APEC Committee on Trade and Investment 2017

Annual Report to Ministers

APEC
Asia-Pacific
Economic Cooperation

Advancing Free Trade
for Asia-Pacific **Prosperity**

2017
ANNUAL REPORT TO MINISTERS

COMMITTEE ON TRADE AND INVESTMENT

November 2017
Da Nang, Viet Nam

Dear Ministers,

There is no doubt that trade and investment are powerful drivers of growth, increasing living standards, creating jobs and driving innovation. That in mind, the APEC Committee on Trade and Investment (CTI) focused this year on initiatives to support the multilateral trading system, reduce trade barriers between members, streamline customs and trading procedures and harmonize standards and regulations to enable goods to move more easily across borders.

The first part of the report covers the initiatives in support of the WTO and the multilateral trading system. Especially with the forthcoming 11th WTO Ministerial Conference, it would be important for APEC to reaffirm its commitment through practical ways. We did this through work that supported members' implementation of the WTO Trade Facilitation Agreement (TFA) and exchange of information on budgetary outlays and reduction commitments on export subsidy in relation to the WTO Ministerial decision on export subsidies.

The second part of the report is the longest and covers initiatives on regional economic integration and its broad issues. The Bogor Goals remains the centerpiece of our work and a number of activities were undertaken around this. 2017 marked the first year of implementing the Lima Declaration on the Free Trade Area of the Asia Pacific (FTAAP) and the APEC Services Competitiveness Roadmap (ASCR), thus a number of dialogues and workshops were undertaken to gather ideas on how to take the work forward, including identifying the needed assistance to support the work ahead. In the case of the ASCR, we agreed on the baseline indicators to help measure progress on the agreed APEC-wide actions. We also made progress in advancing work on digital trade and e-commerce facilitation. On investments, work focused on current issues that matter such as policy dialogues, facilitation, infrastructure investment, next-generation trade and investment-related issues and new models such as inclusive business. Since MSME internationalization is a cross-cutting theme in regional economic integration and other CTI priorities, some new initiatives were put forth to guide work ahead while continuing on past agreed actions such as on leveraging on e-commerce and global value chain integration. Relevant sectors were covered, primarily in the services area where MSMEs can play an important role.

Turning to a cornerstone of APEC's mission and activities, the third part of the report covers initiatives to strengthen trade facilitation and connectivity. The Committee's work covered areas beyond the TFA implementation. We made good progress in the areas of supply chain connectivity, infrastructure- and people-to-people connectivity, as well as regulatory cooperation and coherence.

The fourth part of the report covers initiatives to promote innovative development and quality growth. The overriding theme is that intellectual property protection can encourage the research and development that drives innovation. Intellectual property is also critical in helping business, especially MSMEs, transform their innovation potential into what is of value to the market and increase their competitiveness.

The fifth part covers arrangements that are directed to improving CTI's work processes. The 3S - Streamlining, Strengthening and Sharpening - is an effort to adopt

and to respond to the expanding scope of work of the Committee and the need for more efficient use of resources. One such resource is the pathfinder mechanism. This year we reviewed the existing pathfinders and agreed to update the guidelines to maximize its use as an effective mechanism to achieve APEC's goals.

The sixth and seventh parts of the report cover the work done by the industry dialogues and the Committee's interaction with the APEC Business Advisory Council (ABAC). As one of the few organizations which closely work with business and industry representatives from the automotive, chemical and life sciences sectors, the Committee's efforts are directed towards better facilitation of business.

On behalf of the Committee, I am grateful to Viet Nam for the gracious hospitality and arrangements without which our work will not be completed this year. The dedication of all members, most especially the lead economies and the leadership of the CTI Friends of the Chair, CTI sub-fora convenors and industry dialogue chairs all contributed greatly to advance this year's work priorities. I wish to thank the CTI program director, Joji Koike, and his colleagues from the APEC Secretariat for their constant support of the CTI and CTI sub-fora. Lastly, I would like to recognize the APEC Policy Support Unit for their useful research and policy analysis which made the Committee's work and discussions more meaningful.

This Report speaks for itself, but allow me to make some final points. Even as a voluntary and non-binding organization, APEC has made contributions to economic governance. Our cooperation helps support policy coherence through initiatives that reduce uncertainties in trade policy, lower business transaction costs and improve information flows. APEC as an institution has motivated our governments to cooperate. I hope this report will attest that the commitment remains strong and the tradition of cooperation is very much alive in APEC.

CTI looks forward to your guidance and instructions.

Sincerely,

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

Contents

Appendices

Recommendations

CTI recommends that Ministers **endorse**:

- CTI's 2017 Annual Report*;*

- *Action Plan Framework for the 3rd REI Capacity Building Needs Initiative (see Appendix 1);*

- *APEC Cross-Border E-Commerce Facilitation Framework[1];*

- *[APEC Best Practices for Promoting Supporting Industry in the Asia Pacific Region[2]];*

- *Monitoring Framework of the APEC Supply Chain Connectivity Framework Action Plan Phase II 2017-2020 (SCFAP II)[3];*

Welcome:

- *[The Lima Declaration Action Plan on FTAAP* (*see Appendix 11) and]* progress in implementing the Lima Declaration on FTAAP;

- Progress of APEC economies in notifying acceptance of the WTO Agreement on Trade Facilitation (TFA), and economies' progress to implement the TFA *(see Appendix 2)*;

- Progress of work to monitor and encourage the implementation of the WTO decision on export subsidies[4];

- Progress in the preparation for the 2018 Bogor Goals Review[5];

- Progress in advancing the work on non-tariff measures (NTMs), including the *Trade Policy Dialogue to Advance Understanding on Non-Tariff Measures (NTMs) in the Food Sector*;

- The accomplishments of the Food Safety Cooperation Forum and Partnership Training Institute Network as outlined in the Ha Noi Statement, particularly the work to streamline export certificate requirements for food products and harmonize pesticide maximum residue limits;

- Progress in work to advance the 2015 Leaders' Statement to carry out the 2013 mandate of exploring trade in products that contribute to sustainable and inclusive growth through rural development and poverty alleviation, including the workshop held in 2017;

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[1] 2017/SOM3/027anx02
[2] 2017/SOM3/027anx04
[3] 2017/SOM3/027anx03
[4] 2017/SOM3/027anx05
[5] 2017/SOM2/018anx02

- Progress in implementing actions under the Beijing Roadmap for APEC's contribution to the Realization of the FTAAP, including a suite of activities under *the 2nd Regional Economic Integration (REI) Capacity Building Needs Initiative (CBNI) 2015-17*, and information sharing through the trade policy dialogue on APEC economy RTAs/FTAs, and the PSU report on *Trends and Developments in Provisions and Outcomes of RTA/FTAs Implemented in 2016 by APEC Economies* under the RTAs/FTAs Information Sharing Mechanism;

- Progress in implementing the *Work Plan for Advancing Facilitating Digital Trade for Inclusive Growth As a Potential Next Generation Trade and Investment Issue*, including the trade policy dialogue on facilitating digital trade and a study on digital trade conducted by PSU;

- *Work Plan to identify building blocks to facilitate digital trade for 2018 (see Appendix 3)*;

- Progress of work under the *APEC Strategic Blueprint for Promoting Global Value Chains (GVCs) Development and Cooperation* (GVCs Blueprint) towards establishing statistics on Measurement on Trade in Value-Added (TiVA) in APEC by 2018, including the 3rd APEC TiVA Capacity Building Workshop, and developing the Annual Work Plan for 2018[6];

- *APEC Global Value Chain Partnership Platform[7]*;

- *Global Value Chains (GVCs) Investment Climate Improvement Report[8]*;

- Progress of APEC economies in implementing the 2012 Leaders' commitment to reduce applied tariffs to five per cent or less by the end of 2015 on the APEC List of Environmental Goods[9];

- Progress made in implementing the APEC Cooperation Network on Green Supply Chain (GSCNET), including the Annual Conference and Development Forum of the GSCNET 2017 and Research Report by the Tianjin Green Supply Chain Center (TGCC) on the *Feasibility Study of Green Procurement Tool (GPT)*;

- Progress made in implementing the CTI and SMEWG joint initiative on the *Compendium on Methodologies for SMEs Internationalization* and successful branding strategies of MSMEs in entering the global market;

- Progress of work to promote MSMEs' participation in the global value chains under work stream 5 of the GVCs Blueprint, including the *APEC Workshop to Discuss Best Practices on Practical Solutions/Programs to Integrate SME Suppliers into the Automotive Global Value Chains (GVCs)*, and the projects implemented for MSMEs' integration into GVCs in services industries on fashion design industry and on logistics industry;

- Progress in implementing the initiative on *Promoting E-commerce to Globalize MSMEs*, including the report by the PSU on case studies and suggestions;

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[6] 2017/SOM3/027anx07
[7] 2017/SOM2/CTI/023
[8] 2017/SOM3/CTI/038
[9] 2017/SOM3/027anx09

- Progress made in implementing the *Boracay Action Agenda to Globalize MSMEs,* including the stocktake of activities in CTI and its sub-fora during 2017;

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

- Progress in implementing the *APEC Services Competitiveness Roadmap* (ASCR), including GOS monitoring of implementation of the ASCR by relevant APEC fora *(see Appendix 4)*, the PSU report on baseline indicators, the implementation of setting a non-binding principle for domestic regulations in services, and the commencement of the initiative to develop an APEC index to measure services trade restrictions in APEC economies[10];

- Progress in implementing the *Manufacturing Related Services Action Plan* (MSAP), including the preparation for the 2018 interim review of the MSAP[11] [12];

- Progress in implementing the *Environmental Services Action Plan* (ESAP), including work to address a wider range of services in environmental industries/businesses through a workshop on environmental services and the case studies by the PSU on environmental damage remediation services, renewable energy service, and energy efficiency service;

- *Work Plan of the Investment Experts' Group (IEG) on the Investment Aspects of Next Generation Trade and Investment Issues*[13];

- Progress of work in promoting inclusive business, including the *Study on Inclusive Business in APEC*;

- Progress in implementing three priority themes of the *Investment Facilitation Action Plan (IFAP)*, namely, e-transparency, reducing investor risk, and simplifying business regulation, including the report by the PSU on *IFAP Implementation to Facilitate FDI in APEC: Updates in 2016*;

- The compilation by the PSU of a set of external indicators to complement the Monitoring Framework of the APEC Supply Chain Connectivity Framework Action Plan Phase II 2017-2020 to measure progress of the SCFAP II *(see Appendix 5)*;

- Progress made in the targeted capacity building projects to improve supply chain performance on pre-arrival processing, advance rulings, expedited shipments, release of goods, and electronic payments;

- New targeted capacity building projects to improve supply chain performance expected to be implemented in 2018, including on the implementation of *TFA Article 1: Publication and Availability of Information*, and phase II on advance rulings and expedited shipments;

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[10] 2017/SOM3/027anx06rev1
[11] 2017/SOM2/018anx09
[12] 2017/SOM3/027anx11
[13] 2017/SOM3/CTI/037

- The outcomes of the activities of the APEC Alliance for Supply Chain Connectivity (A2C2);

- Progress made to promote a wider use of interoperable Global Data Standards (GDS), including the workshop on GDS to evaluate the results of the pilot projects and suggest the way forward, and phase 2 of the study conducted by the PSU to assess the costs and benefits of GDS in supply chains;

- Progress made to implement the initiative on "*Single Window Systems' International Interoperability*" (SWSII), including the ongoing study to be completed by the PSU to identify best practices and main obstacles and to explore the benefits and challenges using SWSII;

- Progress made in implementing the Asia-Pacific Model E-Port Network (APMEN), including the convening of the 3rd Public-Private Dialogue on APMEN, conducting the 2nd APMEN Capacity Building program, and the APMEN Implementation Measures for SCFAP II;

- Progress on work to promote Authorized Economic Operator (AEO) Programs among economies and implementing MRAs;

- Progress made on the implementation of the initiative on *Peer Review and Capacity Building on APEC Infrastructure Development and Investment*, including the final report by the PSU of the Peer Review conducted to the Philippines;

- The implementation of *Quality Infrastructure Investment in Rapidly Urbanizing APEC Region*;

- Upgrading the APEC Guidebook on Quality of Infrastructure Development (*see Appendix 6*);

- *Facilitating Trade and Investment in SMM Solutions in the APEC Region (see Appendix 7)*;

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

- *Recommendations on Streamlining, Strengthening, and Sharpening (3S) of Committee on Trade and Investment (CTI) and Sub-fora and Efforts to Continue to Improve CTI's Efficiency and Effectiveness[14];*

- Progress in work to streamline, strengthen, and sharpen the CTI and its sub-fora, including conducting a review on TILF Pathfinders, and updating the Guidelines for Pathfinder Initiatives (see *Appendix 8*);

- *[Modernization of the Electronic Commerce Steering Group] (see Appendix 12)*;

- LSIF Executive Board Co-Chairs Letter to Ministers and Leaders (*see Appendix 9*);

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[14] 2017/SOM2/018anx10

- The first Life Sciences Innovation Forum (LSIF) High Level Dialogue on regulatory systems and the Dialogue's call for APEC to accelerate regulatory convergence and to address emerging innovations;

- The launch of the network of APEC Regulatory Science Centers of Excellence (CoE);

- The efforts of the APEC Chemical Dialogue (CD) to encourage the use of good regulatory practices through its best practice principles checklist; address divergences in the Globally Harmonized System of Classification and Labeling of Chemicals (GHS); and facilitate trade by addressing divergent customs procedures;

- The APEC Virtual Working Group on Marine Debris' efforts to improve the investment environment for waste management infrastructure and incorporate the private sector in efforts to reduce the flow of waste into our waterways and oceans; and
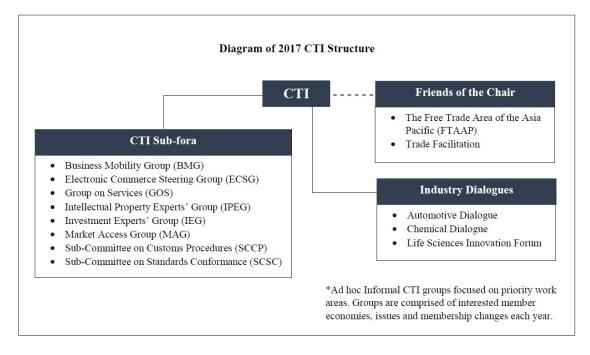
Note:

- The *Pathfinder on Inclusive Trade Initiative (Appendix 10).*

Introduction

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

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

Diagram of 2017 CTI Structure

CTI

Friends of the Chair
- The Free Trade Area of the Asia Pacific (FTAAP)
- Trade Facilitation

CTI Sub-fora
- Business Mobility Group (BMG)
- Electronic Commerce Steering Group (ECSG)
- Group on Services (GOS)
- Intellectual Property Experts' Group (IPEG)
- Investment Experts' Group (IEG)
- Market Access Group (MAG)
- Sub-Committee on Customs Procedures (SCCP)
- Sub-Committee on Standards Conformance (SCSC)

Industry Dialogues
- Automotive Dialogue
- Chemical Dialogue
- Life Sciences Innovation Forum

*Ad hoc Informal CTI groups focused on priority work areas. Groups are comprised of interested member economies, issues and membership changes each year.

The CTI Annual Report to Ministers for 2017 outlines the Committee's accomplishments and recommendations in the key priority areas of APEC's Trade and Investment Liberalization and Facilitation (TILF) agenda in support of APEC's 2017 priorities under the theme, "*Creating New Dynamism, Fostering a Shared Future*". Work towards achieving the *Bogor Goals* as set by the Leaders in 1994 to complete the achievement of the goal of free and open trade and investment in the Asia-Pacific no later than the year 2020, and various actions to address issues in the *Osaka Action Agenda* for the implementation of the Bogor Goals, continued to be the Committee's main vehicle for advancing APEC's trade and investment agenda.

