undertaking surveys of APEC economies and conducting case studies on Australia, China, Japan, Peru, Singapore and Viet Nam. The paper highlighted that APEC economies are in general active in international and regional S&C bodies. However, the level of involvement is higher among developed economies. Most of the economies are developing processes to create standards that adhere to future needs and are also conducting outreach programs to increase their knowledge on S&C.

Chinese Taipei held the *2018 APEC Workshop on the Analytical Technology of New Psychoactive Substances in Food* on 27 June. The workshop was attended by nearly 200 participants and experts from Japan, Malaysia, Indonesia, Thailand, South Korea and the United States. Chinese Taipei also held the *2018 APEC Workshop on Food Safety and Food Adulterated with Drugs* on 12-13 September.

Peru held the *Workshop on Trade Facilitation through the Recognition of Food Safety Systems Equivalence* on 21-22 June in Lima, Peru. The workshop sought to generate an exchange of views regarding the measure-by-measure and the food safety system equivalent approaches. It was attended by nearly 60 participants and experts from 13 economies and 2 international organizations.

The United States held two workshops related to export certificates in Brisbane in October 2018, including the *APEC Food Safety Cooperation Forum Partnership Training Institute Network (FSCF PTIN) 2018 Export Certificate Workshop*, and the *APEC FSCF PTIN Model Dairy Export Certificate Workshop*. This was part of a year-long workstream aimed to streamline and reduce the use of export certificates in the region and also to develop an agreed model dairy export certificate for use in the APEC region.

The United States held a workshop on *APEC FSCF PTIN Maximum Residue Limit Harmonization: A Trade Facilitative Approach to MRL Compliance*, on October 9-10 in Brisbane. The workshop discussed the economic impact of MRL exceedances and missing or disharmonized MRLs, presented the results of a commissioned study on this issue, and discussed experiences of APEC economies.

Section IV: Promoting Innovative Development and Inclusive Approaches

Inclusive Approaches

During the first CTI meeting in 2018, CTI members held an internal policy discussion on advancing economic inclusion. The discussion explored the challenges for each economy, domestic policies in place to respond to these challenges, and how CTI might use its regional economic integration work agenda to contribute to the *Action Agenda on Advancing Economic, Financial and Social Inclusion in the APEC Region*, endorsed by APEC Leaders in 2017.

Korea continued to discuss a way forward for the *Pathfinder on the Initiative for Inclusive Trade*, which seeks to restore confidence in trade as a growth engine by addressing misperceptions around trade and the uneven distribution of trade benefits.

Mexico implemented its APEC-funded project *Best Practices on Circular Economy: Redefining Growth – from Waste to Worth* in October 2018. The project's objectives were to:

- Exchange best practices on Circular Economy models focused on maximizing resources utilization and efficiency in production; collection and recycling of post consumption package, particularly in beverage sectors, among others; identify and create new opportunities for economic growth and boost innovation and competitiveness of APEC economies;
- To build capacity on handling solid waste in APEC economies, in order to limit the environmental impacts due to the use of resources, as well as to develop inclusive models to generate formal jobs.
- To explore the possibility to develop a draft proposal for a Circular Economy transversal framework.

China and Papua New Guinea's proposal on *Promoting Greater Participation in Commercial Activities by All Segments of Society* continues to be discussed by CTI..

Intellectual Property Experts' Group

IPEG has been working on a range of intellectual property issues, including taking into consideration that intellectual property in the digital era has brought to light new opportunities and challenges. In this regard, IPEG has dedicated part of its discussions to enforcement, facilitation of rights, awareness tools, information sharing, and transparency. In this context, IPEG has implemented the following:

- Three workshops on trademark-infringement determinations in a border-enforcement context where organized by the United States. The aim of the event was to bring border enforcement and trademark officials together to build capacity on better understanding how to determine whether suspect goods are counterfeit or confusingly similar to help combat trade in trademark infringing goods.
- Canada is organizing an instructional workshop regarding its anti-counterfeiting initiative called 'Project Chargeback' which, through a collaboration of the Canadian Government with credit card companies, banks and IP rights holders, reimburses victims of online counterfeiting and piracy crimes. The workshop will provide participants with a detailed information pack on how Canada's initiative is administered in practice.

