

**APEC ECONOMIC COMMITTEE
FIRST PLENARY MEETING FOR 2014
23-24 February 2014**

Ningbo, China

CHAIR'S SUMMARY REPORT

Agenda Item 1: Friends of the Chair Group (FoTC) Meetings

FoTC coordinators held meetings for their groups during the morning to discuss work plans, ongoing projects, and new ideas for how the FoTC could take forward the Economic Committee's (EC) work. Report-outs from these meetings are listed in Agenda Item 6 below.

Agenda Item 2: Chair's Opening Remarks and Introduction

The new EC Chair Rory McLeod introduced himself and welcomed all delegates to the first meeting of the EC for 2014. EC members briefly introduced themselves.

Agenda Item 3: Adoption of the EC1 Plenary Agenda

The EC adopted the draft agenda as final.

Agenda Item 4: Overview of APEC 2014 Priorities

The EC was briefed by the Chinese SOM Chair's Office, APEC Business Advisory Council (ABAC), Pacific Economic Cooperation Council (PECC), and later the Committee on Trade and Investment (CTI) Chair, on their respective priorities.

The SOM Chair's Office stressed that priority one for China this year would be advancing regional economic integration. China's second priority is promoting innovative development, economic reform, and growth. China's third priority is strengthening infrastructure development. China stressed that the *APEC Blueprint on Connectivity* needs to be developed, along with people-to-people connectivity.

China went on to propose three streams of work for the EC:

1. ANSSR and existing programs;
2. Improving the level of existing cooperation;
3. Introduce new areas of cooperation, especially sustainable quality growth.

China mentioned five potential areas for cooperation:

1. Economic reform;
2. New economy;
3. Innovative growth;
4. Inclusive growth; and
5. Urbanization.

The EC Chair asked about the significance of the "middle income trap" for China. China responded that this is an important area to long term development in APEC economies, and stated that growth model change is happening now. According to China, this area should be discussed in conjunction with structural reform and innovation in order to be useful.

Agenda Item 5: Overview of Activities Across APEC Fora

ABAC next addressed the EC. The ABAC representative informed ABAC of its four-part services action plan. It is also looking at services as part of a supply chain study in cooperation with the Policy Support Unit (PSU), PECC, and Hong Kong. ABAC also mentioned the challenge of movement of labor and immigration. It is building a skills map for the region, but needs more economies to participate.

PECC next addressed the EC. The PECC representative echoed the China SOM Chair's remarks, stating that large structural changes are occurring in the region. According to recent studies conducted by PECC, failure to implement structural reforms is considered the second largest risk to growth. Structural reforms are also important for inclusive growth. The PECC representative also pointed out the challenge that the EC will have in coordinating its work with that of other committees.

Agenda Item 6: Advancing EC Objectives: CPLG and FoTC Work Plans

The Competition Policy and Law Group provided an update of the work plan. The CPLG endorsed the *APEC Training Course on Competition Policy 2014*, to be held in Kazan, Russia, in October 2014. The CPLG also reported the plan for redesigning the website of the Competition Policy and Law Database, and updated the development of competition policy and law in the Asia-Pacific region. Furthermore, the deeper international enforcement cooperation among APEC competition jurisdictions was encouraged.

The Competition Policy FoTC Group reported that they are considering further ANSSR projects for later this year, and is working with the Australian Productivity Commission to consider further activities in 2014 with Peru, Thailand, and Papua New Guinea.

The Corporate Law and Governance FoTC Group reported back on the lessons learnt from the financial crisis. It was noted that New Zealand's restructuring of the Financial Markets Authority provided efficiency in enforcement. Viet Nam proposed a *Capacity Building Workshop on Improving the Use of PPP in Infrastructure Development*. After discussion, it was agreed that Viet Nam would work inter-sessionally on the development of this Workshop, and that the concept note would be considered at EC2.