The key elements of CTI's work program for 2017 were aligned around priority areas that would contribute to the APEC 2017 Priorities. These were: (i) support for the multilateral trading system; (ii) advancing regional economic integration; (iii) strengthening trade facilitation and connectivity including regulatory cooperation and convergence; and (iv) promoting innovative development and contributions of CTI and sub-fora to cross-cutting

mandates. CTI advanced the initiatives announced by Leaders and Ministers in the preceding years. A summary of the highlights includes the following:

(1) CTI and its sub-fora supported the multilateral trading system through continuously encouraging APEC economies' ratification of the WTO Trade Facilitation Agreement (TFA) and initiatives to support the TFA's implementation. As of 5 November 2017, 19 economies out of 21 had notified the WTO of their acceptance. CTI and sub-fora also supported the implementation of the WTO Decision on Export Subsidies and the ITA expansion.

(2) During 2017, continued work was conducted to address non-tariff measures (NTMs), including a *Trade Policy Dialogue to Advance Understanding on Non-Tariff Measures (NTMs) in the Food Sector.* Further projects to address NTMs are expected to be carried out in 2018.

(3) A follow-up workshop was held to advance the 2015 Leaders' Statement to "encourage further progress and practical initiatives to carry out the 2013 mandate of exploring trade in products that contribute to sustainable and inclusive growth through rural development and poverty alleviation".

(4) Extensive work was conducted to put into action the instructions by the Leaders as set out in the Lima Declaration to address issues identified in the *Collective Strategic Study on Issues Related to the Realization of the FTAAP*. The Friends of the Chair (FOTC) on FTAAP was established under CTI [to develop the *Lima Declaration Action Plan* which comprises a set of work programs to implement Leaders' instructions.]

(5) To further continue and build upon past and current work on building capacities for developing economies to negotiate high-quality and comprehensive FTAs/RTAs, CTI agreed to launch Phase 3 of the Capacity Building Needs Initiative (CBNI) from 2018 to 2020.

(6) Active work was pursued in the area of digital trade and e-commerce. Following the activities conducted in 2016, a trade policy dialogue on digital trade was held to further build common understanding on issues and identify areas where further work should be conducted. Based on this, CTI agreed on a Work Plan to advance work in 2018 to develop building blocks to facilitate digital trade. The *APEC Cross-Border E-Commerce Facilitation Framework* was agreed and endorsed to Senior Officials to guide APEC's ongoing and future work relevant to cross-border e-commerce.

(7) CTI and sub-fora continued to actively pursue a suite of work to facilitate the entry of MSMEs into regional and global markets. This included:
   - Agreement on the *APEC Best Practices for Promoting Supporting Industry in the Asia Pacific Region* under the Supporting Industry Initiative;
   - Progress made in compiling a compendium of APEC best practices, methodologies, and successful stories on MSMEs internationalization under the joint CTI-SMEWG Initiative;
   - Implementation of projects under the GVCs Blueprint to promote the participation of MSMEs into GVCs including on automotive suppliers and software industries, fashion design and logistics industries);

- Conduct of a study by the Policy Support Unit (PSU) on *Promoting e-Commerce to Globalize MSMEs*, aiming at identifying and addressing barriers/difficulties faced by MSMEs to participate in e-commerce and develop a set of recommendations for capacity building planning;
- Conduct of workshops which develop MSMEs' ability to manage, enforce, and commercialize their intellectual property rights;
- Exchange of experiences on best practices in standardization, including on food packaging and labelling; and
- Improving transparency in customs and trade requirements, including in the chemical sector.

(8) Progress was achieved in the implementation of various work streams of the GVCs Blueprint. This included:
- Substantial progress of work towards developing an APEC TiVA to be completed in 2018;
- Establishment of an *APEC Global Value Chain Partnership Platform*; and
- Development of the *Global Value Chains (GVCs) Investment Climate Improvement Report* as a deliverable of the work stream, "Improve the investment climate for GVCs development".

(9) CTI and its sub-fora advanced work on issues related to services trade. The Group on Services (GOS), under the mandate of Senior Officials, played a central role in monitoring and facilitating the implementation of the APEC Services Competitiveness Roadmap (ASCR). It focused on the development of concrete implementation plans by relevant APEC fora, as well as the development of baseline indicators in collaboration with the PSU to track the progress. GOS and CTI agreed to the initiative of developing an APEC index to measure services trade restrictions in APEC economies by building upon existing indices and to conduct a pilot program with volunteering economies by 2019. GOS and CTI also agreed and moved forward the initiative to develop a set of non-binding principles for domestic regulation of the services sector.

(10) There was progress in implementing the sectoral initiatives on trade in services:
- Under the *Manufacturing Related Services Action Plan* (MSAP), preparatory work was conducted to implement the interim review in 2018; and
- Under the *Environmental Services Action Plan* (ESAP), work was conducted to address a wider range of environmental services (water, refuse disposal and recycling, environmental damage remediation services, renewable energy and energy efficiency).

(11) CTI engaged in a series of work to promote trade facilitation/improve supply chain performance:
- To implement the *Supply Chain Connectivity Framework Action Plan* (SCFAP II) endorsed by Leaders in 2016, CTI and Senior Officials agreed on the *Monitoring Framework on SCFAP II* (Monitoring Framework) which comprises targets, measurement indicators, and capacity building action plans on five chokepoints. The CTI Friends of the Chair on Trade Facilitation played a key role to proceed the work.
- Progress was achieved in the following: (1) targeted capacity building activities on pre-arrival processing, advance rulings, expedited shipments, release of goods, and electronic payments; (2) initiative on promoting a wider use of interoperable Global Data Standards (GDS); and (3) initiative on Single Windows System Interoperability.

- The APEC Alliance on Supply Chain Connectivity (A2C2), an advisory body comprised of APEC economies and businesses, held two meetings and provided useful inputs and suggestions to the work above including the development of the Monitoring Framework.
- Progress made in implementing the APEC Cooperation Network on Green Supply Chain (GSCNET), including the Annual Conference and Development Forum of the GSCNET 2017 and Research Report by the Tianjin Green Supply Chain Center (TGCC) on the *Feasibility Study of Green Procurement Tool (GPT).*
- Progress made in implementing the Asia-Pacific Model E-Port Network (APMEN), including the convening of the 3rd Public-Private Dialogue on APMEN, conducting the 2nd APMEN Capacity Building program, and the APMEN Implementation Measures for SCFAP II.

(12) CTI pursued its work on promoting quality infrastructure development and investment, thereby contributing to the implementation of the APEC Connectivity Blueprint:
- Progress in implementing the Initiative on Peer Review and Capacity Building on APEC Infrastructure Development and Investment with the finalization of the report on the peer review of the Philippines.
- Conducted a project on Quality Infrastructure Investment in Rapidly Urbanizing APEC Region.
- A proposal was agreed by CTI to conduct work to upgrade the APEC Guidebook on Quality of Infrastructure Development to provide practical guidance to stakeholders.

(13) The Business Mobility Group (BMG) continued to work actively to advance mobility of business travelers through a suite of activities to modernize and improve the ABTC system.

(14) Under the auspices of the APEC Regulatory Cooperation Advancement Mechanism on Trade Related Standards and Technical Regulations (ARCAM), CTI discussed and endorsed the report on sustainable materials management solutions (SMM) which includes recommendations to facilitate trade and investment in this sector.

(15) Under the initiative of the CTI Chair, CTI has actively pursued its efforts to streamline, strengthen, and sharpen (3S) the CTI and its sub-fora in order to enable CTI and its sub-fora to effectively address important issues. Some important results were achieved, including:
- The endorsement of the Recommendations on the 3S;
- Decision by Senior Officials to mandate GOS to monitor the implementation of the ASCR;
- Decision for the Market Access Group (MAG) to take over some of the CTI work; and
- [Proposal [endorsed by CTI] to modernize the Electronic Commerce Steering Group (ECSG).]

CTI and its sub-fora collaborated closely with the Economic Committee (EC) to ensure synergy between the committees' respective work programs on regulatory and structural reform is complementary. CTI and EC collaborated in the implementation of the ASCR. In addition, CTI's sub-fora such as the Sub-Committee on Standards and Conformance (SCSC) continued collaboration with the EC on the application of Good Regulatory Practices (GRP).

CTI also worked closely with the APEC Business Advisory Council (ABAC) throughout 2017 to ensure that CTI work plans and deliverables took into account the needs of the business community. Representatives of both CTI and ABAC participated in each other's meetings, maintaining consistent and constructive dialogue on key issues.

The PSU and CTI continued to share a close working relationship. PSU supported various CTI priorities by providing research and analysis inputs, including the following:

- Issued reports on:
  - *Trends and Developments in Provisions and Outcomes of RTA/FTAs Implemented in 2016 by APEC Economies* to contribute to the information sharing of RTAs/FTAs;
  - *Facilitating Digital Trade for Inclusive Growth* to support work on digital trade;
  - *Promoting E-Commerce to Globalize MSMEs* which includes case studies of five economies and recommendations; and
  - *ASCR Baseline Indicators* to provide a basis for measuring the progress of implementation of the ASCR.

- Developed case studies on:
  - the Supporting Industry initiative (case studies on Australia, Mexico and Viet Nam and a synthesis report); and
  - the implementation process of the Environmental Services Action Plan (ESAP) (case studies on environmental damage remediation services, renewable energy service, and energy efficiency service and workshop on environmental services).

- Contributed in other relevant areas, particularly on:
  - the identification of a set of external indicators for SCFAP II to complement the Monitoring Framework in measuring the progress of implementation of the SCFAP II;
  - the study on *Phase 2 of Cost-Benefit Analysis on the Application of GDS in Supply Chains* for the GDS initiative;
  - the study to identify best practices and main obstacles of SWS and to explore the benefits and challenges using SWS international interoperability (for delivery in 2018) for the Single Window Systems' International Interoperability initiative; and
  - as the ad-hoc Secretariat for the review process and in finalizing the report to identify capacity building needs of the reviewed economy (Philippines) for the Peer Review and Capacity Building on APEC Infrastructure Development and Investment initiative.

Section I: Support for the Multilateral Trading System

Highlights:

- CTI and its sub-fora continued to exchange views during the meetings on possible contributions they could make in support of the WTO. There was progress achieved at CTI which aimed at complementing the implementation of the multilateral trade agreements.

- Continued efforts were made to urge economies to ratify the WTO Trade Facilitation Agreement (TFA), which was adopted in November 2014. As of 5 November 2017, 19 economies out of 21 had notified the WTO of their instrument of acceptance of the TFA. With the ratification of more than two-thirds of WTO Members, the TFA took into effect on 22 February 2017. While CTI urged the remaining economies to ratify the TFA, emphasis was placed on facilitating and supporting its implementation. In this regard, Singapore proposed an expansion of the existing monitoring template to also include notifications of Category B and C commitments as well as the establishment of economies' National Committee on Trade Facilitation. The proposal was adopted by members.

- In order to move forward its 2016 initiative to encourage the implementation of the WTO decision on export subsidies, CTI adopted a systematic monitoring system proposed by Papua New Guinea through a compilation of information reflecting the aggregate budgetary outlay and reduction commitments by APEC economies on export subsidy. CTI agreed to the compilation of the information which was reported to Senior Officials and noted Papua New Guinea's intention to take the work forward in 2018.

- The Market Access Group (MAG) has conducted follow-ups to ensure the implementation of the Information Technology Agreement (ITA) expansion by all economies, which was agreed upon by participating members 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.

- The Investment Experts' Group (IEG) under CTI continued active discussions through two IEG meetings. The IEG's work included looking at issues and challenges relating to the international investment regime, as well as work on investment promotion, facilitation and retention such as continuing the work on Investment Facilitation Action Plan (IFAP), Investment Policy Dialogue (IPD), Investment Promotion Agency (IPA) Best Practice Discussion, and other cross-cutting issues such as GVC, PPP, and infrastructure.

Section II: Advancing Regional Economic Integration

Highlights:

Achieving the Bogor Goals

- The achievement of the Bogor Goals remains the cornerstone of APEC work. The result of the Second-Term Review of the Bogor Goals carried out in 2016 provided a basis to consider, discuss and implement CTI work in 2017 towards meeting the Bogor Goals, including those related to non-tariff measures and inputs to the work on implementing the Lima Declaration on Free Trade Area of the Asia-Pacific (FTAAP).

- While there was no review on the Bogor Goals carried out this year, CTI initiated preparations for the 2018 Review of the Bogor Goals. CTI discussed and agreed to the timeline for the 2018 Review and the use of the 2016 Individual Action Plan (IAP) template through which economies will submit progress with regard to trade and investment liberalization.

- With the year 2020 for the Bogor Goals approaching, CTI contributed to APEC's active discussions on how to accelerate efforts towards attaining the Bogor Goals and on the post-2020 vision. The "Multi-Stakeholder Dialogue on APEC Toward 2020 and Beyond" was held on the sidelines of SOM2 to harness inputs of APEC member economies, stakeholders and international institutions on ways to advance progress toward the Bogor Goals and develop APEC's post-2020 vision. It focused on five issues: (1) towards Bogor Goals and current unfinished businesses; (2) a post-2020 vision for APEC and timeframe; (3) possible post-2020 goals; (4) contribution of stakeholders; and (5) the next steps, including the possible establishment of an APEC Vision Group (AVG).

- As part of the work related to NTMs, a *Trade Policy Dialogue to Advance Understanding on Non-Tariff Measures (NTMs) in the Food Sector* was held on 24 February 2017 in Nha Trang, Viet Nam in the margins of SOM1. The trade policy dialogue touched on the agri-food sector where NTMs are prevalent including challenges that NTMs pose to the function of the food market, particularly those which are burdensome to MSMEs. A wide range of ideas were presented and discussed which provided a basis for CTI members to consider and take forward.

- Additional projects on issues related to addressing NTMs are planned for implementation in 2018. New Zealand put forth a proposal on *Capacity Building Workshop on addressing Non-tariff Measures (NTMs) in FTAs/RTAs* to be held in the margins of SOM2 in Papua New Guinea in May 2018. The one-day workshop intends to provide in-depth capacity building for government officials; share 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. The proposal was endorsed by CTI and in-principle approved by BMC, and seeks for APEC funding.

- In addition, as a sectoral approach to NTMs, Viet Nam put forth a proposal on *Public-Private Dialogue to Advance Understandings on Non-tariff Measures (NTMs) in Textile*

and Garment Industry for the realization of FTAAP. The PPD is planned to be held during the second quarter of 2018 to (1) take stock of the application of NTMs in textile in existing RTAs/FTAs to identify the gaps among APEC members; (2) provide capacity building to government officials to deal with NTMs issues in this sector in RTAs/FTAs negotiations as well to deal with issues of regulating NTMs in this sector; and (3) develop recommendations to CTI for further consideration and action in the issue. The proposal was endorsed by CTI and in-principle approved by BMC, and seeks for APEC funding.

- With regard to the contribution of the Sub-Committee on Standards and Conformance (SCSC) to addressing NTMs through the development of the APEC Model Wine Certificate endorsed by Ministers in 2016, the Wine Regulatory Forum (WRF) under SCSC continued to pursue actively its work in reducing unnecessary export certificates, improving laboratory testing, and promoting good regulatory practices in wine. Chile decided to introduce the Export Wine Certificate, based on the APEC Model Wine Certificate, to their domestic procedures as an example of WRF's tangible outcome. The commitment from the economies which require export certificates is fundamental to implement the model certificate further among economies.

- The Market Access Group (MAG) took further steps in improving transparency of NTMs, i.e., to implement the initiative of *Increasing Transparency of Measures Affecting Exports*. In line with the initiative, economies provided measures pertinent to (1) export subsidies, (2) export duties and taxes, and (3) quantitative export restrictions applied on an MFN basis through the APEC Trade Repository (APECTR), an online portal to access trade-related measures established in 2015.

