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APEC: SOM III - Canadian Delegation Report
St. John's, Newfoundland, Canada August 29-31

SUMMARY:

The third Senior Officials Meeting (SOM III) took place in St. John's Newfoundland, 29-31 August, marking the final official SOM in Canada in 1997. The ambience and energy around the meeting was fueled by the flurry of experts' discussions on Early Voluntary Sectoral Liberalization (EVSL), which took place during week prior to Senior Officials' arrival. In the final sprint towards Vancouver, a Special SOM will take place in Singapore, October 27-28, to prepare the terrain on EVSL for Ministers/Leaders' discussion. SOM III agenda was designed to focus discussions on "products" for the Vancouver AELM, moving away from the broader discussion of deliverables which took place at SOMs I and II. Canada was successful in achieving its objectives, namely: (a) move forward on the "Product Line" of deliverables for Vancouver, including a stand-alone Leaders' initiative for infrastructure and the possibility of establishing an APEC Infrastructure Facilitation Centre in Vancouve! r; (b) continue momentum for volu ntary liberalization, particularly in the environment and fish sectors; and (c) approve Canada/Philippines' joint proposal to host an APEC's Women's Ministerial in 1998.

Key outcomes of SOM III included agreement to guidelines and deadline for submission of improvements / implementation of Individual Actions Plans (IAPs), and containment of China's pursuit of an Economic-Technical Cooperation Committee (ETC). SOM III also marked the occasion of the plurilateral review of Canadian and Hong Kong IAPs; and the "self-destruction" of two APEC

fora, (i.e. Task Force on Management Issues (TFMI) and the Tariff Database Task Force). During informal discussions, Senior Officials reached consensus on membership guidelines for endorsement by Ministers. Senior Officials also had a good exchange of views on the non-paper on engagement of civil society at a separate informal closed session; and they reviewed preliminary substantive and logistical plans for the AELM at a retreat.

Prior to SOM III, meetings of the Committee on Trade and Investment (CTI) the Economic Committee (EC), and the Task Force on Management Issues (TFMI) were held. Separate reports to follow. PLD finished off the final SOM in Canada in 1997 with a very animated reception featuring skits by all 18 delegations, local Newfoundland culture, and a collection of sights and sounds from SOMs I and II.

2. REPORT: Having arrived in St. John's direct from his meeting with the Prime Minister earlier in the week, SOM Chair MLE, opened the meeting by noting the challenging task to reach consensus on a package of products and deliverables for the APEC Economic Leaders Meeting (AELM). Consensus was reached on the "Vancouver Product Line". This includes a Leaders' stand-alone piece on infrastructure, and "APEC Annual Results Report" -- a reader-friendly publication which will be released in November highlighting 1997 accomplishments on TILF, ECOTECH, and Strengthening APEC (details to follow).

3. ECONOMIC COMMITTEE (EC): EC Chairman, John Curtis presented his report on the year's work which included excellent progress made in its analytical and research studies in support of APEC's trade liberalization agenda, highlights of EC's contribution to SOM Chair's infrastructure initiative, as well as an update on the FEEEP symposium held from 1-4 September 1997. Japan and Australia presented a summary of their work on the Food Task Force, which will serve as their contribution to the 1997 interim FEEEP report to Ministers and Leaders. EC Chair committed to completing a FEEEP report incorporating APEC's work to date on this long-term issue for the week of 15 September, which SOM will then consider and bring to Leaders' / Ministers' attention.

4. INFRASTRUCTURE: Indonesia, as chair of infrastructure task force, presented an update; and Mexico reported on the Public-Private Sector Dialogue on Infrastructure in Los Cabos in June, noting that Chinese Taipei will organize a session in 1998. Canada was commended for its revised infrastructure paper which incorporated aspects of sustainable growth. SOM Chair was subsequently given the "green-light" to turn the paper into a draft "green paper" (also to feed into Leaders' discussion), and a declaration which should be a short, punchy, political statement. New Zealand and Australia recognized APEC's role in providing the necessary policy framework on infrastructure for business to operate. Developing economies led by China commented on the need for the paper to emphasize resource-based development and knowledge-based growth. USA noted that the paper should not be submerged with an environment perspective, but maintain an audience for business. Recognizing the ! amount of information already avai lable on this issue, SOM also agreed that the APEC Infrastructure Facilitation Centre proposed by Canada was worth exploring as an example on how to operationalize APEC's approach on infrastructure. This "centre" would form part of a network to bring together existing initiatives and would have direct involvement of the private sector, perhaps via pilot projects (details to follow).

5. ECONOMIC OUTLOOK: Korea reported on its progress for the 1997 Economic Outlook, which should be finalized in mid-October and published in time for November. Thailand, supported by several members of ASEAN, opened the floor to comments on foreign exchange instability and suggested that this issue be addressed in the Outlook. As APEC finance officials are already discussing this matter, Canada, as incoming chair of Finance Ministers' process next year, offered to coordinate closely with the drafters of the Outlook and provide assistance to making sure the Outlook is accurate and completed on time.

