

**MEMORANDUM FOR THE HONG KONG COMMITTEE  
FOR PACIFIC ECONOMIC COOPERATION (HKCPEC)**

**Asia-Pacific Economic Cooperation (APEC):  
Outcome of the Third Senior Officials' Meeting in 2011**

**SUMMARY**

The Third Senior Officials' Meeting (SOM3) of APEC 2011 was held on 25 and 26 September 2011 in San Francisco, California, the United States. The Hong Kong, China (HKC) delegation was led by the Director-General of Trade and Industry. This memorandum informs Members of the gist of the outcome of SOM3.

2. SOM3 was preceded by a number of ministerial, committee, sub-committee and experts group meetings. In particular, the Transportation and Energy Ministerial Conference, the Transportation Ministerial Meeting, the Women and the Economy Summit (WES), the Health Systems Innovation Conference, the Secure Trade in the APEC Region (STAR) Conference, and the APEC Senior Disaster Management Officials Forum were held in San Francisco for advancing APEC initiatives ahead of the Leaders' Meeting in Honolulu in November this year.

3. APEC representatives considered ways to build toward a seamless regional economy by advancing three priorities in 2011: strengthening regional economic integration and expanding trade; promoting green growth; and advancing regulatory coherence and cooperation in order to reduce the barriers that businesses faced in the region.

**DETAILS**

**Strengthening Regional Economic Integration (REI) and Expanding Trade**

4. Senior Officials welcomed the results of the Second Trade Facilitation Action Plan (TFAP II) assessment by the Policy Support Unit (PSU) which indicated that APEC has achieved the TFAP II target of a 5% further reduction in trade transaction costs based on the study using the World Bank's Trading Across Border indicators and analysis of contributions made by the relevant sub-fora.

### *Next Generation Trade and Investment Issues*

5. Senior Officials noted the progress by the Committee on Trade and Investment (CTI) in reaching agreement on specific and substantive outcomes in 2011 to address the three next generation trade and investment issues identified by Trade Ministers in Big Sky, Montana, in May. These issues are 1) facilitating global supply chains; 2) enhancing SMEs participation in global production chains; and 3) promoting effective, non-discriminatory, and market-driven innovation policy.

6. On enhancing SMEs' participation in global production chains, Senior Officials endorsed a proposal to address the issue by defining core elements that could be considered on a voluntary basis to serve as model guidelines in next generation Free Trade Agreements (FTAs), including a possible Free Trade Area of the Asia-Pacific (FTAAP); and developing capacity building activities through a seminar to exchange experiences and best practices on public policies and collaboration between trading partners to incorporate SMEs in global production chains. HKC is a co-sponsor of this proposal. We are prepared to share our experience in the seminar. Senior Officials urged the CTI to complete work to address other next generation trade and investment issues by the Concluding Senior Officials' Meeting (CSOM) in November.

### *Enhancing Supply Chains*

7. Senior Officials expressed continued support for the CTI's work on improving supply-chain connectivity through implementation of the Supply-Chain Connectivity Framework Action Plan. They also welcomed the proposal that members commit to provide a commercially useful de minimis value for express and postal shipments to be exempted from customs duties and certain documentation requirements, and to adopt the pathfinder approach with a baseline de minimis value of USD 100. HKC has agreed to participate in the pathfinder initiative.

### *Bogor Goals*

8. Following the 2010 APEC assessment on economies' progress towards achieving the Bogor Goals, Ministers instructed Senior Officials to explore in 2011 an appropriate process to review continually APEC economies' progress in this regard. Senior Officials endorsed a set of Bogor Goals Progress Report Guidelines for tracking APEC economies' progress towards meeting the Bogor Goals. Economies would submit their Individual Action Plans based on a simplified template by early 2012 and the PSU would prepare a report for discussion in mid 2012. CTI would continue to discuss the design of a "Dashboard", with inputs from the PSU, to show the level and

change in various indicators of liberalisation in trade and investment of APEC on a collective basis.

### *APEC New Strategy for Structural Reform (ANSSR)*

9. Senior Officials discussed advancing work on the ANSSR initiative, and commended early mover economies for serving as examples to help other APEC economies individually set forth robust plans for structural reform to be presented to Leaders by November 2011. Senior Officials considered the template for the ANSSR Plan, which would include all individual economy plans, to be published for the Leaders' Week. The US briefed members on the planning of Leaders' week ANSSR plan publication to be presented to the Leaders, including the draft introductory text.

### **Promoting Green Growth**

10. Senior Officials discussed how APEC could make progress to catalyze environmentally sustainable growth, encourage the trade of environmental goods and services, and foster the implementation of environmentally responsible policies and standards. Major topics discussed included a proposed draft Leaders' Statement on Trade and Investment on Environmental Goods and Services (EGS), revision of the APEC energy intensity reduction target, fossil fuel subsidy reform, proposal to streamline import procedures for advanced demonstration vehicles, ways to facilitate trade in remanufactured products, Low Emissions Development Strategies (LEDS), and the terms of reference for the establishment of an experts group on combating illegal logging and associated trade.