- Further work was conducted at CTI in 2017 to advance the 2015 Leaders Statement to "encourage further progress and practical initiatives to carry out the 2013 mandate of exploring trade in products that contribute to sustainable and inclusive growth through rural development and poverty alleviation". Indonesia held a follow-up workshop on 22-23 February in Nha Trang, Viet Nam in the margins of SOM1 in 2017, building upon the study conducted by the PSU in 2015.

- Korea and Chile put forth a proposal for the "Inclusive Trade Initiative" to contribute to APEC's work in addressing the backlash against trade and regional integration. The Initiative suggested that APEC commission a study to better communicate the benefits and challenges of trade and to explore policy assistance to widely distribute the benefits of trade. While several economies have expressed broad support, one economy expressed reservations. CTI agreed to adopt a pathfinder approach to take the proposal forward. Twelve economies (Brunei Darussalam; Canada; Chile; China; Hong Kong, China; Korea; Malaysia; Mexico; New Zealand; the Philippines; Russia and Thailand) have committed to join the pathfinder.

Exploring an FTAAP

Implementation of the Lima Declaration

- The "Collective Strategic Study on Issues Related to the Realization of the FTAAP" (CSS) was finalized in 2016. Based on the CSS, the Leaders issued Recommendations as the "Lima Declaration", instructing official to advance work on measures affecting trade and investment.

- During 2017, CTI, in collaboration with CTI sub-fora, dedicated its work to develop a specific work program called the Lima Declaration Action Plan on FTAAP" (LDAP) to respond to Leaders' instructions. The CTI Friends of the Chair (FOTC) on FTAAP was established to develop the LDAP. Economies actively participated in the work by proposing area-specific draft work programs intended to be included in the LDAP. Members [will continue to discuss][agreed to] the elements of the LDAP.

- Economies finalized the proposed work programs on tariffs, non-tariff measures, ROO, investment, and MSMEs. CTI members will continue to discuss the proposals on non-paper on services, state-owned enterprises, trade in remanufactured goods, and technology choice.

- The following also served to contribute to the implementation of the LDAP:
  - Singapore held a *Public-Private Dialogue on Rules of Origin (ROO)* on 22 August in Ho Chi Minh City in the margins of SOM3.
  - The Investment Experts' Group (IEG) Work Plan developed a multi-year work plan with regards to the next generation trade and investment issues, which was endorsed by IEG and CTI.

Capacity Building Needs Initiative (CBNI)

- Since 2012, CTI has been actively implementing capacity building projects under the Regional Economic Integration (REI) Capacity Building Needs Initiative (CBNI) with a view to enhance knowledge on and build capacity for drafting and negotiating various provisions of FTAs and RTAs, and thereby promote convergence of different practices in FTA negotiations and the identification of common grounds among economies. In 2017, various CBNI2 projects were implemented under the second phase of CBNI (2015-2017), including in the following areas:

  o Electronic commerce chapter of RTAs/FTAs (22 February in Nha Trang, Viet Nam in the margins of SOM1);
  o Trade Remedies (22-23 June 22-23, 2017, Seoul, Korea);
  o Negotiation skills on the chapter on competition (19 August in Ho Chi Minh, Viet Nam in the margins of SOM3);
  o Strengthening transparency and participation in the negotiation process of trade agreements (20 August in Ho Chi Minh, Viet Nam in the margins of SOM3);
  o Contribution of the Pacific Alliance to the realization of the FTAAP (26 August in Ho Chi Minh, Viet Nam in the margins of SOM3); and
  o Environmental provisions in FTAs and RTAs (12 September in Beijing, China).

- Given that CBNI2 will be completed in 2017, Korea proposed the *Action Plan Framework for the 3rd REI Capacity Building Needs Initiative* covering 2018 to 2020 to continue capacity building to address new sectors/issues, as well as build on the achievements of the previous projects. The 3rd CBNI aims to:
  o Build 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;
  o Analyze the recent trends, policy implications and challenges of FTAs/RTAs in the region; and

o Narrow FTA capacity gaps among member economies, thereby contributing to the implementation of the Lima Declaration.

CTI discussed and agreed to launch the third phase of CBNI (2018-2020).

Information Sharing Mechanism

- CTI continued to share information on the trends of RTAs and FTAs based on the APEC RTAs/FTAs Information Sharing Mechanism. During CTI2, a trade policy dialogue (TPD) session was held on WTO-Plus aspects of recently concluded RTAs and FTAs. The trade policy dialogue highlighted WTO-plus outcomes in APEC economy RTAs/FTAs with a view to building support for high quality, comprehensive RTAs/FTAs as potential building blocks for the eventual realization of the FTAAP. Presentations and discussions focused on the progressive elements of the Canada-European Union Comprehensive Economic and Trade Agreement (CETA) and approaches by Singapore on technical barriers to trade in its recent FTAs.

- CTI representatives also participated in the SOM Dialogue on RTAs/FTAs on 27 August in the margins of SOM3 where presentations and discussions were conducted on such issues as WTO-plus elements of RTAs and FTAs on trade in services and investment; sharing experience on the stakeholder engagement during the negotiations of RTAs and FTAs; insights on outcomes and lessons drawn from ratified RTAs/FTAs of APEC member economies; and sharing case studies on the impact assessments that economies have conducted on the effects of measures to liberalize trade through RTAs and FTAs. As a wrap-up, discussions were conducted on issues that APEC should focus on with regard to its work related to RTAs and FTAs.

- PSU contributed to the information sharing of RTAs/FTAs by issuing the report on "Trends and Developments in Provisions and Outcomes of RTA/FTAs Implemented in 2016 by APEC Economies", which highlights in particular the comparative structure of the RTAs/FTAs chapters related to investment; customs administration; procedures and trade facilitation; e-commerce; and government procurement.

Other work related to RTAs/FTAs

- Papua New Guinea proposed to hold a self-funded "Public Private Dialogue on FTAs/RTAs - Reforms undertaken domestically in supporting Trade Liberalization as a result of economies signing onto FTAs/RTAs" in 2018 in the margins of SOM1. CTI started initial discussions on the proposal, on the basis of which Papua New Guinea will continue to refine the proposal.

Digital Trade and E-Commerce

- During 2017, CTI and sub-fora actively conducted work and discussions on e-commerce and digital trade issues. CTI also provided inputs and comments to the formulation of the draft Roadmap for the Internet and Digital Economy led by the APEC Ad-Hoc Steering Group on Internet Economy (AHSGIE).

- In accordance with the initiative on *Next Steps for Advancing Work on Digital Trade* endorsed by Ministers in 2016, a third trade policy dialogue (TPD) was held in 12 May in

Ha Noi in the margins of SOM2 to discuss key topics related to digital trade and identify areas for APEC to focus moving forward. As part of the initiative, PSU issued a report on *Facilitating Digital Trade for Inclusive Growth: Key Issues in Promoting Digital Trade in APEC* which provides an overview of possible key elements digital trade, as well as the challenges and opportunities and enablers of growth for the digital economy. On the other hand, Japan presented to CTI a draft concept of global data flow facilitation with a view to further facilitate economies' discussion on digital trade.

- To advance the work on digital trade, the United States, Japan and Chinese Taipei jointly proposed a *Work Plan to identify building blocks to facilitate digital trade for 2018*. The Work Plan proposed the conduct of a series of TPDs in 2018 to pursue the following objectives:

  o 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;
  o Identify and discuss possible solutions and best practices with regard to facilitating digital trade through the promotion of the building blocks and ways to avoid barriers to digital trade, including identifying capacity building for developing economies and cross-border regulatory cooperation; and
  o Finalize a list of possible building blocks to facilitate digital trade as appropriate.

  CTI agreed to the Work Plan.

- Through the Electronic Commerce Steering Group (ECSG), Viet Nam proposed the APEC Cross-Border E-Commerce Facilitation Framework (Framework) with a view to promote e-commerce in the APEC region by means of setting a framework to guide APEC's ongoing and future work relevant to cross-border e-commerce. The ECSG and CTI discussed and agreed to the Framework. The Framework sets the following working pillars to guide its implementation:

  o Promoting transparent and predictable legal and regulatory approaches and measures that are business friendly and coherent to facilitate cross-border e-commerce in the region;
  o Enhancing capacity building so that APEC Economies can assist MSMEs to increase their cross-border e-commerce participation in global and regional markets;
  o Strengthening cross-border data privacy protection through increased implementation of existing APEC programs;
  o Facilitating cross-border paperless trade in the region; and
  o Addressing emerging and cross-cutting issues in cross border e-commerce.

- ECSG continued its work to strengthen cross-border data privacy rules. Endorsed by APEC Leaders in 2011, the APEC Cross Border Privacy Rules System (CBPR) is a regional cross-border data transfer mechanism and enforceable privacy code of conduct developed for businesses by APEC member economies. 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 June 2017, Korea became the latest economy approved to officially join the CBPR. It is the fifth APEC economy to participate in the system, joining the United

States, Canada, Japan, and Mexico. In addition, on 27 July 2017, Singapore submitted its notice of intent to join the CBPR.

- The APEC Privacy Recognition for Processors System (PRP), 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 relevant privacy obligations, and helps controllers identify qualified and accountable processors. To receive recognition under the PRP, a processor would be assessed by an APEC-recognized Accountability Agent via an intake questionnaire which sets forth the baseline requirements of the PRP. Applications to join the PRP from Singapore and the United States are currently under review by the Joint Oversight Panel (JOP), the body responsible for determining whether an economy satisfies the participation requirements.

- Implementation of the APEC Cross-Border Privacy Enforcement Arrangement (CPEA) remains a key area of ECSG work in 2017. Endorsed by APEC Ministers in November 2009, the CPEA facilitates information sharing among Privacy Enforcement Authorities (PEAs), provides mechanisms to promote effective cross-border cooperation between authorities in the enforcement of Privacy Law, and encourages information sharing and cooperation on privacy investigation and enforcement with PEAs outside APEC. The activities under the CPEA reflect APEC's commitment to strengthen the protection of cross-border flows of personal information and implement the APEC Privacy Framework effectively. To date, 10 PEAs from nine economies are participating in the CPEA and the application to participate from the Philippines is currently under review. (The number of PEAs participating in the CPEA has reduced from 25 to 10 PEAs due to the replacement of 16 government agencies by the Personal Information Protection Commission (PPC) as the central dedicated PEA in Japan.)

- ECSG continued its cooperation with the European Commission on data privacy issues. ECSG's Data Privacy Subgroup (DPS) held its meeting with the European Commission (the Commission) in August in Ho Chi Minh City in the margins of SOM3 (ECSG 2) to discuss possible next steps in creating interoperability, particularly in light of the upcoming EU General Data Protection Regulation ("GDPR") and its transfer mechanisms, including GDPR certifications and codes of conduct. The meeting picked up where an earlier working group between the DPS and the EU's Article 29 Working Party left off in 2014 after it had developed a document (the "Referential") comparing the requirements of the CBPR and the EU Binding Corporate Rules and undertook initial steps to develop ways to streamline dual certifications under both systems. The meeting explored ways to continue this work in light of the opportunities presented by the GDPR and the increasing interest among governments, regulators, and industry. The revived APEC/EU working group agreed to continue their discussions before the next ECSG meetings to be held in Papua New Guinea in the margins of SOM1, 2018.

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:

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

- On work stream 2 (APEC GVCs and TiVA measurement), substantial progress has been made during 2017 towards eventual completion of the APEC TiVA Database by 2018 in line with the Strategic Framework on Measurement of APEC Trade in Value-Added (TiVA) and Action Plan on the Strategic Framework on Measurement of APEC TiVA under GVCs agreed by the Leaders in 2014. The Technical Group on the Measurement of APEC TiVA (Technical Group), comprising experts of member economies and international organizations such as the WTO, OECD and ADB, continued to serve as a core group to move forward technical work. The Technical Group held its fifth meeting on 10 August 2017 in Nanning, China. In addition, the 3rd APEC TiVA Capacity Building Workshop was held in Nanning, China to help economies prepare and compile necessary data.

- CTI agreed to the Draft 2018 Annual Work Plan on APEC Technical Group on the Measurement on TiVA under GVCs. As a final stage of work, the 2018 Annual Work Plan identified three areas of technical work to be pursued: (1) Construct the APECSUTs/APECIOTs; (2) Develop TiVA indicators based on the APECSUTs/APECIOTs; and (3) If applicable, construct the extended APECSUTs/APECIOTs or single economy extended SUTs incorporating information on firm heterogeneity where possible.

- According to the 2018 Work Plan, the Technical Group will plan to deliver the draft versions of APECSUTs/APECIOTs with discrepancies and economy notes to CTI3 2018 for comments and discussion, and to deliver the final versions of APECSUTs/APECIOTs, economy notes, as well as the TiVA indicators in early November around CSOM 2018. The co-chairs of the technical group will submit a working report on the completion of the objectives of the Strategic Framework on Measurement of APEC TiVA under GVCs to CTI, CSOM, the APEC Ministerial Meeting, and the APEC Economic Leaders Meeting (AELM) for endorsement in November 2018. Finally, the integration of the APEC TiVA database with the OECD-WTO TiVA database is targeted to be completed by 31 December 2018.

- In relation to work stream 4 (Enable developing economies to better participate in GVCs), to implement the report on *APEC Developing Economies' Better Participation in Global Value Chains* endorsed by Ministers in 2016, the lead economies of the work stream (China, Indonesia), proposed to establish a self-funded *APEC Global Value Chain Partnership Platform*, where a web-site would be established to serve as a one-stop shop that would include information on APEC work related to GVCs, including relevant APEC endorsed papers, seminars, reports, capacity building programs, MRT and AMM's directions, as well as information which would contribute to sharing policies related to GVCs, successful experiences and best practices on GVC participation offered by all the

APEC economies, international organizations, academic institutions and private sectors on voluntary basis. CTI discussed and endorsed the proposal.

- (In relation to the progress of work under work stream 5 (Assist SMEs to benefit from GVCs), see sub-section "Contribution to MSMEs' integration into global and regional markets" below.)

- (In relation to the progress of work under work stream 6 (Improve the investment climate for GVCs development), see sub-section "Investment" sub-section below.)

Environmental Goods and Services/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. Substantial progress was made by some economies during 2017 towards the full implementation of the Leaders' commitment. CTI encouraged the remaining economies which have not yet done so to implement the Leaders' commitment as soon as possible.

- In addition, to further enhance transparency for businesses and other stakeholders on tariff reductions under the EG List, CTI tasked the MAG Convenor to encourage members to provide updates to the "Detailed Implementation Plans" published on the APEC website in January 2016 which outlines (1) legislative or executive authority to be used to make the necessary tariff reductions and (2) the tariff lines on which applied tariffs would be reduced to five percent or less for each of the 54 Environmental Goods List subheadings.

- In accordance with the 2017 work plan for the APEC Cooperation Network on Green Supply Chain (GSCNET), the Annual Conference and Development Forum of the GSCNET 2017 was held on 22 July in Beijing with the aim of improving GSCNET and foster the green development and connectivity of the Asia-Pacific region. The Conference featured in-depth discussions on the progress on the GSCNET, international practices in green supply chain management, green supply chain policies and relevant cases in APEC economies. In addition, the Tianjin Green Supply Chain Center (TGCC) issued a *Research Report on the Feasibility Study of Green Procurement Tool (GPT)*.

Contribution to MSMEs' Integration into Global and Regional Markets

- CTI continued its work to move forward a suite of initiatives related to MSME's internationalization. During 2017, CTI strengthened its collaboration with the SME Working Group (SMEWG) in order to gain synergies from both fora's work on MSMEs. The Chairs participated in each fora's meetings to share information on respective initiatives and to encourage the conduct of joint initiatives.