6. MANAGEMENT OF APEC'S ECOTECH AGENDA: The Chair presented this item by referring to the three options presented in the discussion paper (previously circulated to Posts). China made an impassioned intervention on the need for an Economic and Technical Cooperation Committee (ETC). Support was expressed by various delegations, especially representatives of developing economies, which signals a significant evolution of positions since SOM II. China's successful lobbying in support of ETC is not viewed as recognition that ETC would be an innovative tool for effective management in APEC, but instead as an opportunity for developing economies to redress the perceived imbalance in favour of the TILF agenda and its related TILF activity. USA led resistance to ETC arguing that key issue was ensuring quality outputs rather than focus on bureaucratic process. SOM Chair noted that more work needs to done in this area. As a compromise, the Chair proposed that SOM retain coordi! nation and management of ECOTECH a ctivities for the time being, and the Committee of the Whole (COW) process which was introduced in May, should continue in 1998. The issue of longer-term management of the ECOTECH agenda should be expected to be first on the agenda in 1998, with China aggressively continuing its pursuit of an ETC.

7. APEC BUSINESS ADVISORY COUNCIL (ABAC): The ABAC Chair, Canadian Paul Gobeil, presented a report on activities for 1997, which includes conducting a business-oriented assessment of the MAPA and securing implementation of ABAC's 1996 recommendations to Leaders. SOM noted that APEC can provide a credible response to the 1996 flagship recommendations, which the SOM Chair's office will draft in consultation with Senior Officials.

8. CTI REPORT: The Chair of the CTI provided an update on work undertaken by the Committee throughout 1997. Focus of work centred on discussions / negotiations re. sectors which should be considered for early liberalization, although CTI Chair also emphasized that extra effort will be given to highlighting major TILF deliverables through anecdotal evidence and media friendly backgrounders. CTI also managed to reach consensus on series of guidelines for IAP revisions / reporting, as well as agreement to new terms of reference for Customs and Standards Sub Committee and creation of a new group on Market Access Issues to be led by Singapore. SOM commended CTI's supporting work, particularly in advancing the process for EVSL. The 1997 CTI Report to Ministers is on track for November; and the CTI is well positioned to remain an effective vehicle in APEC's pursuit of TILF objectives.

9. AUSTRALIAN PAPER: Australia presented its paper on "Explaining the Benefits of Trade Liberalization" which was undertaken to provide a better understanding of the impact of trade liberalization to the broader community. Broad support was expressed, but some economies alerted to the possibility of duplication with the EC's work, which the Australians will consider when they present a more detailed proposal in November. Canada also noted that to avoid criticism, the study should consider the "impacts" of trade liberalization rather than just a recitation of its benefits.

10. IAPs: The SOM Chair noted that 17 member economies had submitted improvements and/or reports on implementation action to SOM III (PNG informed that although their submission was delayed due to a recent election, its reports will be in before October 1). There was also a discussion on how IAPs should be presented to Leaders, and the SOM Chair reiterated that a report would be developed which highlights areas of the Osaka Action Agenda where substantive improvements have been carried out. Deadline for submission of improvement and implementation reports to SOM Chair is October 1, using the approved APEC Secretariat format. Revised IAPs are due, in electronic format, to SOM Chair on October 30.

11. PLURILATERAL CONSULTATIONS: Following Chile and New Zealand's example at SOM II, Hong Kong, China and Canada held plurilateral consultations on their IAPs. The Chair noted that this approach complements the bilateral consultations which continue to take place, and both mechanisms are effective towards improving the transparency and quality of IAPs. Although

Indonesia has stated a strong preference for bilateral consultations over plurilateral review, it did not stop them from attending reviews of Canada and Hong Kong, China, and posing detailed questions. Both Canada and Hong Kong, China will compile a comprehensive list of questions and answers for SOM colleagues. Philippines has hinted they may consider placing their IAP for review in the next round of such consultations, in 1998.

12. EARLY VOLUNTARY SECTORAL LIBERALIZATION (EVSL): Members nominating sectors presented key elements of their proposals in an informal meeting prior to SOM III, which was then followed by extensive bilateral and plurilateral meetings of experts. By the end of SOM III, work had been advanced on merging nominations in several sectors, with Canada leading with the first joint nomination for the fish sector. Given the large number of nominations (62 and counting), agreement was reached that another meeting would be required to adequately lay the groundwork for discussions on this issue amongst Ministers in Vancouver. Senior Officials will meet again at a Special SOM in Singapore, October 27-28 following the meeting of sectoral experts prior to CTI IV, also in Singapore.