IPEG has also shared best practices and information on regulatory initiatives and updates in the region, development of examination tools, protecting and discussing emerging fields in IPR, promoting adequate protection of technology developments, activities for boosting the usage of the international IP system, perspectives on geographical indications, exchange of information concerning IPR measures and policies, as well as raising public awareness. In this context, IPEG has implemented the following:

- A three-day seminar to exchange experiences in intellectual property management and commercialization for SMEs. In the event organized by Russia, APEC economies can identify problems that SMEs face in commercializing their IP and discuss on ways to solve the problems.
- The project on the Guidelines on the Best Licensing Practices of Collective Management Organizations (CMOs) to MSMEs led by Chinese Taipei. The seminar was held on 23 – 24 October 2018, in Taipei, Chinese Taipei and discussed and analyzed findings on the questionnaire and interviews on Collective Management Organizations (CMOs) related to MSMEs. The intended outcome is a booklet titled 'Guidelines on the Best Licensing Practices of CMOs'. The publication will include a description of challenges faced in the digital age, success stories in six economies, and advice that will help economies cope with difficulties and become more competitive in the future.

In addition, IPEG has paid special attention to human capital development. It undertook 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:

- Under the project of *Best Practices on Patent Commercialization for Independent Inventors* Peru is putting together an Investor's Handbook intended to empower APEC independent investors with a set of knowledge skills to cope with patent management and technology transfer/commercialization process, along with a Policy Recommendations Report.
- Hong Kong, China self-funded a project to promote best practices on licensing for SMEs in creative industries, targeting the increase of competitiveness for the creative industries in the global marketplace. The 2-day workshop aimed to build SMEs' capacity in creative industries and to promote best practices of IP licensing as their IP commercialization strategies so as to add value not only to their companies, but the regional economy.

Section V: Engagement with the Business Sector and Industry Dialogues

Engagement with the APEC Business Advisory Council (ABAC)

CTI and its sub-fora have been collaborating with the business community to ensure that private sector perspectives contribute to APEC's trade and investment outcomes. Senior ABAC representatives actively participated in CTI's 2018 meetings. The CTI Chair attended three ABAC meetings across the year to brief ABAC on the progress of CTI's work program.

CTI supported ABAC's 2018 theme *Digitization and Innovation – Advancing Social Harmony* and its annual work program priorities. Highlights include:

- **Support the multilateral trading system**
 - CTI supported the ratification the WTO TFA and undertook various initiatives to support economies' implementation of the WTO TFA.
 - CTI is developing and adopting a set of recommendations to improve the quality and completeness of WTO's SPS notifications.

- **Enable a Free Trade Area of the Asia-Pacific**
 - Implementation of initiatives contributing to open trade and investment.
 - Identification and initiatives to address Next Generation Trade and Investment Issues (NGeTI) as critical areas for achieving an eventual FTAAP.
 - CTI continued to share information on the trends of RTAs and FTAs based on the *APEC RTAs/FTAs Information Sharing Mechanism*.

- **Pursue the new services trade agenda**
 - GOS contributed to move forward the implementation of the ASCR through monitoring its progress, as mandated by Senior Officials.
 - GOS developed and endorsed the Non-Binding Principles for Domestic Regulation of the Services Sector.
 - Discussion is on-going on developing an APEC index to measure services trade restrictions in APEC economies.
 - The MSAP interim review was completed.
 - The ESAP interim review was completed.

- **Support APEC's connectivity agenda**
 - CTI undertook various initiatives relating to physical connectivity, institutional connectivity and people-to-people connectivity in order to contribute to the *APEC Connectivity Blueprint*.

- **Improve internet and digital economy**
 - Undertook two Trade Policy Dialogues and Public-Private Dialogue on e-commerce and digital trade.
 - Work undertaken to document on APEC economies' e-commerce regulations.
 - The ECSG Terms of Reference, endorsed by CTI has been expanded to include trade-related digital economy issues.

- **Enhance MSME global presence through digital economy and e-commerce platforms**
 - Under a joint CTI-SMEWG initiative, a draft compendium of APEC best practices, methodologies and success stories on SMEs internationalization was developed to assist MSMEs enter the global market
 - IPEG continued to implement a suite of projects to enhance MSME's capacity to utilize intellectual property

Automotive Dialogue

The Automotive Dialogue (AD) is a public-private forum 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.

In 2018, the AD held its 28th Plenary Meeting on 6-8 June in Singapore and its 29th Plenary Meeting on 30-31 October in Chiang Rai Province, Thailand. On the margin of the 29th Automotive Dialogue Meeting, the third workshop on implementing the Electric Vehicles Roadmap was held on 1-2 November 2018.

