



**Asia-Pacific
Economic Cooperation**

2017/CSOM/011

Agenda Item: 2

Economic Committee Report 2017

Purpose: Consideration

Submitted by: EC Chair



**Concluding Senior Officials' Meeting
Da Nang, Viet Nam
6-7 November 2017**

The following report provides APEC Senior Officials with an overview of the Economic Committee's achievements in 2017.

It is recommended that Senior Officials:

- **Welcome** the Economic Committee Report for 2017
- **Endorse** the 2017 APEC Economic Policy Report (AEPR) on Structural Reform and Human Capital Development, **forward** the 2017 AEPR to Ministers (AMM) for further consideration, and **welcome** the Forward Agenda for implementation of the 2017 AEPR
- **Endorse** the topic of Structural Reform and Infrastructure for the 2018 AEPR, **forward** the topic for the 2018 AEPR to AMM for further consideration and approval, and **welcome** the Core Team for the 2018 AEPR
- **Welcome** the EC – SFOM Joint Action Plan
- **Welcome** the APEC – OECD Framework on Competition Assessment
- **Welcome** the expanded SELI Online Dispute Resolution Work Plan
- **Note** preparations for the 2018 High Level Structural Reform Officials' Meeting

Annexes

- Annex A. 2017 AEPR on Structural Reform and Human Capital Development (Case Studies and Individual Economy Reports not attached).

Economic Committee Report 2017

November 2017

Da Nang, Viet Nam

I. OVERVIEW

In 2017 the Economic Committee (EC) aligned its overall effort with Viet Nam's APEC theme of *"Creating New Dynamism, Fostering a Shared Future."* In doing so, EC supported Viet Nam's priorities for 2017 - in particular its first priority of *"promoting sustainable, innovative and inclusive growth."*

2 The EC met twice in 2017, at SOM1 and SOM3. Under the **Renewed APEC Agenda for Structural Reform** (RAASR, 2016-2020), a template and timetable for the mid-term review in 2018 were agreed, an outline of potential deliverables for the **2018 High Level Structural Reform Officials' Meeting** (HLSROM) was discussed, and members made good progress in implementing their RAASR Individual Action Plans - including through projects funded under the RAASR sub-fund. 2017 also marked the mid-point for Phase II of **Ease of Doing Business** (EoDB, 2016-2018), with several successful events held.

3 The EC took on the challenging topic of **Structural Reform and Human Capital Development** for its annual **APEC Economic Policy Report** (AEPR) in collaboration with the Human Resources Development Working Group (HRDWG). The 2017 AEPR highlights the policy challenges facing economies in increasing the efficiency of their labour markets against a backdrop of globalisation and technological advances.

4 The EC also agreed the topic of **Structural Reform and Infrastructure** for submitting to SOM and AMM for consideration for the 2018 AEPR, and has engaged in a year-long collaborative process with SFOM to jointly adopt the **EC – SFOM Joint Action Plan**. Pending AMM's instruction, this would allow the EC and SFOM to work jointly to progress the 2018 AEPR.

5 Regarding ongoing non-EC processes, the EC advanced its assigned tasks under the APEC Services Competitiveness Roadmap (ASCR), and presented a comprehensive report to SOM 1. The EC also continued its support for the APEC Strategy for Strengthening Quality Growth, Boracay Action Agenda, and Connectivity Blueprint. In addition the EC followed developments of the Ad Hoc Steering Group on the Internet Economy. Regarding CTI-led processes, the EC appreciated being kept informed of EC-related developments and also supported several CTI-led workshops.

6 The APEC Business Advisory Council (ABAC) and Pacific Economic Cooperation Council (PECC) made valued contributions at both EC meetings, as did the APEC Policy Support Unit (PSU), which played a major role in supporting the EC's work, including on the 2017 AEPR, RAASR implementation, EoDB, ASCR indicators, and regional economic trends. Further, EC collaborated with the OECD, World Bank, UNCITRAL, UNIDROIT and HCCH, among others, with the latter 3 organisations becoming 3-year guests of the EC (for 2017-2019) particularly with respect to work on strengthening economic and legal infrastructure (SELI).