The Ease of Doing Business FoTC group provided updates on EODB activities. The US-ATAARI reported that they were undertaking capacity-building work. They are also working with Viet Nam at EC2, providing assistance to Papua New Guinea, and working with Brunei on the issue of starting a business. There were activity updates from Malaysia, Korea, Chinese Taipei, Singapore, the Philippines, Hong Kong China, the United States, Thailand and Indonesia. Korea also presented on the impact of its e-court experiences on the Ease of Doing Business. The US raised the idea of holding an annual Good Regulatory Practice (GRP) conference, to be shared between the EC and the Sub-Committee on Standards and Conformance (SCSC).

The Public Sector Governance FoTC group reported back on the outcomes of the APEC roundtable discussion on *Anti-Corruption and Public Sector Governance (PSG)*. Member economies shared their experiences and common trends were summarized. Chinese Taipei proposed to hold a one-hour policy discussion on *Improving the Quality of Public Service* at EC2. Economies agreed on the draft proposal of the policy discussion, which will focus on the incentive mechanisms advancing efficiency and quality of the public service delivery. Chinese Taipei will invite international experts and two to three economies to share their practical experience in the discussion.

The Regulatory Reform FoTC group reported on the *Case Studies on Promoting Investment in Green Industries* in collaboration with the PSU, and the policy dialogue on regulation for promoting investment in green industries and shared best practices. The policy priority areas are improving the business environment for SMEs, promoting sustainable growth, and promoting innovation. The FoTC is currently working with the PSU on a regulatory reform project on *Case Studies on Promoting Innovation*.

The CTI Chair, John Larkin, briefed the EC on the CTI's activities. He cited several CTI activities being undertaken to support China's goals, including work on supply chain connectivity and customs, work on FTAs/RTAs, and advancing infrastructure investment.

Agenda Item 7: APEC Economic Policy Report (AEPR) 2014 Planning Session

Japan is coordinating the 2014 AEPR on Good Regulatory Practices (GRPs) and provided the outline of the AEPR for 2014. Chapter 1 is to focus on the principles of GRPs, which is to be drafted by the United States. Chapter 2 will examine the key elements of GRPs, which is to be drafted by China. Chapter 3 will consist of a summary of Individual Economy Reports (IERs), to be coordinated by Japan. It was noted that the first drafts of Chapter 1 and 2 will be circulated in July 2014.

During the discussion, several economies expressed that it would be undesirable to have just another update on the baseline study. Indonesia suggested that the report could provide more examples of experiences and challenges raised instead. Chile and Canada voiced concerns about their ability to provide new updates for the IERs. Canada questioned the value-added of the report. The EC Chair took note of the need to progress beyond the baseline study and the desire to be more ambitious. The United States said that it would like to build on the 2013 report and sharpen the focus instead of duplicating it. Japan stated that the organizing committee would work on these issues before the deadline.

With regard to AEPR 2015, economies considered how the topic for 2015 could support China's themes. Indonesia suggested having the report on a specific issue, such as the EODB. New Zealand was supportive of progressing more ambitious agendas for 2015, particularly in the space of connectivity in innovation, which would fit with China's goals. It was decided that individual economies would be consulted to develop a shortlist for 2015.

Agenda Item 8: Media Relations, Communications and Outreach

This item was eliminated due to time conflict.

Agenda Item 9: APEC New Strategy for Structural Reform (ANSSR)

Russia provided an update on the ANSSR mid-term progress report. Russia described the main outcomes of the preparation process and emphasized the goal of implementing structural reform by the end of the ANSSR process in 2015.

The APEC Secretariat provided an update on the ANSSR Sub-Fund and allocation of the funds. It was emphasized that projects should be strategic, valued at over USD 200,000 and longer-term if possible. The amount available for 2014 is currently USD 1,239,000.

Report on On-going ANSSR Projects

Mexico reported back on the workshops it ran relating to the *Development and Implementation of Methodologies to Improve the Quality of Regulations and Regulatory Impact Assessments for Enhancing Market Openness, Ensure Transparency and Promote Economic Growth*. Viet Nam thanked Mexico for the insight and experiences in the report, and encouraged other economies to

utilize this report. The United States also thanked Mexico for its good work, noting that the United States looked forward to working with Mexico on strengthening and conducting Regulatory Impact Analysis.

