



**Asia-Pacific
Economic Cooperation**

APEC Committee on Trade and Investment 2019

Annual Report to Ministers



**Asia-Pacific
Economic Cooperation**

**2019
ANNUAL REPORT TO MINISTERS**

COMMITTEE ON TRADE AND INVESTMENT

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Dear Ministers,

In 2019, the Committee on Trade and Investment (CTI) and its sub-fora continued their efforts to champion work on trade and investment liberalization and facilitation as a driver of growth in our region.

CTI continues to be guided in its work by the objectives set out in the 1993 Ministerial *Declaration of an Asia Pacific Economic Cooperation Trade and Investment Framework*. Those objectives include: pursuing opportunities to liberalize and expand trade; facilitating a more open environment for investment; developing initiatives to improve the flow of goods, services, capital and technology within the region; consulting on issues of importance and developing consensus to expand and strengthen these flows within the region and globally; and reducing and removing distortions which impede these flows.

While focusing on these objectives in 2019, CTI members have also been conscious of emerging challenges for trade. In particular, global trade has been slowing; digital technologies are proving disruptive – in both positive and negative ways – to traditional trade; global trade rules, which APEC has been a contributor to, are being increasingly challenged; and questions about the economic distribution of trade benefits have become more pronounced. CTI has looked to respond to these challenges in its 2019 work program.

In discussions on the multilateral trading system, while CTI members were not always in agreement on the value of the WTO in its present state, members sought to engage constructively to identify and agree new areas of APEC work that can contribute to the strengthening and improved functioning of the WTO. Details are provided in Section I of the Annual Report.

Work on regional economic integration (see Section II) is the mainstay of CTI's work. In 2019 CTI was pleased to endorse Chile's efforts to give a final push to the Bogor Goals in the area of services.

Work under the Free Trade Area of the Asia Pacific (FTAAP) banner continues to have relevance in several ways: it is contributing potential building blocks towards the eventual realization of the FTAAP vision; it helps build economies' ability to participate in high quality, comprehensive trade agreements; and it contributes to APEC's regional economic integration goals more generally.

Compared with a year earlier, better progress was made by CTI and sub-fora in 2019 on digital issues as they relate to trade. While some differences between economies remain, economies engaged constructively to endorse new initiatives and find new approaches to move forward previously-stuck proposals. There is still much scope for CTI to do more in its areas of responsibility, including through the new Digital Economy Steering Group. All APEC economies acknowledge the important role that the digital environment will have on trade-driven growth in the future.

Work on trade facilitation and related areas is a strength of CTI and sub-fora such as the Sub-Committee on Customs Procedures. This work directly contributes to reduce the costs of doing business across borders and along supply chains. A number of new initiatives and capacity building activities were carried out in 2019 and are detailed in Section III.

Section IV of the report details CTI's attempts to explore how trade could be made more inclusive, including by looking at what some economies were doing within free trade agreement negotiations. This is a nascent area of CTI work with potential for expansion.

Section V details CTI's engagement with the private sector, including through its regular industry dialogues. It is important that CTI continues to respond to the need of stakeholders, including the APEC Business Advisory Council.

On behalf of the Committee and its sub-fora, I want to pass on our appreciation to Chile for the excellent arrangements and gracious hospitality during our various meetings throughout 2019. CTI also appreciated – and benefitted from – the “back to basics” approach that Chile sought to infuse our discussions with. This was a useful reminder of APEC's core purpose.

As my two-year term as CTI Chair concludes, I wish to acknowledge the hard work of the convenors of the 11 CTI sub-fora and industry dialogues, the invaluable support from the APEC Secretariat, and the outstanding research and policy analysis provide by the Policy Support Unit. I have also valued highly the collaboration with the APEC Business Advisory Council.

CTI's work is economy-driven, voluntary and consensus-based. By my calculation, CTI alone concluded 31 projects or initiatives in 2019, has a further 23 already underway for conclusion next year or after, oversees four active Pathfinder initiatives, and has nine proposals on the table for further discussion. These statistics demonstrate not just the breadth of trade and investment issues that CTI must cover, but also demonstrate the drive and determination of economies to build consensus and lead work in their areas of interest, under the guidance of Senior Officials and the direction of Ministers.

I wish CTI well in 2020 and beyond as it strives to address trade and investment challenges old and new.

Sincerely,



Justin Allen
Chair, APEC Committee on Trade and Investment

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Introduction

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

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

The 1993 Declaration's objectives remain highly relevant to the CTI's work today and continue to provide high-level guidance to CTI's work program. Under this mandate, in 2019, the CTI continued its work towards achieving *the Bogor Goals* as set by APEC Leaders in 1994 to achieve the goal of free and open trade and investment in the Asia-Pacific no later than the year 2020. The CTI's work is further guided by the *Osaka Action Agenda* and supported by economic and technical cooperation initiatives, aimed at building capacity in member economies to assist them in undertaking trade and investment liberalization and facilitation.

The CTI oversaw 11 sub-fora in 2019:

- The Automotive Dialogue (AD)
- The Business Mobility Group (BMG)
- The Chemical Dialogue (CD)
- The Electronic Commerce Steering Group (ECSG)
- The Group on Services (GOS)
- The Intellectual Property Experts Group (IPEG)
- The Investment Experts Group (IEG)
- The Life Sciences Innovation Forum
- The Market Access Group (MAG)
- The Sub-Committee on Customs Procedures (SCCP)
- The Sub-Committee on Standards and Conformance (SCSC)

In accordance with the 2018 APEC Action Agenda for the Digital Economy, the ECSG was restructured into the Digital Economy Steering Group (DESG) to advise Senior Officials on the implementation of the APEC Internet and Digital Economy Roadmap (AIDER). The DESG's Terms of Reference were endorsed in 2019. On the AIDER, the DESG will, among its other functions, play a coordinating role with other APEC fora and report directly to Senior Officials on the Roadmap's broader implementation. The DESG shall preserve the functions of the former ECSG and continue to report to the CTI on matters of the ECSG's existing work program on e-commerce and trade-related digital economy issues.

The 2019 CTI Annual Report to Ministers highlights CTI and sub-fora progress and achievements in the key priority areas of APEC's Trade and Investment Liberalization and Facilitation (TILF) agenda in support of Chile's APEC 2019 priorities:

- Integration 4.0
- Digital Society
- Women, SMEs and Inclusive Growth
- Sustainable Growth.

The 2019 CTI Annual Report to Ministers is structured around the CTI's priorities and key activities as set out by the CTI Chair:

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

CTI 2019 Recommendations and Highlights

CTI recommends that Ministers **note**:

- CTI's discussions on how APEC can contribute to the reform, strengthening and success of the WTO through initiatives in CTI;
- CTI's support for addressing the unfinished business of the Bogor Goals, including the Final Push in Services;
- Overall progress to implement the Lima Declaration on FTAAP;
- The proliferation of work under CTI on trade-related digital economy issues;
- *Asia-Pacific Model E-Port Network (APMEN)* has expanded its membership to 22 members from 12 economies;
- The APEC Strategic Blueprint for Promoting Global Value Chains 2020-2025 (Blueprint 2.0) (see Appendix 1);
- Progress on Economies' Implementation of the WTO Trade Facilitation Agreement (see Appendix 2);
- APEC Trade in Value Added (TiVA) Initiative Report One (see Appendix 3)
- Supply Chain Integration 4.0 through APEC Single Window Interoperability Action Plan (see Appendix 4)
- Pathfinder initiative: Building Blocks for Facilitating Digital Trade (see Appendix 5);
- 2019 CTI Pathfinder Initiatives (see Appendix 6);
- The Updated APEC Customs Transit Guidelines (see Appendix 7);
- The Customs Strategic Framework on Building Connectivity: 3M plus 3S Initiative (see Appendix 8);
- Infographic: APEC Survey of Key Performance Indicators (KPIs) Measuring APEC's Progress towards Regulatory Convergence of Drug and Vaccine Approvals (see Appendix 9); and
- APEC Recommendations on WTO SPS Measures Notifications (see Appendix 10).

Furthermore, CTI presents the following highlights from the 2019 year:

Section I: Support for the Multilateral Trading System

Throughout 2019, the CTI continued to share views on the multilateral trading system and how APEC can contribute to its strengthening and well-functioning through initiatives in CTI. Members identified areas in the World Trade Organisation (WTO) where APEC can contribute, including on e-commerce, fisheries subsidies, MSMEs, women's economic empowerment, domestic regulation of services sectors and transparency. This positive, constructive focus flowed through to discussions at the Ministers Responsible for Trade Meeting in May.

Following the 2018 achievement of the 21 APEC economies ratifying the WTO Agreement on Trade Facilitation (WTO TFA), all but one economy has notified its implementation schedule to the WTO. Singapore is leading the work on consolidating economies' progress in implementing TFA, which is shared with Ministers for information (see *Appendix 2 – Progress on Economies' Implementation of the WTO Trade Facilitation Agreement*). A range of projects were implemented to support members' implementation of the WTO TFA (see 'Trade Facilitation' under *Section III: Trade Facilitation and Strengthening Comprehensive Connectivity and Infrastructure*).

Under the initiative *Promoting Transparency through the Improvement of Sanitary & Phytosanitary (SPS) Notifications*, Peru undertook a Study of APEC Economies' SPS Notifications looking at quality and completeness of information provided in notifications. The study included contributions from the private sector and other stakeholders. A Public-Private Dialogue (PPD) was held in August to discuss the results of the Study. To build on the current work of the WTO SPS Committee, a set of voluntary recommendations has been developed to improve the quality and completeness of the WTO's SPS Notifications (see *Appendix 10 – APEC Recommendations on WTO SPS Measures Notifications*). This will facilitate trade and improve the predictability of regulations for government officials and the private sector; and could provide valuable tools for future trade agreements.

