

APEC Economic Committee
Second Plenary Meeting for 2014
17-18 August, 2014
Beijing, China
CHAIR'S SUMMARY REPORT

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

FOTC Convenors held meetings for their groups during the morning to discuss work plans, ongoing projects, and new ideas for how the FOTC could take forward EC work. Report-outs from these meetings are listed in Agenda Item 6 below.

Agenda Item 2: Chair's Welcome and Opening Remarks

The Chair welcomed the EC Committee and thanked China for hosting. The Chair thanked Dr. Manoka of Papua New Guinea for taking on his new role as convenor of the FotC on Competition Policy.

The Chair highlighted some of the key points to be covered during EC2, including deciding on an AEPR topic for 2015; considering the ANSSR program and next steps; and conducting the Middle Income Trap policy dialogue.

Agenda Item 3: Adoption of the EC2 Plenary Agenda

The EC adopted the draft agenda as final.

Agenda Item 4: Overview of APEC 2014 Priorities

The EC was briefed by Mr. Tan Jian, of the China SOM office.

Mr. Tan Jian stressed China's three priorities for 2014: priority one is regional economic integration; priority two is innovative development, economic reform, and growth; and priority three is strengthening infrastructure development.

With three months yet to go, China's focus is on deliverables. The 25th Anniversary Statement and APEC Leaders' Declaration will be adopted, and the Leaders' Declaration will be structured around the three priorities. In Priority 1, China would like to see a plan for the realization of an FTAAP. A draft roadmap is being discussed. An information-sharing mechanism for RTAs and FTAs is also being discussed. Still outstanding is the proposed inclusion of a feasibility study.

Mr. Tan Jian then went on to discuss Priority 3, indicating that a Connectivity Blueprint will be submitted for Leaders' adoption. PSU has finished a second draft for SOM consideration. Targets and timelines will be discussed and are important.

Mr. Tan Jian next discussed Priority 2: promoting innovative development and growth. He characterized this priority as the host economy's unique contribution. He indicated that APEC needs to go beyond trade and investment liberalization, and that this will enhance APEC's deliverables. Mr. Tan Jian indicated his support of a structural reform ministerial. He also stressed the importance of all five pillars in this Priority. Priority 2 needs more clarity on deliverables but has much potential.

Mr. Tan Jian reiterated his belief in the significance of EC's work. He stated that "behind the border" issues should receive more attention. He believes that EC work relates to all Priorities, but especially relates to Priority 2. He stated that the world is changing quickly, and the financial crisis demonstrated structural weakness. Hence, we must work on sustainable structural change. Reform is at the heart of the EC's work. He referred to the Middle Income Trap (MIT) paper, Australia's ANSSR paper, and China's policy dialogue on the MIT as examples of good work in this area. He indicated his desire to see discussion of ANSSR's successor; a high level meeting (ministerial) on structural reform; and the MIT incorporated into EC's work.

The EC Chair thanked Mr. Tan Jian for his remarks and for raising these issues.

Agenda Item 5: Overview of Activities Across APEC and Multilateral Fora

PECC next addressed the EC. PECC indicated that it is looking at the slowdown in export growth. PECC explained the role of the PECC as one of the progenitors of APEC. PECC discussed having looked at some governance principles after the financial crisis. Macroeconomic outlook is one of the PECC's major outputs, which was presented at EC1. Drivers of growth will be available early next year.

The OECD next addressed the EC. The OECD representative indicated that most of OECD work has been on a bilateral basis with individual APEC economies in the form of regulatory reviews. Reviews are generally horizontal in nature. The OECD also mentioned that it had developed an integrated checklist on regulatory reform, but the OECD had moved well beyond this. The 2012 Recommendation of the Council on Regulatory Policy and Governance contains updated analysis. OECD's representative queried whether OECD and APEC could update the 2005 checklist to reflect the 2012 analysis.

The OECD also highlighted its international regulatory cooperation document, and noted a number of case studies available in this study. The document identified 11 categories of international regulatory cooperation. OECD also produced guidance on the "governance of regulators," in which it lays out seven principles to guide regulators' governance.

The OECD went on to mention forthcoming deliverables in 2015-16—best practices on international regulatory cooperation; best practice guidance on regulatory impact analysis; best practice guidance on public participation in rulemaking; best practice guidance on ex post evaluation; and establishment of a Southeast Asia Regional Policy network.