Viet Nam reported back on its APEC Seminar on *Sharing Experiences in Developing and Implementing New Growth Paradigm*, and provided a summary of its project: *Capacity Building to Improve the Effectiveness of Public Project Appraisal in Viet Nam*. Key recommendations from this included improving the legal framework, increasing responsibility and accountability of public officials and further capacity building. Suggested ways forward included the reform of SOEs, involvement in the planning process and work agenda of the Viet Nam government and collecting feedback. Australia expressed that it was happy to be involved in the projects submitted by Viet Nam.

Malaysia reported back on its project: *Enhancing the Quality and Relevance of Technical and Vocational Education and Training (TVET) for Current and Future Industry Needs*. Conclusions drawn were that the industry should be more actively involved from the onset of the development process, and the Occupational Framework and Occupational Competency Standards should be developed according to best practices in economies with established systems in place. These standards should bridge industry requirements of competent workers and the training and assessment of potential candidates. Indonesia suggested that Malaysia could share their broader seminars with other EC members. Malaysia proposed inviting members who had participated in the benchmarking process.

Chile gave a presentation on its project: *Government-to-Citizens (G2C) Service Channels: Bringing the State Closer to the People in APEC Economies*. It shared its experiences in structural reform and challenges in implementing the one-stop-shop format. Chile considered that the project was a success overall. Proper feedback mechanisms and analysis were required to measure the benefit to citizens. It was noted that industry participation was important to management systems and create a collaborative environment. Further work would be justified by reference to APEC goals. Chinese Taipei welcomed the suggestion from Indonesia to invite Chile to be one of the speakers on this issue at the policy dialogue during EC2. Chile responded that they were happy to participate.

Australia presented its self-funded proposal on its *Third ANSSR Project Development Training Program*. Australia intends to build on the success of its previous programs and organize a third training program in Bali. The proposal aims to help economies develop projects for ANSSR funding by focusing on Pillar 1 of ANSSR: promoting more open, well-functioning, transparent and competitive markets. This is scheduled between March and August 2014. Phase 1 consists of the preparatory period, phase 2 consists of the residential training workshop, and phase 3 consists of the project finalization period. This project accommodates six economies and up to four participants from each economy. A second workshop may be hosted if demand is greater.

The EC approved this proposal by consensus. Indonesia thanked Australia for its support and location choice, suggesting that Australia could work closely with Indonesia to utilize the ANSSR fund. Australia responded by thanking Indonesia for its support and emphasized the importance of focusing on Pillar 1 of ANSSR. Australia also encouraged other economies to link their projects with ANSSR plans. Chile, Viet Nam and Papua New Guinea also expressed their support for Australia's proposal. Chile mentioned that the capacity building workshop helped Chile to design its own project. Viet Nam mentioned that it had almost no experience developing ANSSR proposals under the current guideline and hoped to gain insight and technical expertise from this workshop. The EC Chair noted that Pillar 1 was of direct relevance to the EC and encouraged economies to send participants to the workshop to take advantage of the available opportunities.

Agenda Item 11: Policy Discussions: State of the Regional Economy and its Policy Implications [order in Agenda changed due to travel delays]

IMF: State of the Global Economy

Policy Priorities were discussed. For advanced economies, it was suggested that monetary policies should remain accommodative and there should be better cooperation among central banks about the normalization of unconventional monetary policies. For the US, the challenge was addressing stability in the medium term and avoiding a dramatic reduction in fiscal stimulus. For Japan, the issue was medium-term fiscal consolidation and expansion of monetary policy.

There was a warning that policy frameworks in emerging markets are very weak. The IMF suggested there was room for monetary policy tightening and shoring up fiscal policy credibility and building up buffers to absorb shocks. It was also recommended that a flexible exchange rate should be the first line of defense in case of shocks from potential capital outflows. Furthermore, it was advised that structural reforms should be accelerated to address bottlenecks in infrastructure and to reform fuel price subsidies.

OECD: Economic Outlook and Key Policy Challenges for Emerging Asia

While development gaps have narrowed, they remain significant. He noted the rapidly ageing population in Asia. With regard to medium-term structural policy challenges, the OECD suggested that strengthening SME and infrastructure development is critical in the Asia region. Informal sectors also had room to improve productivity.