### *Environmental Goods and Services*

11. Senior Officials discussed a proposal to promote trade and investment in EGS by, among others, reducing the applied tariff rates on environmental goods. While there was general support among economies for APEC to work on reducing barriers to EGS trade, views remained divergent on the specific actions to be undertaken by economies, and the timeframe for doing so. HKC has contributed to the discussion by putting forward alternative proposal to help build consensus. There have been more in-depth discussions on this topic intersessionally. Members are working hard to achieve consensus of the proposal prior to the Leaders' meeting in November. HKC would continue our efforts to work towards concrete deliverable on this initiative.

### *Advanced Demonstration Motor Vehicles*

12. Senior Officials endorsed a proposal to develop streamlined import procedures for advanced technology and alternative-fuelled demonstration vehicles.

### *Remanufactured Goods*

13. CTI had a good discussion on a proposal to facilitate trade in remanufactured products, including the capacity building work needed, and agreed to pursue work on this front on a pathfinder basis.

### *Energy Intensity*

14. The US proposed to revise upwards the current aspirational goal of reducing the energy intensity by 25% from 2005-2030, to either 50% from 2005-2030 or 50% from 2005-2035. While member economies were generally supportive of going beyond the current goal, some sought clarifications on the proposed ambitious targets and needed to further consult domestically. The subject matter was discussed at the Energy Working Group meeting held on 17-21 October. The Working Group agreed that the expected range of APEC-wide energy intensity reduction by 2035 was 40-50%, and thus recommended Senior Officials consider a region-wide aspirational goal of reducing energy intensity by 45% by 2035. As the host of 2011, the US would like to adopt an ambitious goal and suggested an aspirational regional goal of 50% reduction by 2035. A final decision would be made at the CSOM in November.

### *Developing Low Emissions Development Strategies*

15. The meeting discussed the outcomes of a workshop on LEDS held in the margins of SOM3. There was general agreement that this was a topic which APEC should be tackling and that it was an approach to address climate change. APEC could focus on capacity building and mutual support in developing LEDS.

### **Advancing Regulatory Convergence and Cooperation**

16. Senior Officials continued to discuss the concrete actions that economies would take to strengthen implementation of good regulatory practices. Topics discussed included the revised proposal on strengthening the implementation of good regulatory practices in APEC economies; a draft APEC Regulatory Cooperation Plan; standards-related issues on smart grid interoperability, green buildings, and solar technologies; transparent and science-based regulatory approaches to innovative agricultural technologies;

outcomes of the APEC Conference on Air Cargo, Trade and Economic Growth; and a proposal on Facilitating Travel in the APEC Region.

### *Strengthening Implementation of Good Regulatory Practices*

17. The meeting discussed the revised proposal put forward by the US, Australia, New Zealand and Mexico to strengthen the implementation of good regulatory practices in APEC economies by implementing specific actions by November 2013 in the following areas: (a) internal coordination of regulatory work; (b) regulatory impact assessments; and (c) public consultation mechanisms. There was widespread support for work on these issues and recognition of their importance in promoting quality employment and competition within individual economies. At the request of most of the economies including HKC, the proponents had built in flexibility in the implementation timelines to take into account the different stages of development of the economies. Senior Officials noted the need for capacity building in this area. In connection with this initiative, the US conducted a study on the regulatory work of the APEC economies. The Study has found that HKC has implemented many of the good regulatory practices recommended by APEC, and its regulatory reviews are well designed and institutionalised.

### *Facilitating Travel in the APEC Region*

18. The US put forth a proposal for APEC to develop an overall travel facilitation initiative to expedite the flow of larger numbers of people, including business and non-business travellers. Specifically, the proposal would include expediting the processing of travellers on departure and on international arrivals, while ensuring the security of the overall travel system. In view of the general support expressed by economies, the US would develop a formal proposal for an overall travel facilitation initiative for endorsement by Senior Officials, Ministers and Leaders at the APEC meetings in November.

## **Strengthening Economic and Technical Cooperation**

### *Food Security*

19. Senior Officials discussed the Terms of Reference (TOR) for the Policy Partnership on Food Security (PPFS). The long term goal of the PPFS was the attainment of a food system structure by 2020 sufficient to provide lasting food security to APEC member economies. The meeting endorsed the TOR with some amendments.

## *Women and the Economy*

20. The meeting took note of the outcomes of the High Level Policy Dialogue on Women and the Economy held in San Francisco on 16 September. The Dialogue sought to mainstream gender to address the most significant barriers hindering women's full economic participation. APEC's work would initially focus on the following four priority areas: improving access to capital; access to markets; capacity and skills building; and women's leadership.

### **COMMENT**

21. On strengthening Regional Economic Integration and expanding trade, we are pleased that members have agreed to a revised and more robust process for tracking economies' progress towards the Bogor Goals. We are also glad to see that member economies are formulating specific steps to pursue the green growth initiatives, as an additional engine for enhancing economic growth and creating green jobs. On facilitating trade and investment in EGS, we would continue to work closely with members with a view to working out a consensus on a deliverable by the Leaders' Meeting. On advancing regulatory cooperation, we are pleased that good regulatory practices are being pursued with flexibilities.

### **ADVICE SOUGHT**

22. Members are invited to note the content of this memorandum.

Hong Kong Committee for  
Pacific Economic Cooperation Secretariat

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