Supporting Industry initiative

- Based on the recognition that MSMEs, as supporting industries, play an integral role in the manufacturing value chains functioning as essential "infrastructure", the *Supporting Industry Initiative* was endorsed by Ministers in 2016. In line with the Initiative, a *Policy*

Seminar on Supporting Industries was held in February in Nha Trang, Viet Nam in the margins of SOM1, through which policy experiences of various economies were shared and discussed. In liaison with the policy seminar, PSU supported the initiative by conducting case studies for Australia, Mexico and Viet Nam and distilling key learning points in a synthesis report. As a final process of the Initiative, drawing from the inputs and discussions of the policy seminar and from the case studies by the PSU, the lead economies (Japan and Viet Nam) developed the "*APEC Best Practices for Promoting Supporting Industry in the Asia Pacific Region*" (Best Practices).

- The Best Practices aims at (1) sharing good practices and providing a source of reference on various aspects that economies wish to consider when developing their policies to promote supporting industries, and (2) assist closer cooperation among APEC economies. It includes key elements such as supply side policies (research and development (R&D), human resources development, clustering) and demand-side policies (business matching, procurement policies, general business environment). CTI discussed and endorsed the Best Practices.

Compendium on Methodologies for SMEs Internationalization

- Progress was made in implementing the CTI and SMEWG joint initiative agreed in 2016 on compiling the compendium on methodologies and successful branding strategies of MSMEs in entering the global market. The first draft of the compendium which includes Peru's contribution on *Exporting Route Program: Methodology of the Exporting Route Program from PROMPERU*, was presented and discussed at the SMEWG meeting held in September in Ho Chi Minh City. Further inputs from economies to the draft Compendium on successful cases and programs are expected. Once finalized, the Compendium will be uploaded to the *APEC MSME Marketplace* established under the Iloilo Initiative.

Promoting participation of MSME's participation to GVCs

- CTI continued to advance work to promote MSMEs' participation in the global value chains under work stream 5 of the APEC Strategic Blueprint for Promoting Global Value Chains Development and Cooperation, agreed by the Leaders in 2014. Under the leadership of the lead economy (Korea), a number of projects have been implemented or are being planned:

  o On the automotive sector, building on the progress achieved in 2016, the lead economies (Malaysia and the Philippines) worked to move forward the *Regional Automotive Supplier Excellence Program (RASEP)* which underpins a more targeted approach to promote participation of MSMEs in automotive GVCs. The *APEC Workshop to discuss Best Practices on Practical Solutions/Programs to Integrate SME Suppliers into the Automotive Global Value Chains (GVCs)* was held in collaboration with the Automotive Dialogue (AD) on 8-9 May 2017 in Kuala Lumpur, Malaysia in order to share the best practices on practical solutions or programs to integrate SME suppliers into automotive GVCs; and to discuss the elements to be included in the RASEP. The workshop proposed several recommendations including organizing technical assistance capacity building activities, conducting an assessment and industry profiling, to pursue with on-site training and coaching.

- Pursuant to the agreed proposal put forth by Korea and Peru to launch an initiative to promote MSMEs' integration into GVCs in services industries under Work Stream 5 of the GVCs Blueprint, the following projects have been implemented or planned to be implemented in the near future:

  o Workshop on SMEs' integration into global value chains in services industries – fashion design was held on 11 May in Ha Noi, Viet Nam in the margins of SOM2 (Lead economy: Hong Kong, China). Based on inputs and discussion at the workshop, a report on the fashion design industry containing analysis and suggestions for further actions to promote its integration to the GVCs is being developed.
  o Seminar on SMEs' integration into GVCs in logistics was held on 26 August in Ho Chi Minh in the margins of SOM3, in order to empower policy makers and regional businesses with better understanding of GVCs in logistics, and to make suggestions on strategies and policies to facilitate SMEs' integration into logistics GVCs.
  o Workshop/seminar on Software Services Industries' Integration into GVCs is expected to be held in the first quarter of 2018.
  o A research study on tourism industry's integration into GVCs is expected to be conducted during 2018.

Promoting E-Commerce to Globalize MSMEs

- Work is in progress to implement the initiative on *Promoting E-commerce to Globalize MSMEs* led by Korea, in collaboration with the PSU, which seeks to (1) identify barriers/difficulties faces by MSMEs to participate in e-commerce; (2) explore ways to address identified barriers/difficulties; and (3) develop a set of recommendations that can be used as a guide to develop capacity building plans. Based on the inputs gained from the survey as well as focus group discussions conducted with five economies—Brunei Darussalam, China, Korea, Malaysia and Chinese Taipei. PSU developed a report on *Promoting E-Commerce to Globalize MSMEs* which includes case studies of the above five economies and recommendations.

Contribution to the implementation of the Boracay Action Agenda

- CTI and its sub-fora continued to contribute to the implementation of the Boracay Action Agenda (BAA) agreed by the Leaders in 2015. The Philippines and the Secretariat conducted a stock-take of implementation of the BAA for 2017 where progress has been observed in a number of areas. The result of the stock-take will form the basis for considering further priorities to implement the BAA in 2018 and beyond.

Sub-fora work to support MSMEs' internationalization

- SCSC has been active in conducting work related to supporting MSMEs, such as endorsing a Work Plan in 2015 to address issues related to standards and conformance that will enable SMEs to better participate in regional and global markets, and to strengthen collaboration between SCSC and SMEWG. In 2017, SCSC exchanged active discussions and shared information among SCSC members on "Standards Implementation in MSMEs" under its 'Policy Discussions'. Further, SCSC agreed that SCSC-SMEWG collaboration would be a topic of Policy Discussions at the next SCSC meeting in 2018, in line with the SMEWG Strategic Plan 2017-2020.

- The SCCP conducted a workshop in October 2017 in Lima, Peru, on *Identifying Factors Affecting Clearance Processes in Imports and Exports Made by MSMEs* with a view to promote the internationalization of MSMEs. It is expected that Peru will prepare a Best Practices Manual to capture the experiences and lessons learnt from member economies.

- In 2017, the Intellectual Property Expert's Group (IPEG) implemented and considered 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:

  o A workshop on *SMEs Innovation: Capacity Building on IP Strategy* was held on 13 – 14 September in Mexico City in order to create collaboration links between the commercial, scientific and academic sectors to develop and commercialize innovation.
  o A workshop on *Best Practices on Brand Development and IP Protection for Micro, Small and Medium Enterprises (MSMEs)* was held in Manila on 14 – 15 June, which promoted the brand development and protection of IPRs as an essential consideration for MSMEs' commercial success.
  o The workshop *IP Commercialization for SMEs* proposed by Russia, and co-sponsored by Korea, the Philippines, Mexico, Peru and Viet Nam, is expected to be held on 2018 in order to raise awareness of the SMEs on the value of IP and to methods to commercialize it.
  o The project on the *Guidelines on the Best Licensing Practices of Collective Management Organizations (CMOs) to MSMEs* was proposed by Chinese Taipei. The project, which seeks APEC funding and has been endorsed by IPEG and in-principle approved by BMC, seeks to transmit to MSMEs the methods and processes to License.
  o A workshop on *Promoting Best Practices on Licensing for SMEs in Creative Industries*, which will be self-funded by Hong Kong, China and co-sponsored by Mexico and Korea is expected to take place in 2018.

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

Advancing the Services Trade Agenda

- Following Leaders' endorsement on the APEC Services Competitiveness Roadmap (ASCR) in 2016 under the leadership of CTI, the Group on Services (GOS) has been mandated by the Senior Officials to monitor the progress and implementation of the ASCR, which requires GOS to report to the Senior Officials on a regular basis. In addition to the 11 Working Groups and Committees identified in the original Implementation Plan (also known as Annex 3 of the Roadmap), Senior Officials at SOM1/2017 approved Australia's proposal to add five Working Groups to the list, namely:

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

      3) Policy Partnership on Science, Technology and Innovation (PPSTI)
      4) Small and Medium Enterprises Working Group (SMEWG)
      5) Telecommunication and ICT Working Group (TELWG)

The newly-added fora are encouraged to establish their own APEC-wide actions and baseline indicators in achieving the key objective of the Roadmap, which is to enable concrete action towards agreed targets both at an economy and regional level.

- The Policy Support Unit (PSU) was actively involved in supporting and facilitating the relevant fora in establishing their targets and indicators. In addition to conducting "roadshows" on ASCR in fora meetings, PSU developed a report on ASCR Baseline Indicators. The proposed indicators take into account factors such as data availability, regularity, comparability and source credibility and is intended to serve as a guiding document for economies and fora in implementing and measuring the APEC-wide actions in the Roadmap.

- Among the APEC-wide actions spelled out in ASCR is the development of services-related statistics to measure and support implementation of the Roadmap with a view to improve the tracking of services trade and investment more broadly. In this context, building on the capacity building workshop on measuring trade restrictions in trade in services held in 2016 in Peru, Korea proposed the initiative on *Next Steps for the Work of Measuring the Regulatory Environment in Services Trade of APEC* to develop an APEC index to measure services trade restrictions in APEC economies (APEC Index). The initiative, discussed and endorsed by GOS and CTI and subsequently endorsed by Senior Officials in SOM3, sets out work plans and time-lines towards the development of the APEC index. Based on the initiative, the APEC Index will be developed by GOS, building upon existing indices such as the OECD STRI and the World Bank STRI, followed by conducting a pilot program with volunteering economies by 2019, with a view to expanding to all remaining economies. The next steps to be taken by GOS are to consider establishing a technical experts group, proposing sector-specific or horizontal index, deciding on methodology to be used, as well as working on the pilot program. To assist the process, the United States organized the *Workshop on Trade in Services Index Data* on 4-5 October 2017 in Kuala Lumpur. The workshop aimed at building capacity of officials on services sector policy analysis and data extraction, as well as increasing knowledge of services regulatory environment assessment methodologies using an index.

- 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 programs were conducted in 2017:

  o Korea's self-funded *Workshop on Developing a Set of Non-binding Principles for Domestic Regulations of the Services Sector*, held on 22 August 2017 in Ho Chi Minh City, in the margins of SOM3, in collaboration with CTI and EC. This activity is aligned with ASCR priority #4 on "Developing a set of good practice principles on domestic regulations in the services sector." During the workshop, participants reflected on the ongoing discussions on domestic regulations of services in the WTO's GATS Working Party on Domestic Regulations, APEC members' FTAs and discussions in the OECD. Speakers and participants shared best practices regarding domestic regulations of services and regulatory reform and discussed possible elements and

ways forward of the APEC non-binding principles to implement ASCR. The panels noted the importance of the services sector in stimulating economic growth and the positive effects brought about by regulatory reform. Furthermore, they suggested that, when developing non-binding principles, APEC economies should: (i) consider adopting the pathfinder approach for certain elements, (ii) strike a balance between broad and detailed principles, and (iii) foster participation and input from the private sector.

o Australia's self-funded *Public-Private Dialogue (PPD) on New Technologies and ASCR*, which was held in collaboration with the Pacific Economic Cooperation Council (PECC) and Asia Pacific Services Coalition (APSC) on 2-3 October 2017 in Kuala Lumpur, at the margins of the Asia Pacific Services Symposium organised by the Malaysian Service Providers Federation. The objectives of the PPD are to build the capacity of policy officials and regulators to understand and develop policy related to new technologies (internet-based technology, ICTs) and ASCR consistent with business needs, including understanding of the transformation to an increasingly digitalized world. This activity is directly aligned with ASCR priority #9 on "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 digitalized world". The PPD provided an opportunity for the participants to share on e-commerce developments, views on technological changes, and share experiences on increased digitalisation of business practices as they relate to trade in services. The private sector stressed the particular need for APEC to grasp the enormous opportunities for productivity gains presented through digital transformation, the rise of digitally-enabled services and the 4th Industrial Revolution.

o Australia held a workshop in Songdo, Korea, on 21 October to introduce and explain the negative list approach to scheduling services commitments. The workshop built on previous APEC negative list workshops hosted by Peru at SOM3 last year and hosted by Korea in June last year. The workshop enabled officials from APEC economies to develop knowledge and understanding of the negative list approach to scheduling services commitments in RTAs and FTAs.

• With a view to providing meaningful and necessary capacity-building programs and taking into consideration different levels of development and liberalization of services, Chile, as the Chair of GOS, conducted a survey to identify capacity-building needs of economies to support implementation of the ASCR. Areas that have been identified include trade in services in Global Value Chains (GVCs), services data and statistics, disruptor services, environmental services, and manufacturing-related services. As a parallel track to the regular APEC process for project funding, Australia shared its intent to self-fund some projects for developing economies to implement practical capacity-building initiatives and technical assistance in support of ASCR.

• The Leaders have noted the value of stakeholders' involvement to implement the Roadmap. The views of PECC, ABAC, the Asia-Pacific Services Coalition and other private sector entities will be taken into account on a regular basis in monitoring and evaluating progress. To kick-start the discussion, GOS endorsed the proposal from ABAC to input to the consolidated matrix on ASCR, a monitoring tool which is circulated to all responsible

fora. The GOS Chair also made a presentation on ASCR at the ABAC3 Meeting in Toronto which was well-received by the ABAC Members.

- Regarding the sector-specific approach on trade in services, important steps have been taken to move forward the work. On the Manufacturing related Services Action Plan (MSAP) endorsed by the Ministers in 2015, CTI discussed preparations for the MSAP interim review which will be conducted in 2018. A review template for collecting regulatory information on manufacturing-related services as well as identifying economies' needs for capacity building was agreed by CTI. CTI also discussed and agreed to the 2018 interim review plan on MSAP. On the basis of these decisions, the lead economy (Japan) will start implementing the 2018 interim review, with economies submitting information by CTI1 in 2018 as a first step. A report on the result of the interim review will be developed to be submitted to CSOM/AMM in 2018.

- 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, in addition to the work completed in 2016 on studying various regulatory aspects of environmental services classified under CPC 94. The *Workshop on Environmental Services for a Broader Scope of Environmental Services* focusing on water, refuse disposal and recycling, environmental damage remediation services, renewable energy and energy efficiency was held on 11 May in Ha Noi in the margins of SOM2. The workshop discussed various aspects of environmental services including the contribution of environmental services to sustainable growth and facilitating transfer of environmental technologies, etc., exchange of views on the classification issues of environmental services, key elements to promote the respective environmental services and challenges hindering these services. Based on the inputs and discussions at the workshop, the PSU contributed to the process through developing three case studies on environmental damage remediation services, renewable energy service, and energy efficiency service. The ESAP further envisages identifying key challenges and compiling recommended actions to address those challenges and sharing good practices as a means to promote liberalization, facilitation and cooperation in this area in the succeeding years.

Investment

- In relation to Work Stream 6 of the GVCs Blueprint (Improve the investment climate for GVCs development), substantial progress was made to implement the work plan. In line with the three sub-regional groups formed for the purposes of convening public-private dialogues (PPDs) to discuss and identify common issues, challenges, and measures for improving the investment climates in the sub-regions, the 3rd PPD was held in Tokyo in March 2017. Drawing on the issues identified and suggestions discussed through the three PPDs conducted as well as on researches conducted, the lead economy (Japan) drafted the *Global Value Chains (GVCs) Investment Climate Improvement Report* as a wrap-up of the work under this work stream. The report includes analysis on the roles and characteristics of GVCs in the APEC Region, cooperation between investing companies and local communities, critical factors for private companies/sectors making investment, and the role of public sector including foreign investment promotion activities, and points out key factors to improve the investment climate that serve as developing GVCs as a conclusion. The key factors include: physical and ITC infrastructure; Incentives; open, transparent and predictable business environment;

operating margins, free cash flow, Net Present Value (adequate regulatory adjustment); good relationship with local government; Investment promotion authorities serving as an integrated counseling service for public and private sectors; benefit of recipient economies (lowered price, local employment, advanced operational excellence, transferred technologies, enhanced productivity); and non-binding Investment Principles. CTI endorsed the report.