The OECD highlighted the challenges of sustaining growth beyond the middle-income trap over the long term. The best scenario of estimated time required for middle income Asian countries to become high income countries would be 2020 for Malaysia, and 2026 for China. The OECD emphasized the importance of productivity-led growth and the role of structural policies. It was recommended that institutional capacities must be enhanced, together with closer regional economic integration. Furthermore, macro-prudential frameworks will be important to maintaining sustainability. Institutional capacity is critical. Financial system efficiencies and the services sector development needs to be reinvigorated. "Factory Asia" remains important but needs to evolve. Modern services must be further developed to boost technological progress and productivity growth.

PSU: Economic trends in the APEC Region

The PSU noted that growth in APEC economies had fallen from 4.2% to 3.7% from 2012 to 2013, while growth outside the APEC region had increased from 1.6% to 2.0% over the same period. It was stressed that economic restructuring was vital and that APEC growth is heavily reliant on investment. Notably, innovation was said to be a vital channel for successful economic restructuring. In particular, R&D fiscal policies and incentives are important to further this goal. R&D investment has been increasing but is still low in emerging APEC economies. The issue of the Innovation-Policy Triangle was highlighted. Improving labor quality is also critical to foster innovation. The PSU also briefly described its proposed study on "*Innovation, Competitiveness and the Role of Fiscal Policies*".

Challenges for the future arising from the state of the regional economy

APEC Secretariat Executive Director, Dr Alan Bollard emphasized the long-term structural issues that APEC economies faced as opposed to short-term cyclical issues. He noted the risks in the financial sector, and a trend of on-shoring of investments back to developed economies. The

energy crisis is also changing innovation in this area. For emerging markets, export growth has fallen, while domestic demand has increased. This changing nature of trade flows relates to the growing middle income class. It was suggested that a closer look should be taken at productivity in services.

China's Concept Paper: Reform: Avoiding the Middle Income

This paper introduces a new perspective to push forward the agenda of structural reform. The major outcome of this proposal is that a seminar, workshop, or policy dialogue is to take place at SOM2, with different economies sharing their experiences or best practices on this topic. The intention is to explore how APEC could help economies avoid the middle income trap through structural reform. China welcomes co-sponsors and collaborators in this capacity building project.

The floor was open for comments once all speakers had given their presentations.

Indonesia mentioned that tightening financial conditions could slow down capital flows. Indonesia welcomed the focus in APEC on long-term challenges. In response to a question from Chinese Taipei, the OECD said that the estimated dates of countries escaping the middle-income trap were related to the growth projections of China and the changes in the one-child only policy. China explained that the focus of their concept paper was on structural reform and acknowledged the need to address the social dimension in this.

Dr Bollard emphasized that the current structural imbalances were not sustainable, and that change depended on structural and regulatory reform. The PSU raised the role of innovation to reform. Chile emphasized the importance of quality growth and encouraged EC members to focus on the quality and productivity of growth rather than hard numbers. ABAC endorsed the comments to move from factor accumulation to higher levels of productivity based on technological changes. It also raised the issue of ageing populations. PECC noted the need to have flexible markets so economies can be more agile to changes. PECC mentioned that global imbalances were much lower now but related to savings and investments identity rather than exports. The IMF reinforced the need for less accumulation of capital and greater productivity.

The EC Chair mentioned that policies on imports needed to be considered in order to address export problems, and the role of global value chains in this process. The PSU noted that imports are decreasing due to changes in government policies, emphasizing the non-tariff measures that were still inhibiting trade flows.

The EC Chair expressed that the policy discussions put the EC's work in context. He welcomed the concept paper from China in highlighting new challenges to scope out and raised the issue of finding themes for the 2015 AEPR.

Agenda Item 10: EODB Policy Discussion

An interim assessment of the progress of EODB initiative showed progress in 2 out of 5 pro-rata benchmarks. There was a change to new methodology, with 1 unit of improvement now 10% instead of 25%. It was noted that the time to trade is shorter but the cost of trade is higher.

The US-ATAARI presented on the costs of inefficiency. There are real measurable cost savings when time is reduced. In Georgia, by eliminating 42 days for exports, and 38 days for imports, there was an increase in GDP of 74% from faster trade. Each day's delay in trade equals 1% loss in trade volumes. It was estimated that 12.5% of total trade is lost by taking too long.