7 In its plenary sessions this year, the EC held several high-quality policy dialogues on: economic trends; government procurement; competition policy; cross-border MSME access to commercial justice; use of economic evidence to promote effective market functioning; online dispute resolution (after which an expanded SELI Online Dispute Resolution Work Plan was adopted); and state owned enterprise governance. The EC also implemented a number of successful projects.

8 Throughout the year the EC's five Friends of the Chair (FotC) groups (Corporate Law and Governance (CLG); EoDB; Public Sector Governance (PSG); Regulatory Reform (RR); and SELI, which was at EC 1 accepted on the same footing as other EC FotCs), as well as the Competition Policy and Law Group (CPLG), did essential work to support the EC's overall effort through a number of successful events and workshops. 2017 also saw the first 'APEC Competition Week' held during SOM1, and the adoption by both CPLG and EC of the **APEC – OECD Framework on Competition Assessment**.

9 Finally, both EC and CPLG endorsed new governance arrangements for 2018-2019.

II. EC CONTRIBUTIONS TO APEC PRIORITIES

A. RAASR Implementation (2016-2020)

10 2017 was a productive year with many accomplishments under the Renewed APEC Agenda for Structural Reform (RAASR, 2016-2020).

11 Under 'Structural Reform and Inclusive Growth' the EC produced the 2017 AEPR on Structural Reform and Human Capital Development (more detail below). The achievement of the 2017 AEPR is also relevant to the RAASR mandate on 'Structural Reform and Innovation', e.g. with respect to educational innovation.

12 Under 'Structural Reform and Services' the EC Chair visited the following fora during SOM 1 2017 to outline the recommendations from the 2016 AEPR on Structural Reform and Services: SCSC, HRDWG, LSIF, HWG, FCBDM, GOS, ECSG, TWG, CPLG, CTI and AHSGIE. It is clear that the 2016 report has ongoing relevance and resonance across APEC.

13 Under 'Tools for Structural Reform', EC supported SCSC as it took its turn to run the annual conference on Good Regulatory Practices. This year was the 10th GRP conference. The EC has committed to run the 11th GRP Conference in conjunction with EC and SCSC meetings at SOM3 2018. In addition, the EC supported a workshop on Exploring Options for Future APEC-OECD Cooperation on Good Regulatory Practice (led by New Zealand, EC 01 2017S). The workshop resolved that the EC's FotC on Regulatory Reform (led by Mexico) would consider options and bring them back to the EC for decisions on future cooperation at EC 2 2018.

15 Under 'New Directions for Structural Reform', a template and timetable for the mid-term review in 2018 were agreed. A paper from the Chair on potential deliverables for the 2018 High Level Structural Reform Officials' Meeting was discussed (Papua New Guinea has indicated it would hold HLSROM in between EC 2 and SOM 3 in August 2018). The paper included the following suggested areas of focus for the HLSROM:

- Qualitative Advice on Overall Progress of RAASR (including IAP implementation stocktake)
- Quantitative Advice on Horizontal/Overall Progress of RAASR (PSU to lead)
- Progress regarding other initiatives mandated under RAASR that are not yet implemented (including the Policy Framework on Structural Reform and Inclusive Growth)
- Discussion on AEPRs (the draft 2018 report, and past reports where relevant)
- Discussion on EoDB (stocktake, and next steps)
- Any Relevant Issues from 2018 Host and other Economy Priorities

16 In addition, members spent 2017 implementing their RAASR Individual Action Plans - including through projects funded under the RAASR sub-fund (see section on EC Projects). Updated RAASR IAPs were submitted during 2017 from Malaysia, Papua New Guinea and Viet Nam. **IAP UPDATES** The RAASR sub-fund funded seven projects this year, and there remains a healthy budget for further funded projects in 2018. Updated RAASR sub-fund guidance was endorsed at EC 2.

B. EoDB Phase II (2016-2018)

17 2017 marks the mid-point of Phase II of EoDB, for which there is a 10% overall improvement target in APEC across the five key areas of starting a business, getting credit, enforcing contracts, trading across borders and dealing with construction permits.

18 At EC1 2017, PSU reported an overall improvement of 3.6% for 2016, which was good news and slightly ahead of the 3.3% annual improvement needed. By EC 1 2018 there will be more certainty as to whether or not APEC will achieve the overall target by end-2018.