The Chair and several economies noted the importance of international regulatory cooperation and indicated their support for update of the 2005 checklist, as well as coordinating on work on international regulatory cooperation.

ABAC next addressed the EC. The ABAC representative mentioned that competition policy is one area of focus for ABAC. Good regulatory practice continues to be an area of focus. Publications have been produced for electronics, dairy, and off-highway vehicles, and were released in 2012. This year, ABAC is supporting CTI work on online platforms for single points. SMEs development is also being supported. ABAC is also engaging in a rule of law benchmarking exercise. In addition, ABAC has done some work on labor mobility.

The APEC Secretariat next addressed EC, providing updates and information about the project selection process. Viet Nam suggested some protocol to ensure EC focal point submit proposals. The Chair indicated that he would work with the Secretariat to look at this process.

Agenda Item 6: Advancing EC Objectives: CPLG and FotC Contributions

The Competition Policy and Law Group reported that it had resubmitted a concept note for the APEC Training Course on Competition Policy and requested the Committee's support. The CPLG Chair also updated progress on the Competition Policy and Law Database. The current CPLG Chair (Mr. Hu) announced that his term would be complete at the end of 2014.

The Competition Policy FotC Group discussed circulation of a questionnaire and compilation of a summary of merger regime practice across economies. It also considered proposing a policy dialogue in the margins of EC1 or EC2 in 2015. It also discussed the possibility of an information sharing workshop, either in the margins of EC or separately. Finally, it indicated its intent to work closely with the CPLG.

The Corporate Law and Governance FotC Group reported back that Viet Nam would be developing and submitting a concept notes on:

1. Stocktake of structural reforms related to corporate law and governance. This work mainly covers the review of progress in the implementation of corporate law and governance in APEC economies compared with their priorities of related structural reforms; contextual considerations; sharing major lessons and good practices among APEC member economies. Outcomes of the activity may become inputs to the AEPR 2015, if the chosen topic is with structural reforms (including corporate law and governance).
2. Protection of small investors' interest and rights. Governance structure of enterprises has become increasingly diverse, yet the legal framework and enforcement structure to ensure proper exercise of rights by small investors remain inadequate. This may undermine the development potential of various groups of enterprises (especially SMEs) as big investors may focus more on taking full control of enterprises rather than promoting its development. Sharing of experience among APEC economies facing similar problems is thus necessary. This activity also represents a follow-up attempt to the self-funded project of Chinese Taipei on "Lessons from the financial crisis for corporate governance and law."

Protection of small investors was discussed. Also discussed was a recent credit ratings study—several international credit rating bureaus exist, but there are still issues, especially for less developed economies. The group suggested a dialogue to establish a better common understanding. International financial reporting standards activity also discussed.

The Ease of Doing Business FotC Group provided updates on EODB activities. It first noted the recent EoDB Stocktake workshop, but deferred details until later in the agenda (Item 9). It focused on the link between EoDB and Good Regulatory Practices (GRP) disciplines. Economies commented about the importance of looking at state and local levels, as well as private sector coordination, when implementing initiatives in this area. Legal frameworks also were mentioned as being important (UNCITRAL, Hague Conventions, etc.). Some economies suggested that these initiatives would benefit from input from legal experts, and discussed ways to achieve this. Some economies recommended that APEC work more closely with the World Bank so that survey results were consistent.

The Public Sector Governance FotC Group reported back it had reviewed work done in the last five years. It shared its project planning for the 2015 EC1 concept note: Policy Discussion on Improving the Quality of Public Service, designed to help economies to improve the quality of public service in advancing efficiency and quality of public service delivery. The Group noted that the policy discussion will take place, but may be converted to a half day workshop. The EC Chair indicated that the policy discussion could be given up to 2.5 hours at EC1 if appropriate. Chinese Taipei agreed to hold a 2-hour policy discussion at EC1.

Chinese Taipei also shared information about its own Public Governance annual survey.