Papua New Guinea continued to implement the *Work Plan on Export Subsidy*, adopted by members in 2017. The Work Plan seeks to compile information on economies' aggregate budgetary outlay and reduction commitments to implement the 2015 WTO Ministerial decision on agricultural export subsidies.

To support APEC economies' engagement in WTO negotiations on trade-related aspects of e-commerce, CTI endorsed Japan and Chile's proposal for a Study Project on *Assessment of capacity building needs on trade related aspects of e-commerce*. The study will be undertaken by APEC's Policy Support Unit (PSU). The initiative aims to raise awareness and deepen understanding of the technical aspects related to cross-border e-commerce, including the internet and related technologies, and how the technical design of the Internet interacts with the economic environment.

The Market Access Group (MAG) followed up on 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 an additional 201 products which have evolved and have different characteristics today. MAG welcomed the commitment of all ITA II participants for delivering on the implementation steps of the second set of tariff cuts. The MAG noted the importance of the Implementation of the WTO Information Technology Agreement (ITA) expansion and encouraged members who have not yet joined the ITA Expansion to consider doing so.

The CTI continues to discuss New Zealand's proposal for *Information-Sharing to Support APEC Economies to Implement the WTO's 2017 Decision to Eliminate Subsidies that Contribute to IUU Fishing*, which seeks to increase economies' capacity to implement the commitment made by WTO

members at the 11th Ministerial Counsel to eliminate subsidies that contribute to IUU fishing through the WTO fisheries subsidies negotiations.

Section II: Advancing APEC's Regional Economic Integration Agenda

Achieving the Bogor Goals

Achieving *the Bogor Goals* for free and open trade and investment in the Asia-Pacific continues to be the cornerstone of CTI's regional economic integration agenda. Chile's proposal for *Addressing the Unfinished Business of the Bogor Goals: A Final Push in Services* was endorsed by Senior Officials and noted by Ministers Responsible for Trade. Managed by the Group on Services (GOS), the initiative will pursue work in five areas, led by champion economies:

- Progressing disciplines in domestic services regulation: United States
- Continuing the work towards developing an APEC Index for Measuring the Regulatory Environment in Services Trade in APEC, including work on the pilot project: Korea
- Facilitating talent mobility through the recognition of qualifications and skills: Australia
- Environmental services: New Zealand
- Manufacturing-related Services: Malaysia.

The champion economies will provide "thought leadership" and work actively to build consensus in their dedicated area. The Champion Economies will help coordinate work in the area, such as the projects proposals and report on progress on how the focus area is contributing to the final push. Work to implement the Final Push will continue in 2020.

To facilitate information sharing and increased transparency, the APEC Trade Repository (APEC TR), an online source of members' trade and tariff information, is continuously updated through the MAG. The Philippines is the administrator of the online portal and is responsible for the monitoring and timely updating of links provided by each economy. 2019 saw a 100 per cent increase in usage of the APEC TR in terms of the number of users, number of sessions and pages viewed. MAG committed to ensuring the use APEC TR would remain relevant to stakeholders especially the private sector. The APEC TR incorporates the following information:

- Most favoured nation (MFN) tariff rates
- Preferential tariff rates
- Rules of origin (ROO) on existing RTAs/FTAs
- Best practices in trade facilitation
- Domestic trade and customs laws and regulations
- Procedures and documentary requirements for imports and exports
- Authorized economic operator (AEOs) and information on mutual recognition arrangements (MRAs)
- List of AEOs (as available)
- The Timber Legality Guidance Template (TLGT), provided by the Experts Group on Illegal Logging and Associated Trade (EGILAT).

The MAG continued to monitor progress on economies' implementation of the APEC Pathfinder for Self-Certification of Origin.

The CTI initiated preparations for the *2020 Final Assessment of Economies' Progress towards the Bogor Goals*. The CTI agreed to the timeline for the final assessment and the use of the Individual Action Plan (IAP) and fact sheet templates through which economies will submit information on their progress regarding trade and investment liberalization and facilitation.

Implementation of the Lima Declaration on the Free Trade Area of the Asia-Pacific (FTAAP)

At CTI1, the CTI held a policy discussion on ‘The Realization of FTAAP: Views of APEC Economies’. The discussion was set to consider ways in which a common purpose might be found on the best way forward to achieve progress of FTAAP. Economies exchanged views on FTAAP, and most members remained supportive of FTAAP as an aspirational goal, calling for ongoing efforts to move forward on work related to FTAAP, highlighting the importance of providing capacity building and considering the needs of the business community.

Throughout 2019, economies undertook several initiatives, projects and capacity building to support APEC’s FTAAP objectives.

As part of PSU’s *Annual Report on Trends and Developments in Provisions and Outcomes of RTAs/FTAs Implemented in 2018 by APEC Economies*, the PSU analysed four agreements that entered into force in 2018 (CPTPP, the Philippines-EFTA, China-Georgia, Hong Kong, China-Macao, China) and three chapters (intellectual property rights, investment and rules of origin). These annual reports provide economies with a snapshot of emerging trends and in trade agreement and trade negotiation practice.

The Philippines’ *Survey on MSME/MSME-related Provisions in APEC Economies’ FTAs/RTAs* was successfully completed and noted by Ministers Responsible for Trade. The survey shows the range of options for policymakers and trade negotiators to incorporate MSME-related provisions in FTAs/RTAs; it recommends a follow-up initiative to study the effectiveness of the MSME provisions and to identify what provisions are most effective in addressing members’ particular objectives.

A project on *Next Generation MSME-Specific Provisions and Possible Next Steps*, submitted by Malaysia, was endorsed by CTI. Through a workshop in Malaysia in September 2020, this project aims to identify possible specific provisions on MSMEs that could be relevant to APEC’s FTAAP work, building on outcomes of the Survey on MSME/MSME-Related Provisions in APEC Economies’ FTAs/RTAs undertaken by the Philippines.

As part of the *Work Program on Environment-related Provisions in FTAs/RTAs*, Russia undertook a survey, which aims at identifying best practices and approaches, which can be used by interested economies when negotiating environment-related provisions or chapters in future RTAs/FTAs.

As part of the Work Plan on Tariffs, endorsed in 2017, Hong Kong, China and the PSU undertook the *Study on Tariffs*, which was endorsed by CTI. The study raises awareness of the opportunities, sensitivities and challenges of possibly lowering tariffs within the APEC region; and studies market access commitments under potential FTAAP pathways to find areas of convergence and divergence. The study found that while tariffs have fallen in general, there is scope for lowering tariffs further in some areas through participation in regional trade agreements. The region as a whole stands to benefit from such an outcome, although the impact for each individual economy may vary.

The findings were discussed at the *FTAAP Capacity Building Workshop on Tariffs*, organized by Hong Kong, China on 23 August, to enable economies to understand the impact of possibly lowering tariffs, including the developments of WTO market access negotiations and domestic practices in implementing trade adjustment policies.

Indonesia continued to implement its initiative *Understanding Non-Tariff Measures on Agriculture, Forestry and Fisheries Sectors to Enhance Rural Development and Poverty Alleviation in the Asia Pacific Region*, which aims to further develop economies’ understanding of and address NTMs in agriculture,

forestry, and fisheries sectors. As part of this initiative, CTI endorsed the following projects to occur in 2020:

- an APEC-funded project to hold a PPD and undertake a study to identify priority policies to implement NTMs provision on agriculture, forestry, and fisheries sectors within APEC economies
- a self-funded Trade Policy Dialogue (TPD) to advance the recommendations made during the PPD.

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

Singapore continued to lead efforts in the *Review and Update of the 2007 APEC Model Measures for RTAs/FTAs on Rules of Origin (ROO)*. Informal group discussions were held in 2019. Once completed, the updated model measures will be circulated to the APEC economies, and economies will be encouraged to reference the model measure when negotiating or reviewing their FTAs. Work will continue in 2020.

Russia also led its initiative *Work Program on Environment-related Provisions in FTAs/RTAs*, which aims to update and document existing data and information on inclusion of environment-related provisions into RTA/FTAs, with a focus on APEC members' experience and practices in this area, as well as to identify prospective areas for further exploration. In 2019, Russia undertook a survey and desk research.

Japan's *Work Plan on Digital Trade and E-Commerce for the Realization of the Free Trade Area of the Asia-Pacific (FTAAP)* was endorsed in May 2019. Through desk research and capacity building workshops, the initiative seeks to enhance members' understanding of digital trade/e-commerce elements of FTAs/RTAs and their capacity to negotiate comprehensive, high-quality FTAs/RTAs.

CTI continued discussions on the United States' proposals for Next Steps on State owned and Controlled Enterprises (SOEs) and a Work Program on Labor-related Provisions in FTAs/RTAs. In 2019, the United States also submitted a proposal for APEC FTAAP Investment Provisions Focused on SOEs. Consensus was not reached on the United States' proposals. It is anticipated that economies will further discuss the proposals in 2020.

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

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

1. Build APEC member economies' FTA negotiation capacity by providing a platform to share current practices and hands-on experience and exchange views on the emerging issues of FTA negotiations
2. Analyse the recent trends, policy implications and challenges of FTAs/RTAs in the region

3. Narrow FTA capacity gaps through a better understanding on different practices in FTA negotiations among member economies, thereby contributing to the implementation of the Lima Declaration.