- IEG continued its work to move forward the investment agenda. With respect to the Investment Facilitation Action Plan (IFAP), further progress was attained in implementing the three priority themes agreed in 2015: e-transparency, reducing investor risk, and simplifying business regulation. Through discussions at two meetings in 2016 and intersessional work, 17 out of 21 Implementing Economies have been specified and their updates were submitted for PSU's review. In 2017, PSU continued its assessment work on the outcomes of implementation of the three priority themes and completed its work early in this year. The PSU's report *IFAP Implementation to Facilitate FDI in APEC: Updates in 2016* was published in May 2017. At IEG2 in 2017, PSU reported to IEG members on the following points:

  o As a whole, APEC economies have stepped up efforts to put in place mechanisms that facilitate and promote investments.
  o Important progress has been made, including:
    - the establishment of single windows providing one-stop and one-window service for investment application and registration;
    - the provision of timely and relevant advice on changes in regulations, procedures and requirements;
    - the availability of more efficient means of resolving disputes;
    - the adoption of new technologies; and
    - streamlining of registration and licensing systems.
  o For foreign investors, a clear dispute settlement mechanism and an efficient judiciary as well as legal process would help to secure their investment abroad and to reduce uncertainty.

- IEG continued work on the draft Study on "Inclusive Business in APEC" led by the Philippines. IEG discussed and endorsed the Study. The Study, adapting the G20 Inclusive Business framework, makes seven key recommendations for Inclusive Business in APEC as follows:

  o To include IB in the APEC agenda, and institutionalize IB capacity building and sharing of experiences;
  o To raise awareness on IB;
  o To work with other organizations to advance IB globally;
  o To create a stronger enabling environment for IB;
  o 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;
  o To engage with the growing number of national, regional and global stakeholders that form an IB support ecosystem; and
  o To engage development partners for technical assistance and/or funding for an IB support program to achieve collective impact.

- IEG discussed and agreed to build upon Chapter 3 of the CSS focusing on investment aspects of already identified issues at IEG1, 2017. IEG members developed the multi-year *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. Upon confirmation at IEG2, IEG members started work on their selected topics based on existing modalities within APEC and consistent with members' individual priorities.

Section III: Trade Facilitation and Connectivity

Highlights:

Trade Facilitation and Improvement of Supply Chain Performance

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

- With the endorsement of Phase II of the Supply Chain Connectivity Framework Action Plan (SCFAP II) by the Leaders in 2016, and Leaders welcoming its implementation in 2017, CTI, in collaboration with SCCP and other relevant fora, worked to develop an implementation and monitoring mechanism for SCFAP II. The CTI FOTC on Trade Facilitation led the technical discussion to develop the *SCFAP II Monitoring Framework* comprising of (1) a set of targets which are tailored to each of the chokepoints; (2) a menu of measurement of progress/indicators; and 3) suggested action plans for the following five choke points of the SCFAP II:

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

- To gather inputs from experts and private sector towards the formulation of the SCFAP II Monitoring Framework, Viet Nam organized a public-private dialogue on SCFAP II in February in Nha Trang, Viet Nam in the margins of SOM1.

- CTI discussed and endorsed the SCFAP II Monitoring Framework, which was subsequently endorsed by Senior Officials. CTI welcomed Australia and Korea as co-champions on Chokepoint 1 and the United States on Chokepoint 5. The lead economies of the FOTC on Trade facilitation (Singapore and the United States) called on other economies to volunteer as champions for Chokepoints 2, 3, and 4. In implementing the SCFAP II, the champion economies of each chokepoint will collaborate with the stakeholder fora, in particular with the SCCP.

- To complement the SCFAP II Monitoring Framework in measuring the progress of implementation of the SCFAP II, PSU compiled a set of external indicators for SCFAP II which consists of such indicators coming from the World Bank, the World Economic Forum and other international organizations to track the progress and achievement of SCFAP II goal and objectives. The targets contained in the external indicators should be viewed in an aspirational and non-binding manner. The targets are meant to serve as a

yardstick to measure progress and change across APEC, as well as to distill feedback and lessons learned.

- CTI continued to conduct a series of targeted capacity building to strengthen economies' ability to implement the TFA articles through the five projects funded by the APEC Supply Chain Connectivity sub-fund on (1) pre-arrival processing, (2) advance rulings, (3) expedited shipments, (4) release of goods, and (5) electronic payments.

  o On <u>pre-arrival processing</u>, Peru, Malaysia and Viet Nam are the participants in the project. Capacity building for Malaysia and Peru were already completed in 2016, based on which necessary regulatory/procedural changes were implemented or identified. Based on the assessment report completed in October 2016, Viet Nam developed a draft action plan which included next steps towards reforms on pre-arrival-processing. A follow-up technical assistance is to be conducted in November this year to complete the action plan development.

  o On <u>advance rulings</u>, Chile, Malaysia and Viet Nam are the participants in the project. Chile is expected to take necessary measures in accordance with the issues identified in the capacity building and assessment report finalized in October 2016.

  For Malaysia, a number of recommendations included in the 2016 assessment report has been implemented, including completion of a draft legal act to authorize issuance of binding rulings on preferential origin, a draft standing order setting out internal procedures, instructions and forms, and the creation of a rules of origin unit within Malaysia's customs department. Additionally, technical assistance supporting an additional public private awareness program is expected to be conducted in November this year.

  For Viet Nam, the assessment was finalized in March 2017. An action plan is being implemented with Viet Nam Customs which will include technical assistance in support of Advance Rulings expected to be held in November 2017. Further capacity building work for Viet Nam is expected to be conducted under the phase II project which will be funded by the APEC Supply Chain Connectivity sub-fund.

  o On <u>expedited shipments</u>, the Philippines and Viet Nam are the participants in the project. The Philippines assessment report was finalized in August 2016 which focuses on implementing regulations and procedures pertaining to expedited shipments, including the application and use of a new and higher *de minimis* value in the cargo clearance process. The Philippines has worked to implement a number of the recommendations made in the assessment report, including the completion of draft implementing regulations that are awaiting approval by the Department of Finance. A follow up technical assistance focusing on implementation will be conducted in November this year towards developing operating procedures and training on the new customs law and procedures related to expedited shipments.

  For Viet Nam, based on the technical assessment completed in October 2016, consultations are underway to explore the precise details of the next phase of capacity building. Further capacity building work is expected to be conducted under the phase II project which will be funded by the APEC Supply Chain Connectivity sub-fund.

- o On <u>release of goods</u>, Chile has volunteered to participate. Capacity building to Chile was already completed, with the assessment report finalized in October 2016. Chile is expected to take necessary measures in accordance with the issues identified.
  - o On <u>electronic payments</u>, Chile has volunteered to participate. Capacity building to Chile was already completed, with the assessment report finalized in October 2016. Chile is expected to take necessary measures in accordance with the issues identified.

- With the aim of promoting the implementation of Article 1.2.1 and Article 1.4 of the TFA which require WTO members to make available through the internet information regarding procedures, forms and documents on import, export and transit as well as contact information for enquiry points, the United States and Singapore proposed an initiative on *Practical Steps for Implementing Provisions of the WTO Trade Facilitation Agreement*.   It entails the review of relevant information of the respective economies linked to the APEC Trade Repository (APECTR) to identify and rectify the information gaps to address the requirements of the TFA. CTI discussed and agreed to the initiative. The 10th Conference on Good Regulatory Practices (GRP), held at SOM 3, included a session on the TFA that highlighted its transparency obligations and their relationship to GRP. Speakers described the key obligations and highlighted work on technical assistance in APEC economies. In this regard, the United States and Singapore provided a table demonstrating economies' gaps in the APECTR. CTI encouraged economies to address those areas where gaps still remain and provide any updates.

- In connection with the above, the United States proposed a project to be funded by APEC Supply Chain Connectivity sub-fund, endorsed by CTI and in-principle approved by BMC, to conduct a targeted capacity building to developing economies in 2018 to address obligations under Article 1 of the TFA, specifically on 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 duties, taxes and fees related to import/export and transit of goods (Article 1.1 (c)).

- 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 two meetings during 2017 in Viet Nam in the margins of SOM1 and SOM3. The A2C2 meetings discussed issues including (1) updating of A2C2 members on progress made under the capacity building programs underway in Malaysia, Viet Nam, and the Philippines and present new capacity building projects for 2018, (2) exploring the implementation of the SCFAP II, and (3) identifying case studies to illustrate how the private sector is addressing chokepoints in the region.

- Further progress has been achieved in 2017 on work related to promoting a wider use of interoperable Global Data Standards (GDS), as follows:

  - o Hong Kong, China, and New Zealand organized a self-funded workshop on 23 August in Ho Chi Minh City in the margins of SOM3. The workshop shared the outcomes of the project implemented in 2016 to provide capacity building for the implementation of three GDS pilots: (1) durian, led by Malaysia; (2) asparagus, led by Peru; and (3) tequila, led by Mexico. Presentations by the pilot stakeholders

suggested that while there are costs to GDS, the benefits outweighed the costs of implementation. It was highlighted that more engagement between business and policymakers would be necessary.

o PSU conducted *Phase 2 of the Cost-Benefit Analysis on the Application of GDS in Supply Chain*s, analyzing the outcomes of the above-mentioned three pilot projects employing indicators that measures visibility/traceability, risk management/integrity, responsiveness, collaboration and innovation. The study reinforced the key takings from the 2017 GDS workshop that the adoption of GDS can improve business and regulatory processes by providing a common language to identify, capture and share supply chain data with all stakeholders along the supply chain through the use of RFID tags and barcodes as well as the GS1 Electronic Product Code Information Service (EPCIS) platform. Additionally, further suggestions for the way forward of GDS adoption in APEC have been discussed in the GDS Workshop.

• Progress was achieved on the initiative on *Single Window Systems' International Interoperability* (SWSII) agreed by CTI and Senior Officials and commended by Ministers in 2016. As tasked by the initiative, PSU is conducting a study, to be completed soon, to identify best practices and main obstacles, including organizational, legal and technical conditions in implementing SWS' international interoperability, and to explore the benefits and challenges using SWS international interoperability. The initial survey results from the study indicated that for developing SWSII, APEC needs to focus on implementing actions that foster trust and secure environment; enabling solutions that build and instill trust; and to modernize IT infrastructure and application.

• On the Asia-Pacific Model E-Port Network (APMEN), 15 ports/E-ports from 10 APEC economies have joined APMEN as of November 2017. In line with the 2017 work plan for the APMEN, the *3rd Public-Private Dialogue on Advancing Trade Facilitation and Supply Chain Connectivity through APMEN* was held on 19 May in Ha Noi, Viet Nam in the margins of SOM2.   Presentations and discussions were made on the contribution of APMEN to the TFA and the SCFAP II and on trade facilitation from the business perspective including chokepoints faced by business. APMEN's contribution in advancing trade facilitation through pilot projects and cooperation mechanism was noted. China submitted a draft *APMEN Implementation Plan for SCFAP II*, which describes a specific list of activities of APMEN entailing targets and indicators to address chokepoints 1, 2 and 4 of the SCFAP II. CTI agreed to the APMEN Implementation Measures for SCFAP II. In addition, the 2nd APMEN Capacity Building program - the *Training Course on Capacity Building of APMEN in 2017* was held in September in Shanghai, China, with themed lectures and other related activities carried out to deepen understanding of e-port and its relevance to trade facilitation and supply chain connectivity.

• With a view to facilitate the implementation of the WTO TFA, Papua New Guinea proposed a *Trade Policy Dialogue on the Trade Facilitation Agreement, Category B and C Commitments*. The proposal, seeking APEC funding, aims to hold a dialogue in 2018 in the margins of SOM3 to bring together APEC economies' National Trade Facilitation Committees representatives to share experiences and challenges in implementing their category B and C measures. CTI discussed and agreed to the proposal.

• The SCCP conducted a workshop on *Enhancement of Stakeholder Engagement in the Implementation of the WTO TFA* in August 2017 in Ho Chi Minh City, Viet Nam, which

was attended by over 90 participants from the public and private sector, industry associations, and also international organizations such as the World Bank, the WCO, the WTO, and UNESCAP. The participants of the workshop shared best practices, proposed recommendations and discussed on capacity building efforts to seek improvement of stakeholder engagement in the implementation of the TFA.

- The SCCP endorsed its updated Collective Action Plan (CAP), and under the indicator *Development of Authorized Economic Operators (AEO) programs and Mutual Recognition Agreements,* the Philippines and Korea volunteered as leading economies on capacity building initiatives on AEO Programs to promote the exchange of best practices and experiences on developing the necessary domestic legal framework for AEOs, including the certification of new actors, and negotiating and effectively implementing MRAs. These activities - targeted to be undertaken in 2018 – will be addressed to AEO specialists, program leaders and representatives of the economies currently developing the program. In addition, the WCO encouraged SCCP Members to conclude multilateral MRAs and also offered support in order to plan initiatives based on the SAFE AEO.

- The SCCP supported Chile's project proposal on the *Implementation of the Guidelines for APEC Customs Transit*, which aims to organize a workshop in the second half of 2018 to contribute to the effective implementation of the APEC Customs Transit guidelines endorsed by Ministers in 2014 and the goals proposed in the SCFAP II 2017-2020.

- The SCCP conducted the *Single Window Workshop* in August 2017 which brought together representatives from government, the private sector and international organizations. Participants noted that the single window is meant to facilitate trade and improve efficiency, and concluded that the building blocks of a single window include political will, finance, coordinated border management, technology innovation, transparency, utilizing international standards and tools and ongoing maintenance. The delegates also agreed that the TFA's entry into force is a very good opportunity to maintain momentum on single window systems.

Strengthening Connectivity and Infrastructure

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

- Progress was made on the implementation of the initiative on "Peer Review and Capacity Building on APEC Infrastructure Development and Investment", a process of review of volunteer economies' relevant laws, regulations and guidelines from the viewpoint of "quality of infrastructure, people-centered investment, and good practices and principles" to identify capacity building needs. The Peer Review was conducted to the Philippines' Department of Public Works and Highways, with the PSU acting as the ad-hoc review team secretariat. A PSU report of the Peer Review was developed which identified capacity building needs, such as technical assistance for the development of quality infrastructure focusing on life cycle cost, value for money, and value engineering. As the next step, the lead economy (Japan) will organize a capacity building meeting on 6-8 December in Manila, the Philippines. In addition to this, preparation is now underway to conduct a second round of Peer Review for Viet Nam, with a draft report of the Peer Review to be developed in the near future.

- A self-funded project proposal was submitted by Japan on *Upgrading the APEC Guidebook on Quality of Infrastructure Development (the Guidebook),* with the aim of improving practicability of the Guidebook to stakeholders by reflecting practical methods and tools to ensure the quality of infrastructure such as safety standards and calculation method of Life-Cycle Cost and Value for Money. The proposal intends to conduct a study and hold capacity building workshop, and to upgrade the Guidebook based on the inputs gained, and introduce it to the 2018 Meeting of Ministers Responsible for Trade. CTI discussed and endorsed the proposal.

- The APEC-funded project on *Quality Infrastructure Investment in Rapidly Urbanizing APEC Region* was conducted in two phases. First, a preparatory experts' meeting was held on 19 August in Ho Chi Minh City, Viet Nam in the margins of SOM3. The meeting shared good practices and challenges on infrastructure projects, discussed important elements for promoting Quality Infrastructure Project. On the basis of this, the High Level Meeting on Quality Infrastructure was held on 17-18 October in Tokyo, Japan, attended by senior-level policy makers of infrastructure-related Ministries and experts, and confirmed the importance of quality infrastructure. The participants shared good practices of quality infrastructure investment and discussed challenges and elements that are conducive to quality infrastructure investment, as well as their expectations for APEC. The meeting suggested continuing efforts to share information of project identification, preparation and procurement of each economy, share good practices of quality infrastructure project planning and implementation, and consider effective monitoring and stock taking on quality infrastructure projects.