The Regulatory Reform FotC Group indicated that it will focus next year on improving the business environment for SMEs. The Group shared that it has been focusing on 4 economies/industries. It has done some workshops on GRPs, which will be included in next year's reports. PSU will finalize a study regarding Case Studies on Promoting Innovation: Main Findings. The Study is still in draft version, and members are encouraged to provide comments by end of this month [August 2014]. Some economies noted that the study looked to be overly focused on intellectual property instruments (patents) as a measure of innovation, which may be inaccurate.

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

- **AEPR 2014 on Good Regulatory Practices**

Japan is coordinating the 2014 AEPR on GRPs. Japan, China, and the U.S. have written draft chapters for the 2014 AEPR. Japan indicated Individual Economy Reports (IERs) have been received from 17 economies. Japan requested outstanding IERs to be submitted by end of August, 2014. Japan requested comments on the draft AEPR by end of August, 2014, with a view to circulating a final draft by 5 September and agreement on a final text by 17 September 2014.

- **AEPR 2015**

A menu of options on possible topics for the 2015 AEPR was considered by the EC. Following this discussion, the Committee selected the topic of Structural Reform and Innovation for the 2015 AEPR. Several economies clarified that "innovation" refers to both technological and institutional innovation given that structural reform entails the reform of institutions (including legal reform) as well. It was noted that policies to promote innovation are seen as one key means that developing economies can seek to use to escape the Middle Income Trap. Developed economies are also interested in policies to promote innovation as a means of seeking to raise long-term productivity growth rates. Most areas of the EC's work program have an innovation dimension, e.g.

- competition policies can be designed to promote firms competing on the basis of innovation and new technologies as well as on the basis of price and quality;
- corporate governance policies can affect the manner in which firms are governed and in particular whether their governing boards will seek to grow on the basis of innovation;
- public sector governance policies can impact the government's involvement in activities such as research and development which underpin innovation in the wider economy; and
- regulatory reform policies can be designed to promote the adoption of new technologies through such mechanisms as regulation and standards.

It was also noted that the PSU is currently conducting a study on innovation and regulatory reform, which could provide an input to this work, a first draft of which was presented to the Committee in Beijing.

The Committee agreed that the governance group for the 2015 AEPR would comprise a team of all FotC leads presided over by the EC Chair. The EC Chair also indicated that he would seek support from PSU on this topic. The EC Chair indicated that an outline would be ready for the Committee's consideration at EC1 in 2015.

Agenda Item 8: APEC New Strategy for Structural Reform (ANSSR)

- **Report on Ongoing and Completed ANSSR Projects**

The APEC Secretariat reported on the overview of ANSSR Projects and the status of the ANSSR Sub-Fund.

A Summary of ANSSR midterm progress was also presented. In sum, it was stated that economies need to pay attention to road blocks that confront any reform process. It was observed that the ANSSR Sub-fund can play a role in alleviating these constraints. Change management will also be crucial, i.e. involvement of stakeholders throughout the process.

Indonesia presented an update on project progress. Recent workshops raised awareness and attention on the importance of public consultation in rulemaking process. Indonesia indicated its plan to develop guidelines.

Australia presented an overview of ANSSR project development training in KL. Australia hosted workshops in the May-July timeframe. These workshops aimed to help economies develop projects in pillar 1 of ANSSR.

- **Discuss the process of reviewing the ANSSR program**

Australia also presented the highlights of its paper, "Advancing the APEC Structural Reform Agenda in 2015 and Beyond" ((Document No. 2014/SOM3/EC/002). The Committee agreed to endorse both the process and timeline for consideration by the SOM. In particular, the Committee agreed to recommend that SOM propose to APEC Leaders a second APEC Ministerial Meeting on Structural Reform to be held in 2015. This option was clearly preferred over the option of a High-level Dialogue of APEC Structural Reform Agencies, which was also put forward in Australia's proposals as an alternative. The APEC Ministerial Meeting would agree on the future direction of work on ANSSR and give strategic direction to a post-ANSSR structural reform framework, including in relation to capacity-building activities in APEC. The Committee noted the current importance of structural reform activities to APEC economies as demonstrated by the interest in APEC work in such areas as the Middle Income Trap and agreed that it would be timely for Ministers to provide leadership and guidance in this area. Canada noted that if a separate Ministerial Meeting on structural reform takes place in 2015, Canada would encourage the host to ensure that the meeting takes place in conjunction with the Finance Ministers Process to ensure that ministers that have responsibility for both portfolios (structural reform and finance) will also be able to attend. If the proposal to hold a Ministerial is agreed, the EC will need to begin preparations shortly on the steps that will need to be taken to realize a successful outcome for this meeting.