Various CBNI projects were implemented/approved in 2019:

- *APEC Capacity Building on Domestic Consultation in RTAs/FTAs Negotiation* – led by Viet Nam and held on 22-23 March
- *APEC Capacity Building Workshop on RTA/FTA Negotiation Skills on Small and Medium Enterprises* – led by Viet Nam and held on 18-19 July
- *FTAAP Capacity Building Workshop on Competition Policy under the 3rd REI CBNI: Sharing Good Examples of FTAs/EPAs* – led by Japan and held on 24 August
- *FTAAP Capacity Building Workshop on E-commerce Elements in FTAs/RTAs* – led by Korea and held on 17-18 September
- *APEC Capacity Building on Promoting Digital Economy* – led by Viet Nam, approved in 2019
- *APEC Capacity Building Workshop on RTA/FTA Negotiation Skills on Transparency* – led by Viet Nam, approved in 2019

Next Generation Trade and Investment Issues

In 2019, economies endorsed the Implementation Review for the Final Review of the Manufacturing Related Services Action Plan (MSAP), led by Japan. The Implementation Plan includes follow-up research of the regulatory regimes and policy environment in relation to the Key Action Agenda of the MSAP; conducting a study; and holding workshops/seminars to build capacity. The study was approved as an APEC-funded project and will be implemented by the Group on Services. The final review of the MSAP will be conducted in 2020.

Investment

The IEG progressed work on the *APEC Investment Commitment Handbook* led by Australia. The Handbook provides an overview of the obligations contained in international investment treaties and the risks that states face in the event its officials violate those obligations. The Handbook is intended for government officials at all levels and in all branches (executive, legislative, judicial) that will help them avoid violating international investment obligations and potentially triggering an international investment dispute. The handbook was endorsed by IEG. It includes a Checklist for Decision-Making to provide further guidance.

IEG also continued its work to move forward the investment agenda. With respect to the *Investment Facilitation Action Plan (IFAP)*, in 2018, IEG members agreed to continue IFAP implementation through the launch of the 4th phase of IFAP (IFAP IV) with implementation focused on:

- Principle 2: Enhance stability of investment environments, security of property and protection of investors
- Principle 3: Enhance predictability and consistency in investment-related policies
- Principle 5: Build constructive stakeholder relationships.

Through discussions at IEG meetings and intersessional work, 12 out of 21 IFAP implementing economies were identified and their updates were submitted for the PSU's review. The PSU's report *Facilitating Investment in APEC: Improving the Investment Climate through Good Governance* was endorsed and will be published by the end of this year. The report found that investment facilitation actions would help stabilize FDI flows and ensure sustainability in the long-run; and a stable investment environment, secure property laws and good investor protection serve as safety nets and risk-reducing mechanisms for foreign investors.

A *Workshop on Investment and Sustainable Development in a Digital World* was jointly organised with the World Economic Forum and the Chilean Investment Promotion Agency on 22 August in Chile. The workshop fostered an exchange amongst international organisations such as the World Trade Institute (WTI), United Nations Commission on International Trade Law (UNCITRAL), United Nations Conference on Trade and Development (UNCTAD), WTO and private companies, academia and investment promotion agencies. The workshop discussed cutting-edge developments in international investment policy and practice, and how this impacts the attainment of sustainable development goals and also suggest practical, action-oriented steps that may help with achieving sustainable and inclusive investment, drawing from senior levels of policymakers and business executives.

Under the FTAAP work program on investment, China implemented a self-funded *Workshop on Optimizing Investment Measures in the Asia-Pacific* in 11-12 April 2019 in Shanghai. The workshop shared best practices and exchanged experiences of policies on investment liberalization, facilitation, promotion and protection.

Related to this, China also proposed the initiative *APEC Collaborative Framework on Optimizing Investment Measures* and a report on *Investment Measures and Best Practices in APEC Economies*. The proposal and report remain under discussion.

Finally, Australia self-funded a joint World Bank, OECD and APEC workshop on investment policy reform in June 2019. The workshop covered data collection and analytics; gender, social inclusion and sustainability; investment promotion; and options to increase domestic value-add from foreign direct investment. The discussion underscored economies' views on policy reform efforts and associated impacts. A policy report highlighting the key points of discussion was developed as an ongoing resource and circulated through the IEG.

Internet and Digital Economy and E-Commerce

In 2019, the ECSG continued to undertake activities related to the APEC Cross-Border Privacy Rules System (CBPR). Adopted in 2011 and endorsed by Leaders, the CBPR System enables businesses to demonstrate compliance with a commonly understood set of privacy standards that apply across the APEC economies, thereby establishing a level of certainty and predictability for companies that move data across borders, and an assurance of security for the individuals providing that data. During the year, the ECSG successfully completed the following activities that supports the enhancement and expansion of the CBPR System:

- Concluded the multi-year project *APEC Cross Border Privacy Rules System Implementation and Administration Assistance* by completing the revamp of the CBPR website. Led by the United States, the new CBPRs.org website is a key component of the overall communications strategy to alert stakeholders on the CBPR and the value of pursuing CBPR certification.
- At the margins of SOM 3, the Joint Oversight Panel (JOP), which oversees and administers the CBPR system, received the notice of intent submitted by the Philippines to become the ninth APEC participating economy of the System.
- Endorsed the technical updates to the CBPR documents, which was necessitated by the updated APEC Privacy Framework (2015) and other outdated references.

Accountability Agents (AAs) perform a key role in the APEC CBPR and Privacy Recognition for Processors (PRP)¹ Systems by certifying that the privacy policies and practices of participating

¹ The PRP System, endorsed by Senior Officials in 2015, is a corollary certification system for personal information processors. It is designed to help personal information processors assist information controllers in complying with relevant privacy obligations, and helps controllers identify qualified and accountable processors.

companies are compliant with the CBPR and PRP Systems program requirements. For 2019, the ECSG conducted the following key AA-relevant work items:

- *APEC Cross-Border Privacy Rules System: Fostering Accountability Agent Participation for Participants, Developing Economies, and MSMEs Benefit Workshop* – This project, led by the United States, successfully concluded two sessions in June and August that examined the steps APEC and member economies could take to expand the CBPR System, and to increase the establishment of AAs. Recommendations from these sessions are expected to be published by the end of 2019.
- The JOP also completed the following AA-related reviews:
 - Approved the Schellman and the Info-communications Media Development Authority (IMDA) as the new AAs in June 2019 and July 2019 respectively
 - Renewed the TRUSTe's and Japan Institute for Promotion of Digital Economy and Community's (JIPDEC) AA status in August 2018 and July 2019 respectively

Recognizing the importance of privacy, data protection, consumer protection and inclusion issues for e-commerce and digital trade, the ECSG has also conducted the following activities to address the challenges in these areas for 2019:

- *CIPL Workshop on Key Building Blocks for Effective Privacy and Data Protection in the Global Digital Economy* – This workshop, which was a collaboration between Chile and the Centre for Information Policy Leadership (CIPL), explored the core building blocks for effective data and privacy protection in the digital economy and society, including organizational accountability, a national data protection authority, and cross-border data flows.
- *Promoting Consumer Protection in Digital Trade: Challenges and Opportunities* – Conducted in the margins of SOM3, this workshop, led by Korea, identified the challenges in consumer protection in the era of the digital economy and explored ways to enhance cooperation, including the possibility of creating a regional cooperation framework for regulation enforcement.
- *Promoting the Participation of MSMEs in the Regional Market to Bridge the Digital Divide in APEC Economies* – Led by Viet Nam, this project will be conducting a workshop in October 2019 that focuses on expanding the internationalization opportunities for MSMEs by helping developing economies to design appropriate policies to develop the digital readiness, and hearing best practices in developed economies.

In accordance with the Senior Officials' endorsed recommendations at CSOM 2018, member economies agreed and finalised the Terms of Reference in 2019 for the newly established Digital Economy Steering Group (DESG), whereby the ECSG will be restructured into the DESG. The DESG will act as a forum to advise the SOM on implementation of the APEC Internet and Digital Economy Roadmap welcomed by APEC Leaders in 2017, and also continue to report to the CTI on the ECSG's existing work program on e-commerce and trade-related digital economy issues.

At SOM 1, the DESG also successfully organised a joint meeting with the Telecommunications and Information Working Group (TELWG) to share ideas on the implementation of APEC Internet and Digital Economy Roadmap, and also a public-private dialogue to exchange views with NGOs and private sector.

Two *TPDs on Digital Trade* were held by Chile during SOM1 and SOM3 2019. The TPDs covered a wide range of topics such as emerging issues related to the digital economy; increasing participation in digital trade, particularly by SMEs; infrastructure; cybersecurity; measurement of digital trade; regulatory environments; and how businesses use data.

To receive recognition under the PRP, a processor would be assessed by an APEC-recognized Accountability Agent (AA) via an intake questionnaire that sets forth the baseline requirements of the PRP.

Japan's initiative on *Fostering an Enabling Policy and Regulatory Environment in APEC for Data-Utilizing Businesses* was successfully completed in 2019. A PSU Study, involving 39 firms from 12 APEC economies, examined the role of data in the business models of various firms and the challenges they face pertaining to data utilization. The study also identified several middle-ground approaches that would enable governments to achieve public policy objectives, such as data security and privacy, and at the same time, promote the growth of data-utilizing businesses. A TPD was held in August to present the study's findings and discuss policy recommendations.

Peru's PPD on *Advertising Standards in the Digital Economy* was held in August 2019. The PPD discussed economies' experiences on advertising practices in the digital economy and the challenges of digital marketing in order to strengthen fair and free competition. Based on the discussions held, Peru will develop recommendations to promote voluntary self-regulation and alignment of standards for online advertising in electronic commerce (considering digital platforms, and data and competition policy).