19 During 2017, the following EoDB events were held:

- APEC Conference (June) and Seminar (November) on EoDB in the field of Enforcing Contracts (Korea, self-funded)
- Workshop on Starting a Business according to International Best Practices (United States, EC 01 2017A)
- Use of International Instruments to Strengthen Contract Enforcement in Supply Chain Finance for Global Businesses (including MSMEs) (Hong Kong, China, EC 04 2016S)
- Policy Discussion on MSME Access to Commercial Justice at EC 1
- Policy Discussion on ODR Work Plan at EC 2

20 Considering that EoDB Phase II ends in 2018, the EC has agreed to have an EoDB Stocktake Policy Discussion at EC 1 2018 (EoDB FotC, United States). The results of that discussion will be presented at the HLSROM 2018 for consideration and guidance.

21 Economies have continued to update the EoDB Implementation Plan to reflect all the capacity building and technical assistance activities being conducted during Phase II.

C. 2017 AEPR on Structural Reform and Human Capital Development

22 This year's AEPR is on the topic of **Structural Reform and Human Capital Development**. The topic is a timely one that is a high priority for many economies, and the EC expects that the recommendations within the report will be useful when taking into account domestic policies. The report was prepared in close collaboration with the Human Resources Development Working Group (HRDWG), and a joint EC – HRDWG discussion is anticipated at SOM1 2018 to take forward implementation of the report. The EC Chair also intends to visit a number of other fora during SOM1 2018 to inform them of the report's conclusions.

23 The 2017 AEPR highlights the policy challenges facing economies as they look to increase the efficiency of their labour markets against a backdrop of globalisation and technological advances. Both developed and developing economies have identified structural unemployment and a "skills mismatch" between the skills of workers looking for work and the skills required by emerging job opportunities.

24 In the Asia Pacific Region up to 30 percent of those employed are own-account workers or unpaid family workers. In many economies available employment for job market entrants can be precarious, with limited training and career development prospects. In cases, vocational training programs are inadequate to help workers in declining industries transition to emerging industries. Structural reforms in areas such as skills training, labour market regulation, and social protection can help workers find and keep well-paying jobs, and ensure that the benefits of economic growth can be enjoyed by all.

25 The report draws a number of important recommendations for the consideration of Senior Officials and Ministers, including the following:

- **Improve access to and quality of education and training**, particularly for women and excluded groups and regions.
- **Develop labour and educational reforms to support implementation of active labour market policies (ALMPs)**, which can coordinate all aspects of skills and employment-related policies.
- **Involve the private sector in training and skills development**, as businesses are often best informed about labour market needs.

26 The EC records its appreciation to Dr Anne Krueger and Mr Emmanuel San Andres of PSU for their valuable contributions to the main report.

27 Viet Nam and Indonesia provided specific Case Studies, which form part of the AEPR in addition to the Individual Economy Reports. Indonesia's case study focused on its success in improving access to healthcare, and Viet Nam's on its successful transition to a market-based economy. Economies also provided Individual Economy Reports, which form an annex to the AEPR.

28 In addition, the EC produced a Factsheet of the 2017 AEPR that will be further distributed at AMM.

29 A final draft of the 2017 AEPR on Structural Reform and Human Capital Development is attached as Annex A for consideration and endorsement by SOM, and forwarding to AMM for final consideration.

D. 2018 AEPR on Structural Reform and Infrastructure

30 The EC has agreed to put forward Structural Reform and Infrastructure as the theme for next year's 2018 AEPR. It is recommended that SOM endorse this topic and seek final approval from AMM.

31 In developing this topic, the EC was mindful of the critical role of SFOM/FMP side of APEC on the financing aspects of infrastructure markets, and deliberately set out to find a way in which EC and SFOM could jointly work together on the report in 2018. The EC Chair personally attended FCBDM in February, SFOM in May, and SFOM, FCBDM and FMM in October. EC is pleased to note that both fora have now endorsed the EC – SFOM Joint Action Plan. EC and SFOM have used this joint action plan as a springboard to pull together a joint Core Team for the 2018 AEPR, and to seek parallel Ministerial mandates instructing this collaboration. SFOM has achieved this already through the FMM Statement of October 2017. EC hopes that AMM will similarly instruct collaboration for EC to carry out this work in its Statement of November 2017.