- **Presentation from PSU on Supply Chain Financing: Regulatory Agenda for APEC**

PSU presented regarding an ongoing study on Supply Chain Financing. 2014/SOM3/EC/035. It was noted that this area may be appropriate for focus in the regulatory reform area, or as part of the

EODB pillar on “getting credit.” Certain economies suggested that PSU consult legal frameworks such as the Hague Conventions and UNCITRAL in its study.

Agenda Item 9: Report-backs of EC Workshops

- **Enhanced Ease of Doing Business through Hague Conventions Workshop**

The Enhanced Ease of Doing Business through Hague Conventions workshop (organized by Hong Kong China) issued conclusions and recommendations on joining the Apostille Convention and implementing E-APP, joining the Service and Evidence Conventions, considering the Choice of Court Convention and continuing the Judgments Project, and enhancing collaboration with the Hague Conference on Private International Law. It is hoped that the conclusions and recommendations could be incorporated into higher level APEC documents for wider dissemination.

- **International Regulatory Cooperation Workshop**

The International Regulatory Cooperation workshop (organized by New Zealand) issued a report which called for the linkages between international regulatory cooperation and institutional, people-to-people and physical connectivity to be specifically mentioned in the APEC Connectivity Blueprint. It also recommended that the Economic Committee consider potential next steps for progressing initiatives on international regulatory cooperation, e.g. through further policy discussion or more targeted sharing of experiences.

- **Conducting Public Consultations on Proposed Regulations in the Internet Era Workshop**

Following the workshop on Good Regulatory Practices: Public Consultations in the Internet Era (organized by the United States), the Economic Committee agreed to submit to SOM the Draft APEC Actions on Public Consultations on Proposed Regulations in the Internet Era for information (2014/SOM3/EC/027). However, given that some economies requested more time to comment on these, while other economies requested that the principles recognize that different approaches may be undertaken to achieve good outcomes on public consultations, it was agreed at EC2 that a final draft would be submitted to CSOM in November. The Committee also agreed that any final comments will be submitted to the United States by 12 September 2014.

- **EoDB Stocktake Workshop**

The Ease of Doing Business Stocktake workshop (organized by the United States) provided significant input and evidence for the EoDB project organizers to consider. Project organizers are planning to develop a more detailed summary of the workshop discussions that will be circulated to participants, speakers and the Economic Committee for consideration. Following this, the future direction of EoDB will be further considered at EC1 in 2015.

Workshop organizers cited consensus on the following critical success aspects: high level commitment and political will; coordination among government agencies; public private

collaboration and coordination; development of implementation capabilities.
(2014/SOM3/EC/048)

EODB proponents are considering the addition of “protecting investors” into indicators. There was also consensus for adding timelines and targets. In addition, workshop participants indicated support for UNCITRAL and Hague conventions work.

Agenda Item 10: Policy Discussion: Middle Income Trap (MIT)

At SOM2, the SOM instructed the EC to report back to SOM3 on options to progress future APEC work on the MIT following a successful Policy Dialogue organized by China on this issue. PSU presented a summary of the Middle Income Trap issue, its causes, and potential areas for APEC work in this area. (2014/SOM3/EC/028). At EC2, the EC considered the MIT Paper from the EC Chair (2014/SOM3/EC/046) as a possible response. The Committee endorsed the approach contained in this paper and further agreed that:

- MIT issues could be discussed during a second APEC Structural Reform Ministerial Meeting, if agreed, and
- Next year’s AEPR topic would be on the theme of Structural Reform and Innovation, which is a key policy consideration under the MIT analysis.