Russia commenced its APEC-funded project on *Protection of Intellectual Property Rights (IPR) in Digital Content Trade*. The project examines challenges experienced by APEC economies in IPR protection in digital content trade and will identify best practices and ways to address the challenges through a workshop to be held in 2020.

China's self-funded workshop on *APEC Cross Border E-Commerce Training (CBET)* was held on 29-30 October in Beijing. The workshop was held to enhance trade officers' understanding of how to improve the awareness of the skills needed to enable MSMEs to participate cross border e-commerce to enable enterprises, especially women-led enterprises, to go global and to adjust policy-making to facilitate free and open trade through the digital economy.

CTI endorsed Peru's project *PPD on Promoting Consumer Protection in the Dispute Resolution and Redress Mechanisms in e-commerce* in Project Session 2 2019. The PPD will be held in 2020 and will seek to increase the capacity of government officials and representatives from the private sector related to consumer protection in dispute resolution and the redress mechanisms in e-commerce. The project looks to produce a set of voluntary recommendations to promote best practices for dispute resolution and redress mechanisms.

The CTI endorsed Australia's self-funded project *Digital Symposium*. The two-day symposium seeks to develop the skills and understanding on international approaches and policies that build digital literacy and inclusiveness. The project will identify opportunities for greater cooperation between APEC members and business on digital issues; support MSMEs (including women-led businesses) and innovation enterprises with information and tools for participating in the digital economy; and highlight approaches to harness on the opportunities in the digital economy.

The United States' proposal *Building Blocks for Facilitating Digital Trade* will be pursued as a Pathfinder initiative, with 11 economies joining as members (Australia, Canada, Chile, Japan, Korea, Mexico, New Zealand, Peru, Singapore, Chinese Taipei, and the United States, see *Appendix 5 - Pathfinder on Building Blocks for Facilitating Digital Trade*). The pathfinder seeks to examine issues related to digital trade, including cross-border e-commerce, and create a list of best practices and policy guidance that will serve as "building blocks" for economies to facilitate digital trade within and outside their economies, and to promote innovative, inclusive, and sustainable growth in the region and globally.

Singapore initiated a discussion during CTI3 on a *Permanent Customs Duties Moratorium on Electronic Transmissions*, in view of the expiry of the WTO Moratorium in December 2019. Economies shared a range of views on the proposal. Singapore encouraged economies to continue to share perspectives, with a view to further constructive dialogue and capacity building opportunities under the existing APEC Pathfinder initiative.

Global Value Chain Cooperation

A key outcome in Chile’s 2019 host year was the development of the *APEC Strategic Blueprint for Promoting Global Value Chains 2020-2025 (Blueprint 2.0)*, led by Chile and endorsed by Ministers Responsible for Trade. *Blueprint 2.0* builds on the *APEC Strategic Blueprint for Promoting Global Value Chains Development and Cooperation* endorsed in 2014, by identifying areas of improvement and incorporating with next generation trade and investment issues, recent business trends and other initiatives undertaken by APEC. *Blueprint 2.0* will contribute to free and open trade that will benefit GVCs and support sustainable and inclusive growth, taking into consideration women and disadvantaged groups.

To implement *Blueprint 2.0*, champion economies have been identified to lead implementation of the blueprint’s workstreams:

WORKSTREAM		CHAMPION(S)
1	Addressing trade and investment issues and barriers that impact GVCs	United States
2	Realize the critical role of the digital economy within GVCs	Chile; Korea
3	Cooperate on implementing and taking full advantage of statistics related to GVCs	China; United States; Indonesia
4	Strengthening the role of services within GVC	Australia
5	Promoting access to GVCs for sustainable and inclusive growth	China; Chile
6	Improve the business climate for GVCs	Chile; Russia
7	Deepen efforts to promote trade facilitation	Singapore

The CTI has endorsed the work plan for Work Stream 2. Other works plans are under development for 2020.

Chile’s workshop titled *Trade and Investment Inter-dependencies in Global Value Chains (GVCs): Are Policy Frameworks for Trade and Investment, such as Trade and Investment Agreements keeping apace?* was held in May 2019. The workshop sought to improve the understanding of how companies combine trade in the most comprehensive manner, taking into consideration issues relating to trade in intermediate goods and Trade in Value-Added (TiVA); and, investment with other cross border activities in GVCs, with a view to enhance the design of trade and investment policies to enhance future trade negotiations within APEC. From the workshop, an APEC Checklist on Trade and Investment Policy for the Next Generation of GVCs was developed and endorsed by CTI. The checklist consists in a series of questions that policymakers should ask themselves and during public consultations when they design trade and investment policies and when they negotiate comprehensive trade and investment agreements.

China and the United States continued to develop the APEC TiVA database as instructed by the *Strategic Framework on Measurement of APEC TiVA under Global Value Chains (GVCs)* and the *Action Plan on this Strategic Framework*, agreed by APEC Leaders in 2014. The TiVA will serve as an important tool to help understand better the impact of global production networks on APEC economies, and to help economies develop effective economic policies that would improve the opportunities for businesses to participate in the global economy. The United States organized the 4th *Capacity Building Workshop on Strategic Framework on Measurement of APEC TiVA under GVCs and its Action Plan* in May 2019. The main objectives of the workshop were to launch the APEC TiVA database and to provide capacity building training to members of the participating APEC economies. The capacity building focused on (1) understanding the role of GVCs in the APEC region in terms of competitiveness, economic growth, and economic integration; (2) the access and use of the APEC TiVA database; and (3) the application of the TiVA approach and APEC TiVA database for trade and FDI policy analysis. Following the workshop, the APEC TiVA Technical Group produced APEC TiVA Initiative Report One, which presents the methodologies of constructing the APEC TiVA database as well as single-economy extended supply use tables that were developed during the 5-year course of the APEC TiVA Initiative. The report was endorsed by CTI (see *Appendix 3 - APEC Trade in Value Added (TiVA) Initiative Report One*). APEC TiVA Initiative Report Two, which presents results from the APEC TiVA database will be developed in 2020.

Russia's project *Workshop on Effective Domestic Policymaking for Stimulating Economic Upgrading Through Global Value Chains* was endorsed in Project Session 2, 2019. The project looks to share best practice and policymaking experiences that led to increased gains from domestic value added production. The workshop will be held in 2020.

Russia also proposed the initiative *Compilation of Modern-Day Factors Affecting the Formation and Development of Global Value Chains*. The initiative was endorsed by CTI.

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

The CTI and its sub-fora continued to collaborate with the Small and Medium Enterprises Working Group (SMEWG), particularly to contribute to the implementation of the *Boracay Action Agenda (BAA) to Globalize MSMEs*, which seeks to foster the participation of APEC MSMEs in regional and global markets. The Philippines undertook the 2019 BAA Stocktake. The Philippines will undertake the final review of the BAA and will present the findings at a proposed forum in 2020.

Peru's report from its study of *SME's Integration into Global Value Chains in Services Industries: Tourism Sector* was endorsed and published in 2019. The study contributes to Stream 5 of the *APEC Strategic Blueprint for Promoting Global Value Chains Development and Cooperation*, endorsed in 2014, and involved cross-fora collaboration with the GOS, the SMEWG and the Tourism Working Group (TWG). The report examined the challenges faced by MSMEs in the tourism sector and proposed recommendations to better promote their integration into GVCs through innovative policy regulations.

Peru coordinated a joint initiative between the CTI and the SMEWG on a *Compendium on Methodologies for SMEs Internationalization*. The Compendium of APEC best practices, methodologies and successful stories on SMEs Internationalization seeks to align economies' efforts in positioning SMEs in regional and global markets. Contributions by Chile and the Philippines were endorsed in 2019 and join existing contributions from Peru, Mexico, Chinese Taipei and Malaysia. The compendium will be uploaded to the APEC MSME's Market Place (<https://apecmsmemarketplace.com/>), an interactive repository of APEC activities and APEC

economies' individual efforts as a tool to promote cooperation and linkages across MSMEs and other stakeholders with interest in MSME development.

Environmental Goods/Green Growth

In 2012, APEC Leaders committed to reducing applied tariff rates on 54 products in the APEC List of Environmental Goods (EG List) to five percent or less by the end of 2015. MAG has responsibility for monitoring economies' progress in implementing the commitment. Three economies have yet to fully implement the Leaders' commitment. During its third meeting for 2019, CTI tasked MAG to undertake a stocktake and report back to CTI1 2020 on outstanding tariff lines yet to be implemented by the economies and their plans to meet the commitment as soon as possible.

The Annual Conference and Capacity Building Workshop of the *APEC Cooperation Network on Green Supply Chain* was held on 26-27 September 2019 in Tianjin, China. With the aim of driving regional interconnectivity and sustainable development in the APEC region, the Conference included keynote addresses related to green supply chains in the APEC region including on policy innovation and practices, investment and trade policies, regional interconnectivity, management and evaluation tools and best practices on green supply chain management.

Advancing the Services Trade Agenda

In 2019, the GOS continued to implement the APEC Services Competitiveness Roadmap (ASCR). This effort led to several activities and meetings, concluded with the APEC Services Summit during August.

Of the 19 APEC wide actions in the ASCR, the GOS focused on a number of initiatives, including:

- Promoting services competitiveness
- Sharing of best practices on the application of principles for domestic regulations of services
- Developing an index that allow us to evaluate the regulatory environment under which services industries operate
- Conducting the study on the Manufacturing Related Services Action Plan (MSAP) and Environmental Services Action Plan (ESAP)
- Engaging with the private sector and discuss with them their views on how policies should be designed to enhance trade in services.