People-to People Connectivity

- The Business Mobility Group (BMG) pursued key actions designed to advance mobility of business travelers.

  o Modernization of the APEC Business Travel Card (ABTC) to the fullest extent possible by actively pursuing an APEC-wide online lodgment functionality and future automation and integration between the ABTC system and member's individual border management systems, to improve the efficiency, convenience and desirability of the product;
  o Improvement of the consistency and accessibility of ABTC processes, regulatory requirements and availability of public information across member economies as far as possible, so that use of the ABTC is a seamless, convenient business travel experience regardless of the origin or destination of the travel; and
  o Consideration of broader developments in business mobility and their interaction with the ABTC (e.g. e-gates, biometrics, face-on-the-move and e-visa related technology) in order to inform avenues for development of business travel facilitation (including of the ABTC) in future years.

- The BMG continues to contribute to the Connectivity Blueprint through reviewing and developing the ABTC to increase the number of active cardholders by improving its efficiency and effectiveness. As of 30 June 2017, there are over 238,000 active ABTCs across the APEC region, which is an increase of 15% from the preceding twelve-month period.

- The BMG has worked extensively on establishing good regulatory practice, as well as standards and conformance, to contribute to seamless people-to-people connection. This work has been primarily based on clarifying the practices of each economy and establishing uniformity where possible, as well as ensuring consistency in information being provided to the public. These initiatives include:
  - o Endorsement of the ABTC Frequently Asked Questions;
  - o Development and continued maintenance of an ABTC Best Practice User Guide;
  - o Development and review of immigration legal infrastructure standards;
  - o Development of a centralized APEC.org website to provide consistent and accurate information about the BMG and ABTC to stakeholders and applicants; and
  - o Renewed focus on ensuring that holders of ABTCs remain 'low immigration risk', bona-fide business travelers; through evidence-based integrity measures, exchanging additional applicant information to inform pre-clearance decisions and reporting of outcomes at forthcoming BMG meetings.

Expanding Regulatory Cooperation and Advancing Regulatory Coherence

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

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

- During 2017, CTI made progress on the deliverables on SMM, which is a systematic approach to using and reusing materials more productively over their entire lifecycles, from the point of resource extraction through material recycling or final disposal in order to reduce environmental impacts, conserve resources and reduce costs. Building on the 4th ARCAM Dialogue convened in 2016 on Facilitating Trade and Investment in SMM and implementation of an APEC-wide survey to collect information on APEC members' regulatory and/or official definitions for key SMM-related terms, and additional work, the lead economy (United States) developed a draft report on *"Facilitating Trade and Investment in SMM Solutions in the APEC Region"*. CTI discussed and endorsed the report. The report identified gaps and divergences in APEC member economies' definitions of key SMM terms and how these could serve as barriers to trade and investment related to SMM. The report includes a set of recommendations to promote trade and investment in SMM solutions (technologies and services) for APEC member economies with a view to articulate opportunities for APEC to continue to develop their waste management regulatory frameworks. (Note: These recommendations have been put forward for consideration by the study authors and should not be taken to indicate APEC-wide endorsement of these recommendations.)

- On the issue of self-regulation in advertising, there was progress in implementing the APEC Action Agenda on Advertising Standards and Practices Development endorsed by Leaders in 2014. The United States organized the *APEC Advertising Standards*

Conference on 23-24 August in Ho Chi Minh City in the margins of SOM3 in which a study was presented recognizing the effectiveness and efficiency of self-regulatory approaches. Peru presented a draft study on advertising standards on *Promoting Competitiveness: Test of Ex Ante Control of Regulations on Advertising: Sales Promotion*.

- On the issue of Electric Vehicle Standards, work continued under the AD to implement the APEC Roadmap for Electric Vehicles, which aims to address divergent EV regulations which may constrain the market potential for increased trade in electric vehicles (EVs) among APEC economies and its possible contribution to the realization of low carbon economy (See Section VI: Industry Dialogues).

Promoting alignment of standards and conformance and regulatory coherence

- SCSC continued to explore means of enhancing regulatory practices in the APEC region and undertook a number of initiatives in the areas of transparency, alignment of standards and conformity assessment systems, as well as good regulatory practice through capacity building and cross-fora cooperation, including with the EC and SMEWG. SCSC continued its active discussions among members under the following SCSC priorities 2017:

  o Development and promotion of standards and conformance to support the digital economy;
  o Exchange of the policy development, best practices to encourage the NQI that promote and strengthen specific sectors in APEC such as food safety, environmental protection; and
  o Support and facilitation of MSME trade through the promotion of the standardization activities.

- SCSC endorsed the Collective Action Plan (CAP) for 2017 in Trade Facilitation. SCSC continued its work on alignment with international standards through implementation of the Voluntary Action Plan (VAP) Alignment Work and exchange of information at SCSC meetings. Alignment work with the current target standards included in the 6th VAP will continue until the end of 2018. Member economies will submit the information based on the survey of the current VAP, with the summary of the results to be shared at the end. Japan is leading the process of selection of target standards for the 7th VAP which will take place in 2019-2023. Members also continued its examinations on work related to the WTO Agreement on Technical Barriers to Trade (TBT) and Sanitary and Phytosanitary (SPS) measures.

- SCSC also implemented various projects focusing on such areas as the conference on good regulatory practices (GRP, implementation of the WTO TBT Agreement; updating the 2011 baseline study of GRP; developing the NQI indicators; food and product safety; smart cities; energy saving measurement and verification; supporting SMEs, etc. Seven (7) concept notes of SCSC have been funded in 2017. Economies continued to share information on the progress of their technical infrastructure development including standards education programs such as Standard Olympiad.

- SCSC conducted active discussions and shared information among members under the Policy Discussions on (1) standards implementation in MSMEs; (2) impact of Quality Infrastructure in the economies; and (3) digital economy.

- Cambodia, Laos and Myanmar (CLM) participated in SCSC meetings as NMPs for the first time and created good opportunity for both sides (APEC and CLM) to share information considering the importance of deepening ASEAN standardization.

- SCSC continued working with Specialist Regional Bodies (SRBs) which are expert regional bodies responsible for the development of standards and conformance infrastructure in the Asia-Pacific. New SRBs Shepherd and Deputy have been appointed, following endorsement of the Terms of Reference (TOR) for the SRBs Shepherd.

- The 22nd Joint Regulatory Advisory Committee (JRAC) was held in the margin of SCSC2 with the attendances of the International Electrotechnical Commission (IEC) and ASEAN. JRAC is a body established by the APEC member economies as the official sub-group under SCSC, for the purpose of promoting and facilitating regulator to regulator dialogue and cooperation and administering and facilitating the implementation of the TILF Pathfinder on APEC Mutual Recognition Arrangement on Conformity Assessment of Electrical and Electronic Equipment (the EEMRA Pathfinder). At this 22nd meeting, JRAC members exchanged information on the MRA. Some self-funded projects were introduced to JRAC members.

- In the margins of SOM2, the 6th APEC FSCF Statement was adopted by the members, following a series of events related to Food Safety Cooperation Forum (FSCF) and Wine Regulatory Forum (WRF):

  o APEC Export Certificate Workshop
  o Workshop on Modernization of Food Safety Control Systems
  o Wine Regulatory Forum Technical Meeting
  o Maximum Residual Limit Meeting
  o PTIN Steering Group Convention
  o 6th Conference of FSCF

  The APEC FSCF Statement reaffirms directions and goals of FSCF/PTIN work in the future, which all members agreed to further build robust food safety systems. It also reaffirmed FSCF priority areas of work, including the streamlining of export certificate requirements and the harmonization of import maximum residue limits (MRLs) for pesticides. FSCF marked its 10th anniversary and its successful operation since 2007. The Partnership Training Institute Network (PTIN), which was established in 2008 for the purpose of supporting capacity building activities that makes use of resources from the private sector and academia, convened with the steering group members and confirmed further cooperation to realize FSCF's goals. The FSCF welcomed the APEC Gap Analysis of International Food Hygiene Law, Regulations, and Standards as they Relate to Hand Hygiene Protocols and referred it to Codex Alimentarius as an information document. FSCF and WRF under SCSC are to contribute to the area of food safety, as well as to ensure tangible trade benefits throughout the region.

- On the work related to Good Regulatory Practice (GRP), the Economic Committee (EC) held a workshop on Exploring options for future APEC-OECD cooperation on GRP in the margins of SOM3. The workshop reviewed practical application of the APEC-OECD Integrated Checklist on Regulatory Reform, and exchanged views on recent developments in regulatory reform and GRP in APEC economies and the work undertaken by the OECD. The workshop wrapped-up by conducting a brainstorming

session, which confirmed the value of the Checklist. The session also came up with suggested areas for potential future work that could be developed into a menu of options in 2018 for consideration by EC.

- Following the 9th Conference on Good Regulatory Practices (GRP) organized by EC in 2016, the 10th Conference on GRP organized by SCSC was held in the margin of SOM3 this year. The conference had four objectives: to expand the application of GRPs as a tool to reduce barriers to trade and to encourage investment and economic growth; to promote discussion of challenges and best practices for increasing transparency and facilitating notice and comment procedures; and to increase awareness of WTO TBT obligations related to notification and identify ways to facilitate their implementation by APEC economies.

  Some of the key observations and conclusions of the conference included:
  o Further work is required in this area, with the emphasis on implementation of GRP;
  o Regulatory differences impose trade costs, which are greater burdens for SMEs;
  o It is important to be aware of the digital gender divide, and the different problems that women-owned businesses face (e.g., access to finance);
  o The WTO TFA is a good example of how the benefits of transparency can reduce costs;
  o Although economies have successfully applied both centralized and decentralized models for regulatory management, both systems still require a high-level commitment to be successful;
  o Transparency and public consultation remain important for producing high-quality standards and regulations;
  o Effective regulatory impact analysis requires a high-level political commitment, as well as adequate training for technical staff;
  o During a public crisis, the need for GRPs does not disappear, but rather increases; and
  o Public-private partnerships and the use of international standards are two (of several) examples of alternatives to regulation.

- CD continued its primary focus on regulatory cooperation efforts in 2017. To carry forward the implementation of its Best Practice Principles and related implementation checklist – work that had been welcomed by APEC Ministers in 2016, the CD implemented a self-funded capacity building project, sponsored by the Philippines, in 2017 to promote capacity building amongst regional regulators for implementation of best practices. The project included a nomination process and a well-attended workshop at SOM3, and organizers are now developing four follow-up webinars to provide additional training on best practices in addressing four specific challenges identified by regulators during the first two phases of the project. A final report from that workshop will be endorsed intersessionally.

- CD, in response to an instruction from APEC Ministers, carried forward efforts to implement recommendations designed to reduce divergence in implementation of the Globally Harmonized System for the Classification and Labeling of Chemicals (GHS). CD tabled an annual report with the Ministers Responsible for Trade (2017/MRT/005) which discussed the implementation challenges economies are facing. CD also completed a revised version of its economy-by-economy comparison of GHS implementation (2017/SOM3/CD/012) and endorsed a set of survey questions to seek

input from economies on next steps to promote more consistent GHS implementation regionally.

- CD, in collaboration with the SCCP, completed the initial phase of its joint work designed to identify and address unnecessary divergences in the import requirements for industrial chemicals. In recent years, there have been an increasing number of requirements imposed on industrial chemical imports which often vary from economy-to-economy. As chemicals are an integral component in the supply chains of 95 percent of manufactured items, any delay in their importation adds time and cost to most other items in the global economy. The project is designed to identify and align, to the extent possible, import requirements, thus contributing not only to each economy implementation of the WTO TFA but also to APEC's work to address chokepoints as part of the SCFAP II. In 2017, CD and SCCP completed a joint survey of current member economy import requirements, receiving feedback from 15 economies. The joint working group is currently working to develop recommendations on the basis of the survey results which will be debated intersessionally and raised at SOM1 2018.

- The Life Science Innovation Forum (LSIF) welcomed the establishment of the APEC Regulatory Science Center of Excellence (CoE) network to build skilled human capacity in regulatory sciences and encourage regulators, industry and academia to all actively participate, as faculty or participants.

- LSIF welcomed the establishment of APEC Regulatory Sciences Centers of Excellence (CoEs) at the following institutions: Northeastern University – United States (Biotherapeutics); Peking University - China (MRCT/GCP); PMDA - Japan (MRCT/GCP and Pharmacovigilance & Medical Device Vigilance); Duke/NUS Singapore (MRCT/GCP); Regulatory Affairs Professionals Society of Chinese Taipei, in cooperation with Chinese Taipei FDA (Good Regulatory Management); Korea Institute of Drug Safety and Risk Management (KIDS) (Pharmacovigilance); University of Tennessee (Supply Chain); and US Pharmacopeia (Supply Chain).

- LSIF welcomed the progress made by APEC LSIF Biomedical Technology Commercialization Center (TCTC). University technology transfer managers are being trained on how to value their discovery and bring it to market. LSIF congratulated Thailand on its continued efforts to promote networking among researchers in the region and experts in the biomedical sector to help establish an infrastructure and stimulate innovation and commercialization in the APEC region.

- LSIF welcomed the report of the "LSIF High Level Dialogue on Innovation, Regulatory Systems, and Regulatory Convergence" held 21 August 2017 in Ho Chi Minh City, Viet Nam. LSIF reaffirmed that regulatory systems and regulatory convergence can enable and accelerate life sciences innovation, making new medical products available to patients, and urged a redoubling of efforts to meet the convergence goal set by APEC in 2011. To that end the LSIF urged its Regulatory Harmonization Steering Committee to develop a set of performance indicators and track progress as a matter of priority.

Section IV: Promoting Innovative Development, Quality Growth

Highlights:

Promoting Innovative Development

- CTI and its sub-fora including IPEG and LSIF have been implementing a suite of work from the trade and investment perspective to contribute to promoting innovative development.

- The "APEC Symposium on Trade and Innovation", a CTI project funded by APEC, was organized by Viet Nam on 19 May in Ha Noi, Viet Nam in the margins of SOM2. The Symposium was held in two parts: the first part was dedicated to the discussion by experts on the current state-of-play, opportunities and challenges for innovative development in the region, including the role/importance of trade and investment. The second part was an open symposium between high-level representatives from firms and APEC Ministers on trade and innovation. Key discussions included sharing of experiences on the importance and impacts of trade and investment in promoting innovation; the role of trade policies and other enabling factors on innovation; and sharing of experience on best practices, challenges, and lessons learned from implementing technology transfer and commercialization (TTC) processes. Several key themes that emerged in the discussions were the following:

  o The need for strong regulatory systems, intellectual property rights protection, and addressing reduction in tariff and non-tariff barriers;
  o Implementation of the APEC Services Competitiveness Roadmap;
  o Drive to commercialization and whole of government approach to innovation in various areas/aspects;
  o Open view of the world and cross-border data flows to support co-invention among industries, economies and regions;
  o Involvement of small and micro businesses in the development of innovation and supporting entrepreneurship; and
  o Collaboration within APEC and with other APEC groups, universities, and the private sector.

- IPEG has been working on different elemental axes for intellectual property issues, taking into consideration that intellectual property in the online world 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 the digital era. In this context, IPEG has implemented the following:

  o Workshop on *"Trademark Infringement Determinations in a Border-Enforcement Context"* which transmitted important information to prevent and detect counterfeit products at the borders and to impose appropriate determinations.
  o Workshop on *"Project Chargeback"* proposed by Canada was approved in-principle by BMC.

- Another important line of work has been the sharing of best practices and information on regulatory initiatives and updates in the region, development of examination tools, activities for boosting the usage of the international IP system, perspectives on geographical indications, as well as in genetic resources and traditional knowledge. IPEG has implemented the workshop on *"Opportunities and Challenges in the Commercialization of New Plant Varieties in the APEC Region"* proposed by United States which was held in the margins of SOM 3. The workshop aimed to promote plant varieties IPRs as a tool for the product´s commercialization.