32 The 2018 Core Team, as of the drafting of this report, is: New Zealand (lead economy), EC representatives from Australia, China, Papua New Guinea, Philippines, Thailand and Viet Nam, and SFOM representatives from New Zealand and Papua New Guinea. The EC looks forward to collaborating very closely with SFOM on this important work.

E. Policy Discussions, Seminars and Workshops

33 As reported to Senior Officials during the year, the EC also held many high-quality policy discussions, workshops, and seminars closely linked with APEC priorities.

34 Policy discussions were held on:

- Regional Economic Trends – both at EC 1 (PSU, ADB, CIEM) and EC 2 (PSU, PECC)
- Government Procurement (Russian Federation)
- New Approaches to Competition Policy (CPLG + Viet Nam)
- Cross-border MSME Access to Commercial Justice (SELI + United States)
- Use of Economic Evidence for Promoting More Effective Competition Policy and Market Functioning (Viet Nam, EC 02 2017A)
- SELI Online Dispute Resolution Work Plan (after which an **expanded SELI Online Dispute Resolution Work Plan** was adopted) (SELI + Hong Kong, China)
- OECD Guidelines on Governance of State Owned Enterprises (CLG + Viet Nam)

35 Seminars and Workshops were held on:

- Using Competition Assessments to Eliminate Barriers to Trade and Commerce in Goods and Services (United States, EC 06 2016S)
- Economics of Competition Policy (Viet Nam, CPLG 02 2016A)
- Investigative Powers of Competition Agencies (Peru, CPLG 01 2016A)
- Use of International Instruments to Strengthen Contract Enforcement in Supply Chain Finance for Global Businesses (including MSMEs) (Hong Kong, China, EC 04 2016S)
- Capacity-Building for SMEs on Competition Policy and Law (Philippines, EC 07 2014A)
- Traffic Light Score Methodology (Mexico, EC 03 2017A)
- Exploring Options for Future APEC-OECD Cooperation on Good Regulatory Practice (New Zealand, EC 01 2017S)
- Starting a Business according to International Best Practices (United States, EC 01 2017A)

36 The EC wishes to record its appreciation for the efforts of all those that organised and participated in those policy discussions, seminars and workshops.

37 Three new EC APEC-funded projects were recently confirmed during project Session 2 for implementation over the next 12 months:

- Workshop on improving access to credit according to international best practices (United States)
- Information Sharing Best Practices Workshop on Merger Control Regimes used by APEC economies (Papua New Guinea)
- Capacity Building for Managing Single Online Portal for Regulatory Information (Indonesia)

38 In addition, two new EC self-funded projects were recently confirmed:

- Addressing Structural Barriers to Human Resources Development: A Capacity-Building Workshop for Targeted Developing Economies in APEC (Australia)
- Workshop on the Use of Modern Technology for Dispute Resolution and Electronic Agreement Management (particularly Online Dispute Resolution (ODR)) (Hong Kong, China)

III. EC CONTRIBUTION TO NON EC-LED PROCESSES

39 Regarding ongoing high-level processes, the EC advanced its assigned tasks under the APEC Services Competitiveness Roadmap (ASCR), namely: (i) Implementation of the Renewed APEC Agenda on Structural Reform (RAASR), including progressing the 2016 APEC Economic Policy Report (AEPR) on Structural Reform; and (ii) support CTI/GOS in developing a set of good practice principles on domestic regulations in the services sector. In respect of the first task, EC presented a comprehensive report to SOM 1 (2017/SOM1/016). In respect of the second task, EC joined the CTI/GOS event at SOM3 2017 and looks forward to continuing to collaborate on the issue in future.