The GOS injected new momentum in the APEC services agenda, through Chile's *Addressing the unfinished business of Bogor Goals: A Final Push in Services*, which was welcomed by Ministers Responsible for Trade in May 2019 (see *Section II: Advancing Regional Economic Integration - Achieving the Bogor Goals*).

The GOS discussed several initiatives to advance the *Non-Binding Principles for Domestic Regulation of the Services Sector*, endorsed by Ministers in November 2018. The initiatives from Korea, the United States and Chinese Taipei seek to translate these principles into practical approaches and address different challenges of economies' domestic regulations with respect to services sectors.

GOS also held useful discussions about the intersection between WTO, bilateral and plurilateral initiatives, and APEC work on domestic regulation in services. The GOS were advised of the status of WTO discussions on disciplines on domestic regulation on services from the WTO's counselor for services. Through projects and maintaining the issue on the GOS agenda, APEC economies continue to have a platform for discussing opportunities and challenges they might face in participating in domestic regulation initiatives, including in the WTO.

With support from Korea and the United States, significant progress was made towards developing the *APEC Index*, to improve the measurement of the regulatory environment of services trade in the region. Economies will work on a pilot program, in which the Organisation for Economic Cooperation and Development (OECD) Services Trade Restrictiveness Index would serve as the working basis. Four sectors have gained support from the majority of members to be the leading sectors in the pilot program: Distribution; Computer Services; Telecommunications; and Logistics-Storage-Warehousing. Currently, four volunteer economies have participated: Chile, Chinese Taipei, Viet Nam and Peru.

Japan's research project on *Promoting Trade in Services by SMEs and Women Entrepreneurs* was undertaken in 2019. The research report investigated the status quo and the impact of liberalizing trade in services carried out in the Asia-Pacific region in accordance with the ASCR, ESAP and MSAP. and developed recommendations for promoting further participation of SMEs and women entrepreneurs in services trade.

In line with the significant achievements in the area of environmental goods, in 2015, APEC Ministers welcomed the endorsement of the *Environmental Services Action Plan (ESAP)* to promote liberalization, facilitation, and cooperation in environmental services. The implementation plan for the 2020 ESAP final review was endorsed by CTI. The final review will comprise of studies (endorsed in Project Session 2, 2019) which seek to:

- i) explore methodologies to identify the scope of environmental service;
- ii) gather good regulatory practices and to propose a capacity-building plan on licensing and approval procedures
- iii) identify capacity building needs of technicians and workers in the sectors of environmental services.

Furthermore, a capacity building workshop is intended to be held in the margins of SOM2 2020 to discuss the outcomes of the ESAP studies.

Section III: Trade Facilitation and Strengthening Comprehensive Connectivity and Infrastructure

Trade Facilitation and Improvement of Supply Chain Performance

Following the 2018 achievement of all 21 APEC economies ratifying the WTO TFA, all but one economy has notified its implementation schedule to the WTO. Singapore is leading the work on consolidating economies' progress in implementing the TFA, which was noted by Ministers Responsible for Trade in May 2019. An updated matrix is shared with Ministers for information (see *Appendix 2 – Progress on Economies' Implementation of the WTO Trade Facilitation Agreement*). APEC economies were active in undertaking capacity building activities to support members' implementation of the WTO TFA.

Indonesia held a *Workshop on Best Practices in TFA Implementation with APEC Economies: Opportunities and Challenges* on 19-20 June in Bali. The workshop highlighted the importance of TFA implementation; identified the challenges, particularly relating to regulation, in TFA implementation; and developed guidance to support APEC economies in developing policies.

In 2019, the United States, in collaboration with Peru's Institute of Trade Facilitation (IFCOM), undertook a study of Peru's compliance with WTO TFA Article 1 provisions as part of the project *Capacity Building and Technical Assistance to Implement Programs related to TFA Article 1: Publication and Availability of Information*. The program reviewed procedures, forms and taxes required by Peru's customs division to receive and process goods. A second phase of the project was also approved in Project Session 2 2019. It will build on ongoing technical assistance to volunteer economies (e.g. Peru) under Phase 1, stimulate demand from new volunteer economies, assess those economies' capacity to implement TFA Article 1, and deliver technical assistance programs to increase transparency and facilitate trade.

The United States provided technical assistance on WTO TFA Article 7.8 as part of its project *Capacity Building and Technical Assistance to Implement Programs on Expedited Shipment - Phase 2*. The project collaborated closely with members of Viet Nam's Customs Division (GDVC) to assess the challenges and opportunities for strengthening expedited shipments practices and draft a roadmap for further technical support. This roadmap identified a number of areas in which GDVC can work with the United States and private sector partners to improve supply chain connectivity. Recommendations for next steps include further capacity building and increased communication among key stakeholders, and efforts to increase the de minimis threshold with analysis on the impact of raising the de minimis to various levels.

The project *Capacity Building and Technical Assistance to Implement Programs Related to WTO TFA Article 3 (Advance Rulings) - Phase 3*, submitted by the United States was approved in Project Session 2. The project will build on technical assistance and sensitization work conducted under earlier project phases in volunteer economies such as Malaysia and Viet Nam. The project will also include a workshop in the margins of SOM1 2020 in Malaysia to feature economy-level best practices, highlight Malaysia's successes due to APEC technical assistance, and stimulate demand from other developing economies for AR-related technical assistance and training.

The *APEC Alliance for Supply Chain Connectivity (A2C2)*, an advisory group consisting of supply chain and customs experts from the public and private sectors held its ninth meeting in August 2019. The meeting was attended by more than 24 public and private stakeholders from 8 economies. The meeting served as an opportunity to update A2C2 members on the impact of capacity building programs in a range of APEC economies, with deeper discussions held relating to the United States'

projects undertaken in collaboration with Peru and Viet Nam. The Chair of the Sub-Committee on Customs Procedures (SCCP) attended the meeting and shared the work that has been carried out by the SCCP during 2019. Several areas for future collaboration were identified. In addition, the meeting sought to lay the groundwork for future initiatives during Malaysia's 2020 host year to engage economies, industry, trade associations, and other stakeholders.

The SCCP continued to support the effective implementation of the WTO TFA and its relevant provisions within the APEC Region, considering the relevant and crucial role that customs agencies play in trade facilitation. The SCCP discussed ways to improve the work of the APEC customs community to address the pending challenges remaining on the implementation of the TFA.

The PSU prepared the *Policy Brief on Customs Cooperation in APEC: Strengthening Regional Cooperation (PSU Policy Brief No. 27, July 2019)*. The policy brief explores APEC's progress in implementing Article 12 of the WTO TFA, which contains measures on customs cooperation. Results from a survey conducted by the SCCP, led by Chile and Russia, were included to supplement the analysis. The survey collected information from each economy on: (i) existing agreements concerning cooperation and mutual administrative assistance in customs matters; (ii) the kind of information exchanged; (iii) the types of channels of communication; and (iv) scope of cooperation.

To contribute to Chile's host year priority of "Integration 4.0", the CTI and SCCP actively engaged in work and discussions on issues to develop platforms for promotion of GVCs, single window interoperability, regional skills mobility, AEO programs, and international regulatory cooperation. To contribute to the promotion of regional economic integration and enhancement of the supply chain connectivity, SCCP agreed on the need to move forward to address the challenges and gaps that economies face in the implementation of their AEO programs and the promotion of their mutual recognition agreements (MRAs) among APEC customs agencies in the APEC Region.

In 2019, the CTI endorsed Chile, China and Peru's *Supply Chain Integration 4.0 Through Single Window Interoperability – Action Plan (2019-2021, see Appendix 4)* which promotes interoperability among APEC economies trade electronic single window systems (single windows), taking into account important advances in the development of domestic single windows and current examples of interoperability in the APEC region and worldwide. Implementation of the action plan will be led by CTI, in consultation with SCCP.

As part of the action plan, Chile and Peru undertook the self-funded project *Promoting the interoperability of single window in APEC: Technology solutions* to identify the best technology solution for single window interoperability in the APEC region. The project consisted of three activities:

- a study on the analyzing and reviewing the current practices for developing interoperability of single windows, the technology solution requirements, and the existing technologies available to support interoperability
- a workshop held in the margins of the Inter-American Development Bank's Single Window Conference on 29-30 August to share the findings from the study and APEC economies' own experiences regarding single windows interoperability and discussing the best technology solution for single window interoperability in the APEC region
- development of a Compendium of Best Practice Technology Solutions for Single Window Interoperability outlining current practices and recommendations for the best technology solution for interoperability, which was endorsed by CTI.

The *Asia-Pacific Model E-Port Network (APMEN)*, led by China, implemented its 2019 work plan, including its work to support Chile's Integration 4.0 priority, particularly in the topics of smart borders, smart logistics and smart trade. APMEN's purpose is to create an enabling environment for model e-

ports and promote supply chain connectivity and trade facilitation in the Asia-Pacific region. APMEN held the 5th PPD on Advancing Trade Facilitation & Supply Chain Connectivity through APMEN in August in Santiago, which focused on Supply Chain Integration 4.0, presented the achievements of APMEN Pilot Projects, and discussed the future blueprint to efficiently promote regional trade facilitation and supply chain connectivity. The 4th APMEN Capacity Building Program will be held in Shanghai in November 2019 and will bring together professionals from public and private sectors of port / E-port to undertake a two week study program and related practical experience. The CTI took note of the report 'APMEN: Visualisation of Sea Freight Logistics – Phase 1 – Findings and Recommendations'. APMEN currently comprises 22 members from 12 economies, including Singapore's PSA, Peru VUCE and Australia's 1-Stop Connections which joined in 2019.