- 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. Relatedly, it agreed to Peru's proposed workshop on *Best Practices on Patent Commercialization for Independent Inventors* to be held next year which aims to support inventors through the commercialization of their innovative products.

- LSIF agreed that best practice models could be developed through this cross-fora collaboration, including for the measurement of the returns to the economy and society on investment in health; sustainable public-private partnerships; and the enabling environment for innovative financing mechanisms. Much of the governance of these models rests with the finance ministries but their development requires significant collaboration with health policy and delivery experts.

- LSIF welcomed progress with the development of a framework in collaboration with ECSG to enable responsible and secure sharing of medical data for secondary analysis to facilitate health and life sciences research.

- LSIF welcomed the progress of the APEC Digital Hub for Mental Health to advance the needs identified by APEC economies, including integration of best practices into primary care and community-based settings. LSIF affirmed its support for building capacity in workplace mental wellness as a driver of economic and business productivity. LSIF recognized Canada for its continued leadership in this area of work.

- LSIF welcomed continued work with the Health Working Group (HWG) to promote HPV prevention and cervical cancer prevention and control, recognizing that cervical cancer causes millions of deaths each year and disproportionately affects the lowest-income women within most developing economies. LSIF further noted the importance of APEC economies instilling public confidence in vaccination programs so that such programs can reach their full public health potential.

Contributions to Quality Growth

- In 2015, APEC Leaders adopted the "APEC Strategy for Strengthening Quality Growth (2015/AMM/026)" (ASSQG) that will contribute to the three key accountability areas (KAA) of institution building, social cohesion, and environmental impact as pursued through specific action items under the five growth attributes – balanced, inclusive, sustainable, innovative, and secure growth.

- Following the instructions by the Leaders in accordance with ASSGQ, "Implementation and Monitoring of the APEC Strategy for Strengthening Quality Growth" (2016/SOM2/024) has been submitted (led by the Philippines) and endorsed by Senior Officials at SOM2 in 2016.

- In accordance with the "Implementation and Monitoring of the APEC Strategy for Strengthening Quality Growth", the three APEC Committees (CTI, SCE and EC) are instructed to conduct a stock-take on the initiatives programs that contributed to Quality Growth. This is the first stock take report by CTI based on the instructions.

CTI and sub-fora work contributing to ASSQG

- ASSQG is aligned with the APEC 2017 theme "Promoting Sustainable, Innovative and Inclusive Growth", and many of the work carried out by CTI and its sub-fora were relevant to implementing the ASSQG.

- ASSQG's objectives to enhance relevant KAA are synchronized with CTI's on-going work such as the FTAAP Study, APEC Services Competitiveness Roadmap (ASCR), Supply Chain Connectivity Framework Action Plan Phase II (SCFAP II), TILF Pathfinders, and the 3S Recommendations to Improve CTI's Efficiency and Effectiveness and Sub-fora, among others as well as each sub-fora's work, which are presented in the previous chapters of this report.

Illustrative work by CTI and sub-fora based on five growth attributes

- For the attribute of "Balanced Growth":

  (CTI)
  o A suite of work related to RTAs/FTAs and eventual realization of the FTAAP including [LDAP], capacity building projects under CBNI, activities on RTAs/FTAs information sharing mechanism;
  o A suite of work related to connectivity and infrastructure development including the Peer Review and Capacity Building Initiative, project on Quality Infrastructure Investment;

  (IEG)
  o IEG Work Plan for the Next Generation Trade and Investment Issues to track the progress of work within IEG in examining the investment aspects of the existing and potential NGeTIs;
  o A suite of discussions through IEG meetings related to international investment regime – principles and practices;

  (SCSC)
  o *"The 6th Voluntary Action Plan (VAP) Alignment Work"* to promote alignment with international standards through implementation;
  o 10th Conference on Good Regulatory Practices (GRP) to reduce barriers to trade and to encourage investment and economic growth;
  o The APEC Model Wine Export Certificate to reduce unnecessary procedures of trade among the region;

○ JRAC's discussions on *APEC Mutual Recognition Arrangement on Conformity Assessment of Electrical and Electronic Equipment*;

- For the attribute of "Inclusive Growth":

(CTI)
○ A suite of work related to MSMEs internationalization, including the development of "Best Practices" under the Supporting Industry Initiative, ongoing work on compiling the Compendium on Methodologies for SMEs Internationalization, the initiative on promoting E-commerce to globalize MSMEs, a range of projects to promote MSMEs participation into GVCs under the GVCs Blueprint;

(IPEG)
○ A suite of projects conducted to promote and facilitate the utilization of IPR by MSMEs;

(IEG)
○ A suite of discussions through IEG meetings related to investment promotion, facilitation and retention such as continuing the work on Investment Facilitation Action Plan (IFAP), Investment Policy Dialogue (IPD) and Investment Promotion Agency (IPA) Best Practice Discussion;
○ Conducting the project on "Inclusive Business (IB) in APEC Study" to identify various factors necessary to facilitate and promote IB;

(SCSC)
○ Korea's Project on "*Standard Olympiad*" to promote standards education programs targeting young generation;
○ The Policy Discussions on "*Standards Implementation in MSMEs*" to consider directions beneficial to the activities of MSMEs;

- For the attribute of "Sustainable Growth":

(CTI)
○ Work towards full implementation of the Leaders' commitment to reduce applied tariff rates on the 54 products in the APEC EGs List to five per cent or less by the end of 2015;
○ Implementation of the ESAP;
○ Implementation of the GSCNET initiative;
○ Work implemented on SMM solutions;

(IEG)
○ Viet Nam's project on *"APEC Public Private Dialogue on Green Investment Policy"* to promote investment in harmony with environment;

(SCSC)
○ A suite of work by FSCF including the "*6th Conference on Food Safety Cooperation Forum (FSCF)*";

- For the attribute "Innovative Growth":

  (CTI)
  o Work related to facilitating digital trade;
  o Endorsement of the *"APEC Cross-Border E-Commerce Facilitation Framework"*;

  (ECSG)
  o Work related to promote data privacy, including a suite of work on CBPR;

  (SCSC)
  o The Policy Discussions on "Digital Economy" which focuses on standards in relation to digital economy;
  o Viet Nam's project on "Best Practices Sharing of Standards and Conformity Assessment Implementation on Smart Cities in APEC Region" to enhance the function of cities;

  (IPEG)
  o A suite of work implemented related to the better utilization and protection of IPRs;

- For the attribute of "Secure Growth":

  (LSIF)
  o Final report on "*Roadmap to Global Medical Product Quality and Supply Chain Security*" and associated toolkits; and
  o Work related to promoting and expanding the Centre of Excellence (CoE), including convening of a Priority Work Area (PWA) Steering Committee to provide strategic direction, coordination and oversight for training and other initiatives within CoEs and the PWA; conducting a "*CoE Pilot Program on Quality Standards and Implementation*" by the United States Pharmacopeia, and endorsing its application to become a formal CoE; conducting a *"CoE Pilot Program on product security and good distribution practices"* by the University of Tennessee Health Science Center and endorsing its application to become a formal CoE.

Section V: Streamlining CTI and CTI Sub-Fora

Highlights:

Streamlining, Strengthening and Sharpening (3S) CTI and CTI sub-fora

- In 2014, Senior Officials approved the recommendations on streamlining the CTI sub-fora (2014/Som1/037anx5) following a review on the effectiveness and efficiency of the CTI sub-fora and instructed the CTI to review the operation of the sub-fora two (2) years after the implementation of the recommendations. CTI commenced a review to continue efforts to streamline, strengthen and sharpen the CTI and its sub-fora. Streamlining of the CTI sub-fora also contributes to and is part of a wider effort of reforming APEC. The review commenced after SOM 3, 2016, via the dissemination of a survey questionnaire to all CTI and sub-fora members and Convenors. As a result of the survey, the following set of outputs were compiled by the CTI Chair:

  1) Preliminary findings by the CTI sub-fora Convenors;
  2) Preliminary findings by CTI members; and
  3) On the basis of the findings, "Streamlining, Strengthening and Sharpening (3S) CTI and CTI-sub-fora: Recommendations from the Assessment and Survey" (The Recommendations on 3S) was drafted by the CTI Chair, which consists of the following set of recommendations:

     o Continue to implement the 2014 Ningbo Recommendations to streamline the sub-fora;
     o Developing a cross-cutting map exercise or matrix of projects;
     o Closely reviewing the work agenda, work plans and terms of reference of CTI sub-fora;
     o Multi-year work plans (minimum of two years) by each sub-fora are encouraged;
     o Encourage "brainstorming" sessions;
     o Encourage each fora chair or designated members to be able to attend other fora's meetings;
     o Better information-sharing among sub-fora; and
     o Review CTI sub-fora in 2019 and consider an independent assessment.

  The Recommendations on 3S were endorsed by CTI and subsequently by Senior Officials. CTI agreed to continue to take practical steps to improve CTI's effectiveness and efficiency and contribute to the APEC reform work.

- During 2017, a number of actions were taken in line with the direction of streamlining, strengthening and sharpening (3S) CTI and CTI-sub-fora, including to promote a clear division of roles between CTI and sub-fora, including a more focused role on policy discussions for CTI, and to utilize sub-fora's expertise in implementing relevant initiatives. With a view to address changing environment and to focus resources on issues that will bring APEC closer to its goals, discussions were conducted in CTI to reform the CTI sub-fora, including concrete actions:

o CTI sub-fora Convenors reported to CTI on the outcomes of the respective sub-fora meetings and focused on priority issues and issues which would necessitate further discussions by CTI. Each report was accompanied by a short presentation which prompted better understanding of priority issues and encouraged more interaction between CTI and the sub-fora.

o MAG took over the CTI's role of managing the APECTR, monitoring the implementation of the Leaders' commitment to reduce and eliminate tariffs on the 54 EGs and monitoring the implementation of the WTO ITA Expansion.

o Australia proposed that GOS be mandated by the Senior Officials to monitor the progress and implementation of the ASCR and to report to the Senior Officials on regular basis. CTI and GOS discussed and endorsed the proposal, based on which the Senior Officials endorsed it at SOM1. Accordingly, the GOS Convenor played a central role in monitoring and facilitating the implementation of the ASCR, and reported progress on the implementation of the ASCR to Senior Officials at SOM2 and SOM3.

o Sub-fora signed on to the implementation and design of CTI-related initiatives such as the LDAP, Monitoring Framework on SCFAP II and ASCR. These issues were included in the fora's agenda to encourage discussions and solicit inputs for CTI. Further strengthening of the process is anticipated in 2018 by encouraging sub-fora to include these initiatives in their fora work plans.

o The United States submitted a proposal on "Modernizing the Electronic Commerce Steering Group". With a view to address progress/changes in the situation surrounding digital economy since 1999, the proposal intends for SOM/CTI to instruct ESCG to expand its mandate through amending its 1999 Terms of Reference (ToR) to include current issues relevant to the digital economy and trade. The proposal also seeks ECSG to be the core forum, as mandated by Senior Officials, to implement the AHSGIE Roadmap for the Internet and Digital Economy in collaboration with other relevant for a such as TELWG, and report progress to Senior Officials. CTI discussed [and endorsed] the proposal. [While some economies supported the proposal, some economies provided comments or registered concerns. Further discussions on the proposal will continue at CTI.]

Pathfinder Initiatives

• As part of the process to review the effectiveness and efficiency of the activities of the CTI and CTI sub-fora, CTI undertook a thorough review of the current TILF Pathfinder initiatives to assess the current state of activities and outcomes. The review covered a discussion on whether there is a need to maintain, terminate or modify the scope of work of each CTI pathfinder. As a result of the review, the lead economies of the TILF pathfinders recommended that the following TILF pathfinders be terminated for the cited reasons:

o Electronic Certificates of Origin (Singapore): no further developments;
o Food MRA (Thailand): no further developments;

- o Advance Passenger Information (API) (Australia): has not been reassessed and has officially lapsed; and
- o Data Privacy (Australia, Canada, United States): considered to have done its job and is finished.

- In addition, with aim of strengthening the disciplines and introduce more clarity on the procedures and criteria for the creation, management, and review of the TILF pathfinders, the CTI Chair proposed a revision to the 2007 TILF pathfinder guidelines. CTI discussed and agreed to the revised TILF pathfinder guidelines.

Table on Review and Updating of Existing TILF Pathfinders

Existing CTI Pathfinder *(include year endorsed)*	Lead Economy/ies	Year Launched	Update on Implementation *(Indicate progress such as status of discussions and projects/capacity building initiatives)*	Membership *(as of 9 August 2017)*	New Members *(Indicate year of membership)*	Status to date *(Indicate if ongoing, for revision, terminated)*
Mutual Recognition Arrangement of Conformity Assessment on Electrical and Electronic Equipment	Participating Economies • JRAC Chair 2017: Malaysia • JRAC Secretary 2017: New Zealand	1999	• Updates mainly on Part I has been shared at 21st JRAC in 2016. 22nd JRAC meeting was convened in the margin of SCSC2 during SOM3, 2017.	**18 participating in Part I** (AUS; BD; CHL; PRC; HKC; INA; JPN; ROK; MAS; NZ; PNG; PE, PHL; RUS; SGP; CT; THA; VN) **5 participating in Part II** (AUS; BD; MAS; NZ; SGP) **4 participating in Part III** (AUS; BD; NZ; SGP)	IEC participating as a three years guest since 2017	Ongoing
Trade and the Digital Economy	United States	2002		20		
Advance Passenger Information (API)	Australia	2002	[AUS] As the Pathfinder lead,	[AUS] N/A	[AUS] N/A	[AUS] Australia notes that the

Existing CTI Pathfinder *(include year endorsed)*	Lead Economy/ies	Year Launched	Update on Implementation *(Indicate progress such as status of discussions and projects/capacity building initiatives)*	Membership *(as of 9 August 2017)*	New Members *(Indicate year of membership)*	Status to date *(Indicate if ongoing, for revision, terminated)*
			Australia provided two updates on the initiative, as reported in: • (2003) - CTI 1 Chair's summary. Describes initial stages of API Pathfinder (para. 38) • (2006) - CTI 1 Chair's summary Confirms API Pathfinder initiative is being implemented (11 economies			initiative has not been reassessed in recent years and has officially lapsed.

Existing CTI Pathfinder *(include year endorsed)*	Lead Economy/ies	Year Launched	Update on Implementation *(Indicate progress such as status of discussions and projects/capacity building initiatives)*	Membership *(as of 9 August 2017)*	New Members *(Indicate year of membership)*	Status to date *(Indicate if ongoing, for revision, terminated)*
			confirmed; the majority had undertaken feasibility studies). The Pathfinder was not referenced in subsequent meetings.			
Electronic Certificates of Origin	Singapore	2002		3		[SGP] Singapore proposes that the pathfinder be retired.
Food MRA	Thailand	2003	[THA] (2005) - 1st Meeting of APEC Sectoral Food MRA Pathfinder (2006) - 2nd	5 (THA; SGP; VN; MAS; CT)	-	[THA] Thailand proposes that the pathfinder be terminated.