The CTI Chair presented to SOM a chart of nominations including preliminary indications of support by member economies, the first stage in building critical mass. Canada managed to keep many of its nominations at the front. As well as the success of fish (e.g. Canada drafting a nomination that merged 5 proposals and has gained the support of at least 11 economies), Canada also drafted a joint nomination for 3 economies on oilseeds, initiated work with Japan on a joint nomination on fertilizers, and is holding the pen on a potential joint nomination on the environment. There was heated debate in the restricted SOM session on EVSL, with some member economies trying to slow down the process by opening up discussion on certain fundamental principles and definitions (e.g. what is "critical mass"?) Several economies insisted on using the open plenary to reiterate their views on the record. In this vein, Chile registered its position that sectoral liberalization is not the rou! te to go, especially given its uni form tariff regime; while US maintained that such an approach (i.e. "big bang" announceable on sectors in Vancouver) would be the only way to keep Leaders' engaged in APEC.

13. TRADE FACILITATION: SOM welcomed the CTI Chair's reports on "Focused TILF Package" and the "High Profile TILF Deliverables" which included a series of draft press releases. SOM Chair office will work closely with CTI Chair in coordinating broader communications plan.

14. SECTORAL MINISTERIAL MEETINGS: SOM welcomed the reports on the Transportation and Environment Ministerials which took place in June, as well as the recent Energy Ministerial. They took note of the upcoming Ministerials in September on Small-Medium sized Enterprises in Ottawa, and Human Resource Development in Korea.

15. WOMEN: SOM endorsed Philippines' and Canada's joint proposal to host a Women's Ministerial in 1998. Although no member economies objected, many did emphasize that this should be a "one-off" event focused on economic development issues and integrating women into mainstream of APEC activities.

16. YOUTH: SOM received Canada's proposal for the APEC Youth Network (AYN), but some economies (led by Australia) questioned value-added and noted that the proposal may stretch limited resources. Malaysia was concerned about the "legacy" they would be responsible for maintaining in 1998 and did not wish to institutionalize this proposal. Chair emphasized that this network would be established on a one-year pilot basis, and AYN would coordinate with other related APEC activities. FYI only, in light of the lukewarm reception, we will be reassessing how best to proceed and advance this proposal. Korea took the opportunity to update SOM on the APEC Education Foundation which is an independent grant-making organization that supports research, scholarship, and educational

programs related to the APEC region. SOM also took note of Canada's initiative on a Youth Internship Exchange which will be presented to the HRD Ministerial Meeting in Korea.

17. BUDGET AND ADMINISTRATIVE COMMITTEE (BAC): The Japanese Co-Chairs of the BAC reported on the results of their meeting in July. SOM endorsed the report and its recommendations, including a budget of US $2.24 million for administration and US $1.76 for Operations. The significant increase in contributions for 1998 (approx. 30%) came as a surprise for Canada and other members. SOM Chair requested that the APEC Secretariat work with the BAC to implement an early-warning system to alert members to anticipated increases in members' contributions.

18. TASK FORCE ON MANAGEMENT ISSUES (TFMI): Senior Officials recognized that the Task Force has significantly contributed to improving and streamlining APEC operations. The final report of the Task Force included six recommendations put forward to Senior Officials. SOM imposed a moratorium on any new APEC database proposals that would need Secretariat support, until the review of current APEC databases and implications for Secretariat resources is completed. SOM also strengthened the statement that non-members not be "allowed" to attend Sectoral Ministerial Meetings; but could not reach consensus on delegating authority to approve non-member participation in one-off APEC policy committee activities. After heated debate and commendable efforts at compromise suggested by Indonesia, Chile and New Zealand, the issue was thwarted by China alone. SOM noted this item for further consideration.

19. SECRETARIAT REPORT: The Executive Director of the APEC Secretariat, Jack Whittleton, presented a report of Secretariat activities since SOM II, and progress reports from Working Groups were circulated, for information. SOM Chair commended the Executive Director for his direction of the Secretariat and noted the high quality of its work. Under the Secretariat's report, application for non-member participation of Peru in the Energy Working Group and the Trade Promotion Working Group; and Vietnam in the Agricultural Technical Cooperation Working Group were endorsed. SOM also approved the proposal to invite the International Energy Agency to the 15th Meeting of the Energy Working Group.

20. OTHER: SOM welcomed the written report of APEC Study Centres and the briefing by the representative of South Pacific Forum. Malaysia spoke briefly on its work program and meetings for 1998, which proposes that SOM I take place in Batu Ferringhi, Penang from 16-18 February; APEC Trade Ministers and SOM II take place in Kuching, Sarawak from 29 May - 3 June; SOM III is scheduled for Kuala Lumpur from 3-5 September; and the 1998 AELM in KL from 22-23 November. Pending further details, Malaysia also indicated that a SME Ministerial will likely take place in September 1998. The theme for 1998 will centre around developing a framework for "Harnessing Technologies for the Future" and human resource development.

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