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

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

An interim review of SCFAP II, based on external indicators was undertaken by Singapore and the PSU. The review found that APEC's overall performance has been relatively mixed despite some significant progress on some chokepoints. All external indicators addressing chokepoint 1 have improved except for the amount of physical and multiple inspections. With regard to chokepoint 2, there has been a positive change in all relevant indicators. The performances under chokepoints 3 and 5 have been relatively mixed. For chokepoint 3, some APEC averages concerning efficiency have improved, while others measuring timeliness of shipments, ease of arranging competitively priced shipments, and tracking of consignments have worsened. The reductions in these indicators are, however, minimal at less than 2 percent. Under chokepoint 5, significant progress is recorded in the UNCTAD B2C e-commerce index; although worsening performance of APEC economies in the UPU postal index calls for more efforts within APEC to improve postal services and infrastructure. Performance for chokepoint 4 relating to limited regulatory cooperation and best practices for trade facilitation has been less favourable.

Hong Kong, China's self-funded proposal on *Guidelines and Best Practices for the Adoption of Global Data Standards (GDS)* was endorsed by CTI. The project supports the APEC Ministers and Leaders' mandate to promote wider use of GDS by developing guidelines and best practices on the adoption and implementation of GDS. The work contributes to addressing Chokepoint 1 of the SCFAP II, trade facilitation measures and SMEs access to Global Value Chains (GVCs).

Progressing on chokepoint 1 of the SCFAP II, the SCCP took note of Korea's AEO Survey and results 2019 which followed the PSU Study of APEC Best Practices in AEO Programs (2016). The 2019 AEO Study identified five areas with specific opportunities for improvement: legal frameworks, SMEs, benefits for AEOs, role of government agencies, capacity building, MRAs and best practices. Members were encouraged to progress work in these areas.

To address chokepoint 5 of the SCFAP II, the SCCP held the *APEC Customs Business Dialogue (ACBD)* on 17 August, which discussed cross-border electronic commerce and customs regulatory challenges faced due to the increase of cross-border electronic commerce worldwide. The dialogue included the perspectives of the private sector and international organisations.

A key achievement of the SCCP in 2019, was SCCP and CTI's endorsement of the *Updated APEC Customs Transit Guidelines* – a tool for customs agencies and stakeholders in circumstances where the goods apply for preferential tariff treatment after having transited through a Third Party, is not part of the relevant FTA. This new tool, developed within the APEC Customs Community is expected to provide increased certainty and transparency both for customs agencies and stakeholders. It is also in line with the WTO Guidelines, the TFA and other international standards (see *Appendix 7 – Updated APEC Customs Transit Guidelines*).

The SCCP and CTI endorsed the *Customs Strategic Framework on Building Connectivity: 3M plus 3S Initiative*, submitted by Chile and China. Based on the 2014 APEC Customs 3M Strategic Framework, SCCP agreed on endeavours to build Smart Borders, enable Smart Logistics, and promote Smart Trade (3S), through a stronger cooperation in “Mutual Recognition of Control, Mutual Assistance of Enforcement, and Mutual Sharing of Information” (3M), so as to promote trade facilitation and security in a systematic approach for the better connectivity within the APEC region (see *Appendix 8 – Customs Strategic Framework on Building Connectivity: 3M plus 3S Initiative*).

In order to improve and facilitate participation of SMEs in the Secure Trade, SCCP carried out a capacity building initiative on *Integrating SMEs in Authorized Economic Operators Certification: Improving SMEs Participation in APEC Secure Trade*. The first workshop was held on 16 August 2019 and was attended by 150 representatives from the public and private sectors, international organizations and other stakeholders. The second stage of the project will be the development of two key outputs: a Manual of Best Practices based on the results of an AEO Benefits Survey in Pillar 3 of the WCO SAFE Framework of Standards, and the Customs Time Release Comparison Study on AEO MRAs between APEC member economies. A second Workshop will be held in Taipei in October 2020.

The SCCP took note of the results of the *Questionnaire on Passenger Name Record (PNR)* conducted in 2019 by Japan. The study found that for better and wider use of the PNR, domestic legal frameworks are essential, resolving data protection issues between customs and airlines, and introducing new technologies such as AI and Blockchain can add value to the PNR. SCCP expressed their intention to expand the scope of this work in the future.

The SCCP endorsed the Capacity Building Self-funded Project presented by Australia on “*The future of trade and implications for the Border Policy Dialogue*” which will be held on the margins of SCCP1 2020, in Malaysia.

Strengthening Connectivity and Infrastructure

People-to-People Connectivity

The Business Mobility Group (BMG), through the *APEC Business Travel Card (ABTC) Scheme* facilitates streamlined travel between APEC economies for businesspeople, by removing the need to obtain entry permission to fully participating economies prior to each individual trip. At 31 July 2019, there were over 345,122 active ABTCs across the APEC region, which is an increase of 10% from the preceding twelve-month period.

In 2019, the BMG reviewed and undertook further development of the ABTC to improve its efficiency and effectiveness to encourage the number of active cardholders. The BMG reaffirmed its commitment to the following key actions to help reduce transaction costs of doing business in the APEC region in support of the Bogor Goals:

- Modernisation of the ABTC to the fullest extent possible by actively pursuing:
 - Development of an ABTC mobile application platform to increase the integrity of the card. The app will provide ABTC holders from fully participating economies with a modern digital version of their ABTC, which utilises current technologies and real-time information to provide better convenience to APEC card holders.
 - An optional APEC-wide online lodgement functionality.
 - Future automation and integration between the ABTC system and members' individual border management systems, to improve the efficiency, convenience and desirability of the product.
- Improvement in the consistency and accessibility of ABTC processes, regulatory requirements and availability of public information across member economies, so that use of the ABTC is a seamless and convenient business travel experience, regardless of the origin or destination of the travel.
- Consideration of broader developments in business mobility and their interaction with the ABTC in order to inform avenues for development of business travel facilitation (including of the ABTC) in future years.

The ABTC Operating Framework was updated to allow additional eligibility criteria to further encourage and support applications from women across the APEC region. These criteria were created to further support Chile's "women and inclusive growth" priority this year.

Quality Infrastructure

In 2019, Japan continued to lead initiatives related to Quality Infrastructure, which contribute to *APEC Multi-Year Plan on Infrastructure Development and Investment (MYPIDI, 2013)* and the *APEC Strategic Blueprint for Promoting Global Value Chains 2020-2025*, developed in 2014 as a strategic guide for current and future initiatives that would bring the APEC region closer together.

In 2018-2019, under the Japan-led initiative on *Peer Review and Capacity Building on APEC Infrastructure Development and Investment*, the PSU facilitated a peer review of the institutional setup, and policies and practices in Indonesia's infrastructure development and investment in toll roads and clean water sectors. The Peer Review made recommendations in the areas of bureaucracy and regulation, support and financing facilities, land acquisition processes and risk mitigation strategies, and identified opportunities for capacity building.

CTI has worked to update *Reference Guide for Peer Review and Capacity Building on APEC Infrastructure Development and Investment*, which was endorsed in 2015 and establishes principle rules on peer review and capacity building. The update, which is still undergoing consultation, will include updates to the procedures on undertaking peer reviews and capacity building; updates to the Review Criteria of the Reference Guide; and inputs from recently peer-reviewed economies.

On 14-15 March, Japan held the *APEC Tokyo Conference on Quality Infrastructure*. The Conference was attended by participants from 20 APEC economies and 2 non-APEC economies and representatives from 6 international organisations. The Conference highlighted good practices, lessons learned, challenges and solutions to quality infrastructure (QI) development and Smart City development.

Japan's project *Promoting Smart Cities through Quality Infrastructure Investment in Rapidly Urbanizing APEC Region* was endorsed in Project Session 2, 2019. The project looks to deepen discussions on smart city and quality infrastructure investment and provide capacity building to officials responsible for smart cities development and infrastructure investment and planning sectors.

The project includes the *Conference on Promoting Smart Cities through Quality Infrastructure Investment* to be held in Tokyo in October 2020.

Malaysia's project *PPD on Emerging Opportunities and Challenges in Implementing the APEC Connectivity Blueprint 2025* was endorsed in project Session 2, 2019. The PPD aims to provide a platform for both public and private sectors (including SMEs) to exchange ideas, practical experience and strategic assessment in addressing the challenges, risks and opportunities arising from the digital economy, global value chains and other external factors during the implementation of the *APEC Connectivity Blueprint 2015-2025*. The PPD will be held in the margins of SOM3 2020 in Malaysia.

Expanding Regulatory Cooperation and Advancing Regulatory Coherence

The *APEC Regulatory Cooperation Advancement Mechanism on Trade Related Standards and Technical Regulations (ARCAM)* aims to create an institutionalized process that will provide, in APEC, early dialogue on emerging regulatory issues, with the goal of producing cooperation among regulators as decision-making occurs and preventing unnecessary technical barriers to trade.

To contribute to ARCAM, the United States' proposed its self-funded project *Sustainable Materials Policy Program (SMPP)*, which continues to be discussed in CTI. The SMPP seeks to develop the capacity of APEC economies to identify and frame domestic policies that promote waste management and recycling infrastructure, addressing barriers to trade and increasing markets for sustainable materials. The program will focus on four key policy areas: (1) supporting environmental regulation, (2) enabling legal definitions of waste and recyclable materials, (3) international materials quality and processing health and safety standards, and (4) enabling policies for recycling infrastructure investments (including Public Private Partnerships).

The Sub-Committee on Standards and Conformance (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 measures, as well as good regulatory practice through capacity building and cross-fora cooperation, including with EC. The SCSC continued its active discussions among members under SCSC Thematic priorities for 2018-2021:

1. Strengthening Good Regulatory Practices and Regulatory Cooperation
2. Strengthening Connectivity and Infrastructure Development
3. Strengthening Harmonisation, Transparency and Information Sharing.