Existing CTI Pathfinder *(include year endorsed)*	Lead Economy/ies	Year Launched	Update on Implementation *(Indicate progress such as status of discussions and projects/capacity building initiatives)*	Membership *(as of 9 August 2017)*	New Members *(Indicate year of membership)*	Status to date *(Indicate if ongoing, for revision, terminated)*
			Meeting of APEC Sectoral Food MRA Pathfinder (2007) - Seminar on Administrative Procedures for APEC Sectoral Food MRA: Approaches to MRA arrangement			
Technology Choice Principles	United States	2006		15		

Existing CTI Pathfinder *(include year endorsed)*	Lead Economy/ies	Year Launched	Update on Implementation *(Indicate progress such as status of discussions and projects/capacity building initiatives)*	Membership *(as of 9 August 2017)*	New Members *(Indicate year of membership)*	Status to date *(Indicate if ongoing, for revision, terminated)*
Data Privacy	Australia, Canada, & United States	2007	[AUS] The pathfinder was initiated by Australia, with support from the US and Canada, in the Data Privacy Sub-group (and then formally endorsed in the ECSG) as a vehicle to drive the development of the Cross-Border Privacy Rules (CBPR) system.	16		[AUS] As the CBPR system documentation was endorsed at Ministerial level in 2012, Australia notes that the Pathfinder is considered to have done its job and is finished.
Self-Certification of Origin	Australia, New Zealand, Singapore & United States	2009		11 (AUS; BRU; CDA; JPN; KOR; MAS; NZ; PH; SGP, CT; US)		
Facilitating Trade in Remanufactured Goods	Japan & United States	2011		12 (AUS; CDA; CHL; JPN; KOR; MAS;		

Existing CTI Pathfinder *(include year endorsed)*	Lead Economy/ies	Year Launched	Update on Implementation *(Indicate progress such as status of discussions and projects/capacity building initiatives)*	Membership *(as of 9 August 2017)*	New Members *(Indicate year of membership)*	Status to date *(Indicate if ongoing, for revision, terminated)*
				MEX; NZ; PNG; SGP; CT; US)		
APEC Baseline De Minimis Value	United States	2011		11 (BD; HKC; JPN; ROK; MAS; NZ; PH; RUS; SGP; CT; US)		
Pathfinder on Permanent Customs Duty Moratorium on Electronic Transmissions, Including Content Transmitted Electronically	United States	2016		12 (AUS; BD; CDA; CHL; JPN; ROK; MEX; NZ; PE; SGP; CT; US)		

Section VI: Industry Dialogue

Highlights:

Automotive Dialogue

- The AD continued its work in 2017 on an agenda that includes both CTI's priorities and the automotive industry's pressing issues and development trends, focusing on SMEs' role in the industry, Electric Vehicles, New Energy Vehicles (NEVs), and automotive markets in the region. The AD is a public-private 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. The AD met twice in 2017, had two workshops, completed a range of tasks and set targets to continue its work on the improvement of the automotive industry and market in the APEC region.

- The *APEC Workshop to discuss Best Practices on Practical Solutions/Programs to Integrate SME Suppliers into the Automotive Global Value Chains (GVCs)* was held in collaboration with CTI on 8-9 May 2017 in Kuala Lumpur, Malaysia. The main objectives of the workshop were: (i) to deliberate on the consolidated outcomes of the GSAS workshops and survey analysis completed in Phase 1; (ii) to share the best practices on practical solutions or programs to integrate SME suppliers into automotive GVCs; and (iii) to discuss the elements to be included in the development of the multiyear APEC Regional Automotive Supplier Excellence Program (RASEP). The workshop proposed several recommendations namely: (i) to organize technical assistance capacity building activities, including the selection of SMEs to be developed within APEC Economies, to conduct an assessment and industry profiling, to pursue with on-site training and coaching, and finally to conclude with the post RASEP assessment and review; (ii) to organize follow-up/additional workshops related to GSAS and future work on the implementation of RASEP; and (iii) for AD to undertake the proposed activities to be incorporated in the RASEP Framework.

- AD has completed the project on the Impact of Government Policy Instruments on Promoting New Energy Vehicles (NEV). The task aimed to assess the effect of government policy in the development of NEVs and create a dynamic database of NEV policies in APEC economies, provide an assessment of policies on NEV development and a decision-assisting system for NEV policy. The study was completed this year and the report was published on the APEC web site. The workshop was held on 18 August 2017 in Ho Chi Minh City and showed many positive practices and the policy frameworks of the economies in promoting new energy vehicles.

- The AD has undertaken activities under the APEC Electric Vehicles Roadmap, aimed at facilitating the adoption and implementation of international standards pertaining to electric vehicles. The second workshop on the Electric Vehicles Roadmap was held back-to-back with the 27th AD meeting in August 2017 and focused on recycling, cybersecurity, personal data issues, emergency rescue protocol, interoperability standards, and 2 and 3-wheel vehicle related standards issues.

- The AD continues its work on the Compendium of Automotive Taxation, aimed at promoting regional industry growth. The compendium will include different motor vehicle tax structures and incentives. It was suggested that further work be done on comparing tax incentives for eco-friendly vehicles in the region.

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

Chemical Dialogue

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

- The Chemical Dialogue (CD) continued its efforts to leverage its public-private composition to discuss, identify, and address challenges confronting industry and regulators throughout the Asia-Pacific region. The CD completed two separate studies in 2017 which underscored both the centrality of the chemical industry to regional supply chains (chemical inputs play a role in 95 percent of manufacturing supply chains), but also the centrality of APEC to global chemical trade (69 percent of global trade; 11.6 million direct jobs; and more than $700 billion in exports). The CD's efforts to reduce unnecessary barriers to trade in chemicals, while preserving legitimate protections for health, safety, and the environment, thus have a direct economic impact on regional economic growth and integration.

- CD, in collaboration with the Oceans and Fisheries Working Group (OFWG), through their joint virtual working group on marine debris (VWGMD), continued its efforts to promote ways to prevent marine debris. The VWGMD sought to implement the Policy and Practice Recommendations of the APEC High-Level Meeting on Overcoming Barriers to Financing Waste Management Systems To Prevent Marine Litter in the Asia Pacific Region which had been endorsed by APEC Ministers in 2016 through, in part, convening the first Asia-Pacific Infrastructure Partnership (APIP) meeting focused on waste management in March 2017 in Indonesia and a second High-Level Meeting on Accelerating Waste Management Solutions To Reduce Marine Litter in Indonesia in September 2017. The marine debris work was also presented to the High-Level Policy Dialogue on Sustainable Tourism in Ha Long, Viet Nam as well as the SOM FoTC on Urbanization at SOM2. The VWGMD will be submitting a concept note in 2018 to carry this forward including through potentially additional APIP meetings in other interested APEC economies as well as training at the municipal level.

Life Sciences Innovation Forum

- LSIF collaborated with the Health Working Group (HWG) to organize the 7th APEC High-Level Meeting (LSIF) on Health & the Economy on 23-24 August in Ho Chi Minh City. The meeting was chaired by the Minister of Health of Viet Nam. The overall objective of the

meeting was to share and discuss the health care financing reforms for community health towards sustainable development. LSIF reviewed and endorsed an APEC Checklist of Enablers for Alternative Health Financing as a tool to assist economies determine the appropriate policy and regulatory environment for private parties to enter the health financing space.

- LSIF also welcomed the exploratory discussion between the LSIF and HWG and the SFOM on May 2017 In Ninh Binh, Viet Nam and the proposal to launch a task force to further work in two tracks: (1) health as a social investment and (2) alternative financing mechanisms. LSIF agreed that the adoption of complementary and alternative financing mechanisms would help relieve the pressure on government budgets and, at the same time help address the health challenges associated with the steep rise in NCDs and aging societies. Accordingly, LSIF agreed with HWG to form a high-level delegation to participate in the meetings of the APEC Finance Ministers' Process in October 2017 in Hoi An, Viet Nam to discuss projected outcomes of the two track areas of work. In their annual statement, APEC Finance Ministers welcomed the exploratory dialogues and encouraged interested economies to share best practices and explore innovative, sustainable health financing solutions.

- LSIF welcomed work since 2014 to improve the safety and sustainability of the blood supply and endorsed the APEC Ha Noi Recommendations on Implementation of Good Manufacturing Practices for Blood and Blood Products and the APEC Recommendations for Enhancing Access to Safe Therapy for Persons with Immunodeficiency and Bleeding Disorders. LSIF recognized the invaluable contribution of industry in supporting the blood safety network, and welcomed the initiative's ongoing and future work on advancing implementation of domestic blood policies and quality systems development. LSIF called for a progress report on implementation of the APEC Blood Supply Chain 2020 Roadmap by SOM3 2018.

- LSIF welcomed efforts to date to raise 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 AMR; and supporting efforts to strengthen infectious disease surveillance and reporting capabilities.

- LSIF welcomed continued work to develop a support package of antibiotic stewardship programs' best practices; identify ways to accelerate both antibiotic and diagnostic development; explore innovative financing options and incentives to promote appropriate use and enhance access to new antibiotics, vaccines, and diagnostics; and further support the development and implementation of APEC economies' AMR plans, strategies, initiatives and activities aligned with the WHO Global Action Plan on AMR.

- LSIF welcomed the launch of a new initiative to address barriers to the diagnosis and treatment of rare diseases in the region. LSIF noted that such efforts will improve the economic and social inclusion of those affected by rare diseases, including caregivers, and ensure a more inclusive Healthy Asia Pacific 2020. LSIF welcomed the development of an action plan to facilitate greater alignment of domestic policies and best practices and to provide a framework for regional collaboration.

Section VII: Interaction with 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. In 2017, the Committee continued to engage with ABAC as the key voice of the business community in the APEC process. The CTI Chair attended two ABAC 2017 meetings to brief ABAC on the Committee's work programs and exchange views on issues of mutual interest. Senior representatives from ABAC also participated in meetings of the Committee and a number of its sub-fora. CTI welcomed their active participation.

During 2017, CTI and its sub-fora delivered outcomes consistent with ABAC's 2016 recommendations. The highlights include the following:

- *Support the Multilateral Trading System*
  o CTI and SCCP have continuously worked to support entry into force of the TFA by urging member economies to notify the WTO of their acceptance of the TFA as early as possible and through monitoring the progress. With the entry into force of the TFA in February 2017, CTI is to strengthen support to facilitate the implementation of the TFA by developing economies.
  o CTI worked to facilitate the implementation of the WTO decision on export subsidies.
  o MAG worked to encourage economies to implement of the ITA expansion through monitoring the situation.

- *Enable a Free Trade Area of the Asia-Pacific*
  o [CTI and sub-fora worked to formulate the Lima Declaration Action Plan to implement the Leaders' instruction to address issues identified by the Collective Strategic Study on Issues Related to the Realization of the FTAAP].
  o Information Sharing of FTAs/RTAs continue to be implemented, including the CTI Trade Policy Dialogue on FTAs/RTAs
  o A number of projects under the 2nd CBNI were implemented which aims at strengthening the capacity of developing economies on modern, comprehensive FTAs. CTI agreed to launch the third phase of CBNI from 2018.

- *Pursue the New Services Trade Agenda*
  o GOS contributed to move forward the implementation of the ASCR through monitoring its progress, as mandated by Senior Officials.
  o Progress was made on the work towards setting non-binding principles on domestic regulations on trade in services, including holding a workshop in the margins of SOM3.
  o An initiative on Next Steps for the Work of Measuring the Regulatory Environment in Services Trade of APEC was endorsed by CTI and GOS to develop an APEC index to measure services trade restrictions in APEC economies.
  o Progress of work was made to move forward the MSAP towards the preparation of conducting the interim review in 2018.
  o A suite of work was conducted to further implement the ESAP, to address wider range of environmental services (water, refuse disposal and recycling, environmental damage remediation, renewable energy, and energy efficiency), including holding of workshop and developing case studies by PSU on environmental damage remediation, renewable energy, and energy efficiency.

- ***Accelerate trade and investment liberalization and facilitation***
  o A CTI project - Trade Policy Dialogue to Advance Understanding on Non-Tariff Measures (NTMs) in the Food Sector was held in February 2017 in the margins of SOM1.
  o Further CTI projects related to addressing NTMs are expected to be implemented in 2018, including the Capacity Building Workshop on addressing Non-tariff Measures (NTMs) in FTAs/RTAs and Public-Private Dialogue to Advance Understandings on Non-tariff Measures (NTMs) in Textile and Garment Industry.
  o Under the Investment Facilitation Action Plan (IFAP), designated economies reported on their state of implementation during 2015-2016 on three priority themes: e-transparency, reducing investor risk, and simplifying business regulation. The PSU reported on the assessment of the outcomes of implementation at IEG1, 2017.

- ***Growing global MSMEs***
  o Under the Supporting Industry Initiative, APEC Best Practices for Promoting Supporting Industry in the Asia Pacific Region was endorsed by CTI and Senior Officials which serves as sharing good practices and providing a source of reference when developing their policies to promote supporting industries
  o Under the joint CTI-SMEWG Initiative, a draft compendium of APEC best practices, methodologies and successful stories on SMEs internationalization was developed, which serves to assist MSMEs to enter the global market.
  o Continued progress was achieved to implement projects under the GVCs Blueprint to promote the participation of MSMEs into GVCs:
    - The *APEC Workshop to discuss Best Practices on Practical Solutions/Programs to Integrate SME Suppliers into the Automotive Global Value Chains (GVCs)* was held in collaboration with the AD;
    - Workshop and seminar to promote MSMEs' integration into GVCs in the services industry was conducted on fashion design industry and logistics industry. Further activities on software industry and tourism industry are expected in 2018.
  o Under the initiative on Promoting e-Commerce to Globalize MSMEs, aiming at identifying and addressing barriers/difficulties faced by MSMEs to participate in e-commerce and develop a set of recommendation for capacity building planning, PSU developed a report on Promoting E-Commerce to Globalize MSMEs which includes case studies of five economies and recommendations.
  o SCSC continued to collaborate with the SMEWG on issues related to facilitate MSMEs' on standards implementation.
  o IPEG continued to implement a suite of projects to enhance MSMEs' capacity to utilize intellectual property.

- ***Accelerating green growth***
  o MAG and CTI continued to monitor progress on economies' implementation of the Leaders' commitment of reducing tariffs on the 54 Environmental Goods List. Although certain progress was achieved, MAG and CTI urged economies that have not fully implemented the commitment to take action as early as possible.
  o Activities related to the APEC Cooperation Network on Green Supply Chain (GSCNET) were conducted, including the Annual Conference and Development Forum of the GSCNET 2017 held on 22 July in Beijing. In addition, the Tianjin Green Supply Chain

Center (TGCC) issued a *Research Report on the Feasibility Study of Green Procurement Tool (GPT)*.

o A report was finalized on facilitating trade and investment in sustainable materials management (SMM).

- ***Strengthening the rule of law and promoting good regulatory practices***
  o SCSC organized the 10th Conference on GRP held in the margin of SOM3. The conference had four objectives: to expand the application of GRPs as a tool to reduce barriers to trade and to encourage investment and economic growth; to promote discussion of challenges and best practices for increasing transparency and facilitating notice and comment procedures; and to increase awareness of WTO TBT obligations.

- ***Encouraging urban infrastructure development***
  o Initiative on Peer Review and Capacity Building on APEC Infrastructure Development and Investment was conducted to the Philippines. PSU issued a final report of the Peer Review which identified capacity building needs including technical assistance for the development of quality infrastructure focusing on life cycle cost, value for money, and value engineering. On that basis, capacity building will be conducted in December 2017 in Manila, the Philippines.
  o Preparation is underway to conduct a second round of Peer Review for Viet Nam.
  o With a view to include practical methods and tools to ensure the quality of infrastructure, the proposal to conduct work to upgrade the APEC Guidebook on Quality of Infrastructure Development was endorsed by CTI.
  o Project on Quality Infrastructure Investment in Rapidly Urbanizing APEC Region was conducted in two phases, a preparatory experts' meeting held in the margins of SOM3, and the High Level Meeting on Quality Infrastructure held in October in Tokyo, Japan.
  o The Asia-Pacific Infrastructure Partnership (APIP) meetings focused on the development of waste management infrastructure in partnership with the CD's VWG on Marine Debris.

- ***Facilitating the internet and digital economy***
  o The APEC Cross-Border E-Commerce Facilitation Framework, which sets a framework to guide APEC's ongoing and future work relevant to cross-border e-commerce in the APEC region, was endorsed by ECSG, CTI and Senior Officials.