Agenda Item 11: New Proposals

1. Russia – 2nd APEC Regional Seminar of APEC New Strategy for Structural Reform (ANSSR) Initiatives Against Anti-Competitive Practices for Ensuring Functioning of Open, Transparent and Competitive Markets (2014/SOM3/EC/008)
2. Malaysia – APEC Workshop: Sharing Best Practices on Public Consultations (2014/SOM3/EC/009)
3. Viet Nam – Building Capacity for Enhancing Competitive Neutrality to Support Price Liberalization for Essential Products in Vietnam (2014/SOM3/EC/010)
4. The Philippines – Capacity-Building for SMEs on Competition Policy and Law (2014/SOM3/EC/011)
5. Mexico – Capacity Building Workshops on Regulatory Impact Evaluation (2014/SOM3/EC/012)
6. Papua New Guinea – Developing a Policy for Ports Industry of Papua New Guinea (2014/SOM3/EC/013)
7. Thailand – APEC New Strategy for Structural Reform (ANSSR): Developing Regulatory Impact Analysis (RIA) Guidelines as an Anti-corruption Tool (2014/SOM3/EC/014)
8. China – Enhancing Public Private Partnership (PPP) Operational Capacity of Local Government for Efficient Urban Infrastructure Provision (2014/SOM3/EC/015)
9. Mexico – Identify Best Practices on Public Consultation for Regulatory Improvement (2014/SOM3/EC/016)
10. Australia – Online Learning Program for Enhancing Regulatory Impact Analysis (RIA) within APEC (2014/SOM3/EC/017)

Proposed self-funded projects:

1. Australia: Good regulatory practices: improving public consultation (2014/SOM3/EC/020). Economies welcomed the initiative and suggested that coordination take place in order to avoid overlap with prior work.
2. Chinese Taipei: APEC Workshop: Sharing Experiences on Free Economic Zones (2014/SOM3/EC/031). Japan and Indonesia also indicated their intention to share experiences on this topic.

The EC Chair suggested that the self-funded proposals be presented for approval intersessionally.

In addition, Mexico presented (2014/SOM3/EC/022) on strengthening regulatory improvement policy in APEC. Mexico suggested continuity-supporting workshops on Regulatory Reform Policy and Good Regulatory Practices, and linkage of their results with outcomes and policy improvements into APEC economies. The EC Chair thanked Mexico for its efforts in this area, noting the wealth of activity and need to coordinate well in GRPs.

Some economies also noted the need to focus attention on addressing legal aspects of structural reform, through the possible establishment of a new FotC, and the Chair stated his intent to put it on the agenda in a future EC meeting.

Agenda Item 12: Overview of APEC Activities: Committee on Trade and Investment (CTI)

The CTI Chair, Mr. John Larkin, updated the Economic Committee on CTI's work. He referred to work related to the Free Trade Area of the Asia Pacific (FTAAP), and indicated three areas of agreement: information sharing; enhanced capacity building for negotiators; and analytical work. He also stated that CTI was working to promote stronger and more resilient global value chains. He also referred to work on services markets, including manufacturing services and legalization of environmental services. He mentioned as well trade facilitation and supply chain connectivity as major interests. He cited the SCSC's work on regulatory cooperation in sectors such as chemicals and electrical vehicle standards. Both the CTI Chair and the EC Chair agreed there are significant areas of overlap, but since each committee has its own approach, this is productive for APEC's work.

Agenda Item 13: Classification of Documents

Classification of documents was done and endorsed by the Committee. (2014/SOM3/EC/000)

Agenda Item 14: Chair's Closing Remarks

The Committee agreed that the following events would be held in the margins of EC1 in 2015:

- The Competition Policy and Law Group
- A workshop on ANSSR activities arising from Individual Economy Reports (to be organized by Australia)
- A seminar on UNCITRAL Model Law Instruments (to be organized by the United States).

In addition, the Committee agreed to consider intersessionally a proposal to hold a joint meeting between the Group on Services (GoS), the Economic Committee and the Pacific Economic Cooperation Council (PECC) on the subject of regulatory reform and services. The Committee agreed that along with GoS, it would seek to put a proposal to CSOM to hold such an event.

The Committee also agreed that the Policy Dialogue on State of the Regional Economy and its Policy Implications (to be led by the PSU) and Policy Discussion on Improving the Quality of Public Service (to be organized by Chinese Taipei) should be held at the EC1 itself.

The Chair noted the possibility, if a structural reform ministerial is directed, that the Committee will need to do some planning. EC1 will focus on this planning process if such a ministerial is approved.

Following an announcement that this would be her last meeting, the Committee warmly thanked its former Vice-Chair Ms. Huda Bahweres of Indonesia for her outstanding contribution to the Committee over many years.