The SCSC implemented various projects focusing on such areas as cybersecurity; good regulatory practices; harmonization of standards, climate action, food safety; and wine regulations. Nine Concept Notes from SCSC were funded in 2019.

The SCSC 11th Conference on Good Regulatory Practices (GRP) and SCSC 12th Conference on Standards and Conformance were held in the margins of SOM3, 2019. The conference provided an opportunity to give updates on GRP's in APEC economies, especially in those areas where greater work is required: transparency and public comment procedures, internal coordination of rulemaking and the implementation of TBT obligations related to notification. The United States also launched a self-funded project on building capacity in GRPs which will involve working with two pilot economies.

The results of the survey for the 7th Voluntary Action Plan (VAP) alignment work were presented by Japan. The survey was conducted on the alignment of 99 International Standards (IS) with participation of 13 economies. Japan presented a plan for the 8th VAP and beyond in which a new VAP with new target standards will be conducted each year.

The 7th Food Safety Cooperation Forum (FSCF) and the FSCF Partnership Training Institute Network (PTIN) Steering Group were held in the margins of SOM2, and included side events on food safety modernization framework, pesticide maximum residue limits and export certificates. Members confirmed the importance in reaching agreement on the FSCF Terms of Reference and Strategic Plan prior to their next meeting. Members endorsed an Food Safety Modernization Framework and two pesticide maximum residue limit (MRL) tools as well as noted further progress towards streamlining the use of export certificates for processed food.

In 2019, a primary area of CD's focus was on regulatory cooperation. To further promote this work the CD held a Latin America Regulatory Cooperation forum which included a series of discussions between government and industry participants on a range of topics including international chemical management, Strategic Approach to Chemicals Management (SAICM), obstacles to regulatory cooperation, regulatory cooperation in trade agreements and bilateral mechanisms, and progress on regulatory cooperation in Latin America. A report on the range of regulatory cooperation mechanisms available as well as a toolkit for regulators seeking to promote regulatory cooperation efforts will be developed. Future discussions may involve the development of a template for a sectoral annex to promote regulatory cooperation in chemicals. A similar regulatory cooperation activity is being planned for 2020 during Malaysia's host year.

The CD has identified risk assessments as a top capacity building need for regulators. To support this need, the CD organized a workshop with a "tabletop" exercise to enable CD delegates to go through an electronic hypothetical risk assessment exercise that used real world resource constraints and data to evaluate the risk profile of a chemical substance. APEC best practices on risk assessments, an APEC report including case studies, as well as a similar tabletop exercise will be developed for Malaysia's host year in 2020.

The Life Sciences Innovation Forum (LSIF) recognized the critical role that strong, efficient, and harmonized regulatory systems play in improving health; and congratulated the Regulatory Harmonization Steering Committee (RHSC) on marking a decade of work promoting regulatory convergence of pharmaceuticals and medical devices in the region. The LSIF welcomed continued work to disseminate solutions, standards, and best practices to reduce risk in the medical product upstream ingredient quality supply chain, and the downstream supply chain through better oversight practices on Internet sales. The LSIF is now working on the next iteration of a regional vision for regulatory convergence of medical products in APEC.

The LSIF noted the APEC Harmonization Center's (AHC) continued commitment to the LSIF's regulatory harmonization agenda. The AHC has engaged over 9,500 participants since its inception in 2009.

Section IV: Promoting Innovative Development and Inclusive Approaches

Intellectual Property

In 2019, the Intellectual Property Experts Group (IPEG) dialogue was targeted towards information-sharing, project delivery aimed at capacity-building, and related initiatives and projects, such as the development of best practices. This included facilitating a dialogue regarding the impact of IP policies on industries and innovators, micro, small and medium-sized enterprises, and the public, along with the role that enhanced and modernized IP standards can play in the region to further its prosperity.

The IPEG forum participants were encouraged to consider proposing new projects and to consider broader implications regarding emerging IP issues that all APEC economies face. This includes new and developing technologies, such as artificial intelligence, blockchain, 3D-printing, and the internet of things, which present ample opportunity for further analysis, enhanced engagement and policy dialogue, including identifying gaps, capacity-building opportunities and best practices.

The IPEG has implemented the following in 2019:

- Peru completed the project *Best Practices on Patent Commercialization for Independent Inventors*, which produced two publications:
 - Handbook for APEC Independent Inventors
 - Policy Recommendations Report for APEC Economies: Towards Increasing Independent Inventors' Success Route to Commercialization.
- Chinese Taipei completed the project *Guidelines on the Best Licensing Practices of Collective Management Organisations (CMOs) to MSMEs*, which included a workshop held in Taipei on 23-24 October and development of the booklet "Best Licensing Practices of Collective Management Organizations to MSMEs".
- Canada completed the project *Canada's "Project Chargeback" Workshop*, which comprised of a capacity-building event held in Santiago. The workshop enhanced APEC member economies' knowledge of the chargeback process and how Canada's program operates in conjunction with banks, credit card companies, law enforcement and IP right holders.
- The United States organised a half-day Seminar on Patent Grace Period to inform APEC members on the importance of having a uniform grace period standard across the region, and how such a standard can benefit SMEs, universities and institutions. As part of the self-funded project, the United States shared the results of its survey where APEC economies were asked to provide information regarding their respective policies and laws on patent grace periods.

Inclusive Approaches

The CTI contributed to Chile's 2019 host year priority of Women, SMEs and Inclusive Growth in the form of policy discussions, projects and initiatives. The APEC Secretariat Project Management Unit's Summary Evaluation of Project Monitoring and Completion Reports (August 2018 to March 2019), found that CTI was amongst the top four APEC fora that had the highest averaged female participation rates (excluding the Policy Partnership on Women and the Economy).

The CTI held an Information Sharing Mechanism on WTO-plus aspects of FTAs/RTAs in the form of a policy dialogue on FTA/RTA provisions that address the issue of inclusion. The policy dialogue was organized by Australia and presentations were given by Chile (experience with gender chapters), Viet Nam (SME Chapter of CPTPP) and Chinese Taipei (Indigenous Cooperation chapter from ANZTEC).

Canada's self-funded *Capacity Building Workshop on Women and Trade* was held on 5 March in Santiago. The workshop shared information on policies and practices that should be considered when trying to increase participation of women in trade and help them reach their full potential as participants in the global economy.

China's proposal titled *Promoting Inclusive Trade and Investment Policy in Asia Pacific Region* is under consideration by CTI. The proposal seeks to improve economies' understanding of the importance of inclusive trade and investment by holding a seminar on APEC Inclusive Trade and Investment Policies and undertaking a stocktake on inclusive trade and investment policies.

Section V: Engagement with the Business Sector and Industry Dialogues

Engagement with the APEC Business Advisory Council (ABAC)

The CTI and its sub-fora collaborated with the business community to ensure that private sector perspectives contribute to APEC's trade and investment outcomes. Throughout 2019, ABAC representatives actively participated in CTI's plenary meetings and the CTI Chair participated in ABAC's meetings to brief members on how the CTI addressed ABAC's recommendations to Leaders in the preceding year.

Highlights of private sector engagement in CTI projects and initiatives include:

- Focus on the private sector's perspective in the *Study of APEC Economies' SPS Notifications on Quality and Completeness of Information*
- ABAC participation in Japan's *FTAAP Capacity Building Workshop on Competition Policy under the 3rd REI CBNI: sharing good examples of FTAs/EPAs*
- Private sector participation in Korea's *FTAAP Capacity Building Workshop on E-commerce Elements in FTAs/RTAs*
- Participation from business associations in Viet Nam's *APEC Capacity Building Workshop on RTA/FTA Negotiation Skills on MSMEs*
- Inclusion of private sector representatives in panel discussions during the two *Digital Trade Policy Dialogues*
- Interviews with the private sector as part of the *Study on Fostering an Enabling Policy and Regulatory Environment in APEC for Data-Utilizing Businesses*
- Private sector participation in Peru's *PPD on Advertising Standards in the Digital Economy*.
- Development of Chile and the Philippines' contributions to the *Compendium on SMEs Internationalization* to highlight APEC best practices, methodologies and successful stories on SMEs internationalization
- Analysis of challenges faced by MSMEs in the tourism sector and development of recommendations in Peru's project titled *SMEs' Integration into Global Value Chains in Services Industries: Tourism Sector*
- Research on the promotion of trade in services by small and medium sized enterprises (SMEs) and women entrepreneurs through data analyses and case studies, as part of Japan's project *Research on Promoting Trade in Services by SMEs and Women Entrepreneurs*
- Collaboration with the Inter-American Network of Single Windows (RedVUCE) for Chile and Peru's *APEC Workshop on Promoting the Interoperability of Single Windows in APEC*.
- The Ninth A2C2 Meeting, which comprised of supply chain and customs experts from the public and private sectors
- Inclusion of industry representatives at the 5th Public-Private Dialogue (PPD) on Advancing Trade Facilitation & Supply Chain Connectivity through APMEN.

Automotive Dialogue (AD)

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. In 2019, the AD held its 30th Plenary Meeting on 26-28 June in Indonesia and will hold its 31st Plenary Meeting on 3-5 December in Chinese Taipei.

The agenda of the 30th AD Plenary Meeting was structured around the topics of market access, harmonization of standards and regulations, trade facilitation, capacity building and new technology with the view of ensuring more consistency and focus of the Automotive Dialogue's activities.