The agenda of the 28th and 29th AD Plenary Meeting were structured around the topics of market access, harmonization of standards and regulations, trade facilitation, capacity building and new technology with the view of ensuring more consistency and focus of AD's activities.

Members shared auto industry overviews of their respective economies, which cover such areas as the number of manufacturers, automotive sales, motorcycle sales, auto parts export, market outlook, tax structure, and influence of FTAs on the auto industries.

The compendium of motor vehicles related taxes including excise taxes and import duties in the APEC region were updated and were shared among member economies.

AD members have been briefed on the Report on Customs Valuation, which highlights that Valuation data is used to assess the duty when the good is subject to an ad valorem duty. This report reiterates that all WTO members must comply with the principles of the WTO Customs Valuation Agreement for a fair, uniform, and neutral valuation of goods for customs purposes.

AD members agreed that AD would develop a roadmap or guiding principles regarding Autonomous Vehicles regulatory best practices including Electric Vehicles, possibly with coordination with the APEC Transportation Working Group (TPTWG). Members agreed to continue discussions on autonomous driving in 2019.

The 30th AD meeting will be held in Bali, Indonesia in April/May 2019. AD members endorsed the transfer of AD co-Chairs from Japan and the US to Indonesia effective from 1 January 2019.

Chemical Dialogue

The Chemical Dialogue (CD) serves as a forum for regulatory officials and industry representatives to find solutions to challenges facing the chemical industry in the Asia-Pacific Region. It reflects APEC members' recognition of the importance of engaging with the private sector and of building public-private dialogue and cooperation for the benefit of both sectors. The issues that are addressed include chemical sector liberalization, chemical trade facilitation and capacity building.

Leveraging its unique composition as a public-private sector body, the CD has maintained a priority focus on regulatory cooperation efforts throughout its tenure. After a series of workshops in 2016 and 2017, in 2018 the CD focused on next steps, including additional capacity building on priority items resulting from those in-person meetings. The CD has now agreed to host four technical webinars for CD economies on topics identified as candidates for capacity building at the last workshop: (1) regulatory impact assessments in the chemical sector; (2) evaluating comments received during public consultations on chemical regulation implementation or revision; (3) principles-based chemical regulation; and (4) tools for collecting exposure information to enable implementation of risk-based approaches to chemical management.

The CD carried forward its collaboration with the SCCP to identify and, to the extent possible, reduce any unnecessary divergences related to the import requirements for industrial chemicals. Industry throughout the region has noted that there has been a recent increase in “at-the-border” requirements related to industrial chemical imports. These restrictions often differ from economy to economy, generating delay and adding cost. Given that chemicals serve as an integral component in the supply chains of 95 percent of the world’s manufactured items, any unnecessary divergence, delay, and cost gets passed through the supply chain. In 2018, the CD finalized the results of its joint survey on current import requirements, endorsed a summary report and recommended next steps (2018/SOM1/CD/010), and has scheduled a capacity building session for SOM1 2019 to begin to address these divergences.

The CD’s other key achievements for 2018 included:

- Agreed to the four webinar topics to follow on the 2017 Best Practices in Chemical Regulation workshop and agreed to host one webinar by the end of 2018;
- Endorsed and submitted an annual report regarding implementation of the Globally Harmonized System for the Classification and Labeling of Chemicals (“GHS”) to the Ministers Responsible for Trade (“MRT”);
- Endorsed two papers underscoring the importance of the chemical industry to regional trade: the Chemical Trade Paper A: Chemical Trade Data - Regional Flows: Revised; and the Economic Importance of the Chemical Industry in APEC Economies;
- Continued its partnership with the APEC Oceans and Fisheries Working Group (OFWG) to promote innovative solutions to marine debris, the CD supported the successful submission of a project proposal for APEC funding through the OFWG related to updating a 2009 study on the economic impacts of marine debris and promoting further implementation of the 2016 Policy and Practice Recommendations on Overcoming Barriers to Financing Waste Management Systems. The CD also endorsed a 2018 work plan for the Virtual Working Group on Marine Debris which includes: (a) continuing its partnership with ABAC and the Finance Ministers Process and hosting Asia Pacific Infrastructure Partnership meetings on incentivizing investment in waste management systems and developing a pipeline of bankable projects, the results of which were presented at the 2018 Finance and Central Bank Deputies Meeting (b) supporting the aforementioned concept note with the OFWG and (c) continuing to contribute to APEC-wide discussions on urbanization, infrastructure, sustainable materials management and the circular economy.
- To carry forward its project related to import requirements, the CD endorsed the Summary Report and Recommended Next Steps Related to the Survey of Import Requirements for Industrial Chemicals (2018/SOM1/CD/010) and agreed to host a

capacity building session at SOM1 2019 related to best practices for the import of industrial chemicals.