Malaysia presented on *Dealing with Construction Permits*. In 2007, Malaysia was ranked 137 for EODB in dealing with construction permits. In 2014, it was ranked 43. It highlighted the efficiencies

of its “one stop center” in reducing the number of procedures required from 37 to 15. Malaysia emphasized that it eliminated certain procedures rather than the requirements themselves.

Thailand presented on its *Recent Reform in the EODB of Enforcing Contracts Indicator*. There was a significant reduction of time by using IT systems in procedures such as e-filing, e-broadcast of prosecutions, e-payment of fines, online appointments and e-service of notices and documents.

Chile presented on *Boosting Entrepreneurship “Incorporations in One Day”*. Incorporating a company is possible through only one procedure and zero cost, reducing the number of days to incorporate a company from 8 to 1. The law on streamlining procedures enabled Chile to improve their EODB ranking for starting a business from 32nd in 2013 to 22nd in 2014.

EODB Next Steps

The EODB initiative is due to conclude in 2015 and economies discussed whether it should continue beyond this deadline. The Chair expressed that the EODB work was valuable; it was tangible and business-facing. There was discussion as to whether the scope of EODB should be broadened to areas such as insolvency procedures, or whether the focus should be on weaker areas within the EODB, such as access to finance. An agreement was reached between economies to circulate a questionnaire to determine the future direction of the EODB initiative.

Agenda Item 12: New Proposals

- **HK: Enhanced EODB through Hague Apostille Convention**
 - The second workshop on Hague Conventions is to focus more on the Apostille, Service and Evidence Conventions and to address specific challenges faced by member economies. This is expected to involve a one day workshop in the margins of EC2 at SOM3 to facilitate EODB and dispute resolution in commercial cases.
- **NZ: International Regulatory Cooperation Workshop**
 - The purpose of this workshop is to build on the regulatory cooperation toolkit developed at the East Asian Summit in July 2013, and to share knowledge and expertise on regulatory cooperation and coherence. This workshop is proposed to be held in the margins of EC2 at SOM3.
- **US: Proposal on Public Consultations on Proposed Regulations in the Internet Era**
 - This proposal was to be tabled at SOM1. The proposal recommends actions for APEC to strengthen how regulators conduct public consultations through the use of websites and web portals, and a timeline for APEC's work in this area in 2014.
- **US: UNCITRAL Model Law on Trade Law Investments**
 - The purpose is to facilitate trade across borders and EODB, such as access to credit, and to examine issues about whose law should apply when there are opposing contractual regulations. This workshop is proposed to be held in the margins of EC2 at SOM3.
- **Mexico: Capacity Building System for Regulatory Impact Evaluation**
 - This project focuses on Regulatory Impact Assessments, an important tool to improve the quality of regulatory frameworks and design more effective public policies. Five basic courses over 2014-2015 are proposed.
- **Russia: APEC Training Course on Competition Policy**
 - The CPLG and the EC endorsed Russia's proposal to hold this training course in October 2014 in Kazan.

These new proposals were generally endorsed by the EC. Korea and Canada commented that the UNCITRAL proposal was a very appropriate fit for the EC agenda. New Zealand expressed its support for the US initiative to hold the GRP workshops in conjunction with the SCSC and

noted the good fit with the broader work plan of the EC. Indonesia noted, and several economies agreed that the EC should dedicate more time to presentation and consideration of new project proposals.

Agenda Item 13: Updates from the APEC Secretariat

The APEC Secretariat presented the *2014 Project Approval Process and Timeline*, and submitted for the record the *Secretariat Report on Key Developments*. The Policy Support Unit discussed its work as well, including the *APEC Multi-Year Plan on Infrastructure Development and Investment*, as well as the *APEC Blueprint on Connectivity*. The EC Chair indicated that more information would be obtained in later meetings at SOM1.

Agenda Item 14: Classification of Documents

Classification of documents was completed and submitted for the record.

Agenda Item 15: Chair's Closing Remarks

The Chair provided summary remarks, thanking the EC delegates for their participation in this meeting.