In particular, the 30th AD Plenary meeting concentrated an agenda item of new technologies solely on Autonomous Driving by framing the four sessions on this issue: 1) Information Sharing Session, 2) Panel Discussion 1 on Government's Perspective, 3) Panel Discussion 2 on Industry's Perspective and 4) Moderated Discussion on the Draft of the Guideline.

AD members and AD Guest (SIAM) updated their respective auto industry overviews, which cover such areas as the number of manufacturers, automotive sales, motorcycle sales, auto parts exports and imports, market outlook, changes in tax structure, and influence of FTAs on the auto industries.

The compendium of motor vehicles related taxes in the APEC region has been updated and the Report on Customs Valuation was presented. In addition, AD members discussed issues on integrating SMEs into Global Value Chains in the automotive industry. One capacity-building project on SMEs and Global Value Chains in the Automotive Industry was presented at the 30th AD Plenary Meeting.

As part of their efforts to explore new agenda, AD members have discussed issues related to autonomous driving since the 28th AD Plenary Meeting. The discussion aims at developing a guideline on autonomous driving, which may present a broader but guided policy direction toward autonomous driving. At the 30th AD Plenary Meeting, AD members were dedicated to discussing the first draft of guideline on autonomous driving under the agenda item of new technology. As a result, AD members agreed on the time schedule for developing this guideline aiming at finalizing the guideline by the 32nd AD Plenary Meeting, which will be held in Malaysia.

In addition to the above new agenda item of autonomous driving, AD members discussed vehicle safety-related issues for elders. Two presentations on the Vehicle safety Standards and road safety-related issues in an aging society were made at the 30th AD meeting. Furthermore, AD members agreed that safety issues related to not only vehicles but also motor cycles would be discussed at future AD meetings.

The AD is seeking cross-fora collaboration with relevant APEC Working Groups when it finalizes the guideline on autonomous driving. AD members plan to communicate with relevant APEC working groups such as TPTWG to seek their comments and inputs on the text of the guideline. As part of this plan, AD members agreed to invite TPTWG members to the upcoming AD meeting in Chinese Taipei.

Throughout this year, the Automotive Dialogue continued to share their best practices in auto industrial policies, update their respective auto industry outlooks and strive to explore new agenda items that have policy implications. AD members successfully built the substantive base for discussing the autonomous driving issue by presenting the initial draft of the guideline.

Chemical Dialogue (CD)

The CD's achievements in 2019 include:

- The CD endorsed and submitted an annual report regarding implementation of the Globally Harmonized System for the Classification and Labeling of Chemicals (GHS) to the Ministers Responsible for Trade.
- The CD agreed to develop a regional contribution to the SAICM intersessional process;
- The CD endorsed an Executive Summary of the Survey of Review of Chemical Management Regulatory Systems Worldwide.

- The CD's and Ocean and Fisheries Working Group's (OFWG's) Virtual Working Group on Marine Debris collaborated with ABAC, the Asia-Pacific Financial Forum, and the Asia-Pacific Infrastructure Partnership to organize a conference on *Building the Infrastructure for the Circular Economy in APEC*.

To highlight the importance of the chemical industry to APEC supply chains and economies, the CD noted the intention of 10 chemical industry associations across the APEC region to seek a renewed commitment by Ministers to advance regional economic integration to strengthen the chemical sector in the Asia-Pacific. The 10 associations pledged their continued commitment to advance progress within APEC, through the critical work of the CD, and to ensure the achievement of its goals.

Group on Services (GOS)

Throughout 2019, the GOS incorporated private sector participation in its events, including the APEC Services Summit. The GOS continued its collaboration with the OECD, particularly in relation to its work on measuring the regulatory environment of services trade in the APEC region, specifically on the pilot project.

GOS has been enhancing its collaboration with the Asia-Pacific Services Coalition, which held a series of PPDs. During the Services Summit, the GOS hosted a PPD on "Contributing to the Final Push and Implementing the APEC Services Competitiveness Roadmap in a digital era."

ABAC continues to make services one of its focus areas. ABAC provided their recommendations for priority areas for the final push in services – and presented the GOS with a proposal that seeks to improve the transparency and accessibility of services regulation information in APEC economies.

Life Sciences Innovation Forum (LSIF)

The LSIF collaborated with the Health Working Group (HWG) to organize the 9th APEC High-Level Meeting on Health & the Economy (HLM9) during SOM3 in Puerto Varas, Chile. HLM9 explored the opportunities and challenges that aging populations present in enabling sustainable economic growth and development across economies. The LSIF endorsed the HLM9 Joint Statement.

To further understand the achievements of the LSIF in life science regulatory convergence, LSIF member economies endorsed nine key performance indicators (KPIs) in 2017 and agreed to undertake research. The research found that all KPIs had at least two-digit growth across the region from 2008 to 2019. This demonstrates the significant role the LSIF in playing to promote regulatory convergence of drug and vaccine approvals. The research was illustrated in the *Infographic: APEC Survey of Key Performance Indicators (KPIs) Measuring APEC's Progress towards Regulatory Convergence of Drug and Vaccine Approvals* (see Appendix 9).

The LSIF welcomed the exploratory dialogues held in Japan and Thailand and encouraged expressions of interest from additional economies as well as utilization of the APEC Checklist of Enablers for Alternative Health Financing to help promote multisectoral engagement and partnership in the health financing sector.

The LSIF recognized tuberculosis (TB) as a major public health concern and a serious threat to global health and economic security and encouraged multi-sectoral actions for rapid methods of diagnostics and treatment of TB, including latent TB, MDR-TB, and XDR-TB, especially in immuno-compromised individuals and in "last mile" settings.

The LSIF called for greater cross-ministerial and multi-sectoral collaboration to advance medical life sciences innovation. APEC economies recognize that participation in the global medical life sciences ecosystem can reap significant benefits in terms of enhanced economic and health outcomes and that it can be leveraged as a springboard to drive broader innovation and investment across the economy. The LSIF endorsed the report of the LSIF Policy Dialogue on Enabling Investment in the Innovative Life Sciences (May 2019) and its recommendations.

The LSIF welcomed the progress made by APEC LSIF Biomedical Technology Commercialization Center (TCTC). University technology transfer managers in the APEC region are being trained on how to value their discovery and bring it to market.

The LSIF recognized the potential for technology to positively change all aspects of the healthcare sector and create a new era of digital health, where data analytics, mobile applications, telemedicine, and other technologies can prevent disease, help patients monitor and manage NCDs, lower the cost of healthcare delivery, and make therapies more tailored to individual needs. The LSIF welcomed work in APEC to support policy and regulatory environment development, as well as industry standards, that can enable digital health innovation while protecting patient privacy and ensuring product security.

The LSIF recognized that Antimicrobial Resistance (AMR) is a global problem, which, if left unchecked, will pose a significant public health challenge and burden to healthcare systems and economies. The LSIF supports a multi-sectoral “one-health” approach to addressing AMR that consists of, infection prevention and control, including vaccination across the life course, surveillance, effective stewardship, manufacturing, multi-stakeholder partnerships, enhanced regulatory frameworks and incentives and new business models to support R&D and a sustainable marketplace.

The LSIF recognized that the goals of the Healthy Asia Pacific (HAP) 2020 Initiative cannot be achieved unless APEC economies meet the needs of people living with rare diseases and their caregivers. The LSIF encouraged continued implementation of the APEC Action Plan on Rare Diseases, taking into account local context and public healthcare policies of individual member economies, through activities led by the LSIF Rare Disease Network.

The LSIF reaffirmed the importance of ensuring availability and timely access to quality, safe, and effective blood and blood components. The LSIF endorsed the white paper on raising and converging standards for blood through screening and processing centers of excellence, and efforts to address barriers to the provision of plasma-derived medicinal products.

Section VI: Streamlining CTI and CTI Sub-Fora

CTI Sub-Fora Assessments

In 2017, Senior Officials endorsed a paper on governance reforms that, among other things, required all APEC sub-fora to include a sunset clause in their Terms of Reference. CTI sub-fora complied with these requirements in 2018, with most four-year mandates running until the end of 2021.

The CTI held discussions throughout 2019 to consider an appropriate method for CTI to assess its 11 sub-fora and make recommendations to Senior Officials regarding their continuation prior to the expiry of their Terms of Reference.

The CTI endorsed a sub-fora assessment methodology which use both quantitative and qualitative information to produce an overall assessment report for each of the 11 sub-fora. The methodology will make use of existing meeting and project data collected by the APEC Secretariat, information reported to the CTI in the twice-yearly Convenors' reports, short annual questionnaires for economies conducting self-funded projects, and four-yearly surveys of sub-fora and CTI. The sub-fora assessment reports will be compiled in July 2021, with a view to making recommendations on mandate renewal to Senior Officials during SOM3 2021.

To enable more time for the CTI to hold strategic policy discussions, the CTI Chair encouraged the utilization of sub-fora's expertise in implementing relevant initiatives and projects.

Pathfinder Initiatives

Economy leads for six CTI Pathfinder initiatives provided an update to members on recent activities under their Pathfinder (see *Appendix 6 – 2019 CTI Pathfinder Initiatives*). Four Pathfinders will continue to be implemented. Korea, as lead for the Inclusive Trade Initiative, recommended that the Pathfinder be remain on hiatus while work on Case Studies on Inclusive Policies is undertaken in the SOM Committee on ECOTECH. The United States advised that the Pathfinder Initiative on Implementation of APEC Policies on Trade and the Digital Economy, which was mandated by APEC Leaders, was no longer active. The Pathfinder had served its purpose and a broad range of work on trade related digital economy issues currently takes place across APEC's various fora.

CTI Chair 2020-2021

CTI members selected Ms Krasna Bobenrieth from Chile as the Chair of the CTI for 2020 and 2021.



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