Life Sciences Innovation Forum

LSIF collaborated with the Health Working Group (HWG) to organize the 8th APEC High-Level Meeting on Health & the Economy during SOM3 in Port Moresby, Papua New Guinea. The meeting was chaired by the Minister of Health of Papua New Guinea and discussed how primary health care in the APEC region can be revitalized through investment, innovation and collaboration. LSIF endorsed the HLM8 Joint Statement.

LSIF welcomed the ongoing work in collaboration with the Finance Ministers' Process (FMP), ABAC and the Health Working Group (HWG) to address barriers to the deployment of innovative healthcare financing mechanisms. A dialogue in Thailand was held in November 2018 and convened government officials; private sector; multilateral development banks; international institutions; academic institutions and other stakeholders. A meeting report with economy specific recommendations is being developed.

LSIF undertook significant work contributing to good regulatory practices, regulatory systems and regulatory convergence that contribute to the life sciences sector, such as:

- The ongoing work of the Regulatory Harmonization Steering Committee (RHSC)'s Regulatory Science Center of Excellence (CoE) network to build skilled human capacity in regulatory sciences.
- The APEC Harmonization Center's engagement of over 9,000 participants since its inception.
- LSIF held a policy dialogue on transparency and stakeholder consultation in health and life sciences policymaking during SOM3 2018, which sought to improve the process for consultation with the health and life sciences industry on new or revised policies and/or regulations, including through the use of digital tools.

Other 2018 LSIF achievements include:

- Ongoing work to establish robust quality systems, implement good manufacturing practices and standards of care to improve access to a safe and sufficient supply of blood and related products and services.
- Raised awareness of the public health and financial costs associated with healthcare-associated infections; sharing the best practices of robust antibiotic stewardship programs and infection prevention and control measures; promoting public-private partnerships and multi-sectoral solutions to combating antimicrobial resistance; and supporting efforts to strengthen infectious disease surveillance and reporting capabilities.
- Activities led by the APEC LSIF Rare Disease Network, including the 1st APEC Policy Dialogue on Rare Diseases held in Beijing in June 2018 and the APEC LSIF Action Plan on Rare Diseases. LSIF encouraged economies to implement the recommendations of the Action Plan and to join the APEC LSIF Rare Disease Network as it seeks to harness digital technologies to drive innovation for rare diseases.
- Collaboration with ECSG to enable responsible and secure sharing of medical data for secondary analysis to facilitate health and life sciences research.

- Progress of the APEC Digital Hub for Mental Health which includes integration of best practices into primary care and community-based settings

Section VI: Streamlining CTI and CTI Sub-Fora

In 2018, to complete the instruction from Senior Officials, CTI's 11 sub-fora revised their Terms of Reference to include a four-year mandate, sunset clause and quorum requirements. The mandates for the 11 sub-fora will need to be considered again before the end of 2021.

Following the review *Streamlining, Strengthening and Sharpening (3S) CTI and CTI Sub-fora* undertaken in 2016 and 2017, CTI continued to take practical steps to improve CTI's effectiveness and efficiency and contribute to APEC reform.

Noting the decision of Senior Officials to require the consideration of sub-fora Terms of Reference again after four years, CTI has been considering ways to robustly and objectively assess sub-fora in order to develop recommendations on their renewal for Senior Officials to consider. CTI will continue this discussion and look to finalize an agreed process in 2019.

To enable improved information sharing and review of the work agendas, work plans and terms of reference of CTI sub-fora, the Convenors of CTI's 11 sub-fora all reported to CTI on the key issues, plans and outcomes of their sub-fora twice in 2018. The CTI Chair also addressed each CTI sub-fora at the beginning of the year to outline CTI priorities.

CTI will continue to hold more policy discussions and will look to further utilize sub-fora's expertise in implementing relevant initiatives. Opportunities to collaborate with CTI sub-fora, as well as other fora across APEC, will continue to be discussed and assessed by CTI.

Prepared or printed by

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