40 The EC also continued its support for the:

- APEC Strategy for Strengthening Quality Growth (ASSQG). A large range of the EC's work in 2017 is of relevance and contributes to the three Key Accountability Areas of the ASSQG: institution building, social cohesion and environmental impacts. Various RAASR IAPs touch on all three aspects, and include specific structural reforms which fit within the five growth attributes in the ASSQG. In addition, the work of the EC's FotCs is particularly relevant to the ASSQG's focus on building strong, resilient economic institutions.
- Boracay Action Agenda (BAA). The EC has provided inputs into the BAA stocktake for 2017, including noting RAASR IAPs that include MSME reforms, EoDB activities on enforcing contracts and starting a business, the SELI work plan on Online Dispute Resolution, and Competition Week 2017.
- Connectivity Blueprint. The EC continues to support the Institutional Connectivity objectives of the Blueprint, through its work on good regulatory practices (with SCSC), international regulatory cooperation, EoDB, and structural issues related to the Middle Income Trap.

41 In addition, the EC Chair presented to the Ad Hoc Steering Group on the Internet Economy (AHSGIE) during SOM1 2017, and the EC followed subsequent developments under AHSGIE.

42 Regarding CTI-led processes, the EC appreciated being kept informed of EC-related aspects of FTAAP work on competition, and relevant chokepoints under Phase II of the Supply Chain Connectivity Framework Action Plan. The EC also supported the CTI Workshop on FTA Negotiation Skills on Competition, the CTI/GOS Workshop on Domestic Regulation of Services Sectors, and SCSC's 10th Conference on Good Regulatory Practices. The EC very much welcomes this close cooperation with CTI.

IV. EC GOVERNANCE

43 At EC 2 the Committee endorsed by acclamation the election of Mr Robert Logie of Canada as the EC Chair for 2018 and 2019, and endorsed by acclamation the re-appointment of Dr Sun Xuegong of China and Dr Rosemary Edillon of the Philippines as Vice Chairs for that same period. The Committee also expressed its sincere appreciation to the outgoing Chair, Mr Rory McLeod of New Zealand.

44 Viet Nam has actively consulted members on the possibility of finding a new Convenor of the FotC on Corporate Law and Governance. Viet Nam will continue to lead EC work on corporate law and governance issues until a replacement is found.

45 CPLG has also elected a new Convenor for 2018-2019, with Mr Sebastian Castro of Chile set to take on the role. He will be supported by Mr Kazuo Oya of Japan as Vice Convenor, who was re-appointed for a further term. Members expressed their sincere appreciation to the outgoing Convenor, Mr Jesus Espinosa of Peru.

46 At EC 1, the EC reviewed its existing Terms of Establishment (which is required every 2 years). No changes were necessary. The next EC review would be at EC 1 2019. The EC has also taken note of the SOM-mandated reforms agreed in 2017, and will implement those as applicable to the EC by SOM1 2018.

48 Both the EC and the CPLG pass their sincere thanks to our Program Director, Alex Rogers, for the fantastic job he has done in the role. As Alex is due to leave the Secretariat shortly, we wish him all the best for the future. The EC and CPLG warmly welcome Pavel Bronnikov as their incoming Program Director and look forward to working with Pavel in the future.

V. FUTURE WORK

47 2018 is shaping up as another busy year for the EC, particularly given the forthcoming High-Level Structural Reform Officials' Meeting.

48 The EC is expecting to hold the following events in the margins of EC1 2018 in Port Moresby, Papua New Guinea:

EC 1 2018

- PNG Merger Control Regime Workshop (EC, RAASR)
- SELI Online Dispute Resolution Workshop (EC, Self-Funded)
- Joint HRDWG/EC event on 2017 AEPR
- Competition Policy and Law Group
- EC 1
 - o Policy Dialogues:
 - Ease of Doing Business Stocktake (USA)
 - Open Government (Thailand)
 - Public E-Services (Russia)

49 The Chair will also be promoting implementation of the 2017 AEPR on Structural Reform and Human Capital Development to relevant APEC fora, and the team for the 2018 AEPR on Structural Reform and Infrastructure will begin work on this endeavour, bringing the suggested Terms of Reference and Individual Economy Report template to EC 1.

50 In addition, the EC expects to hold the following events in conjunction with EC2 2018:

EC 2 2018

- 11th Good Regulatory Practices Workshop (with SCSC)
- EC Plenary
 - o Future of OECD – APEC Work on Good Regulatory Practices
- High Level Structural Reform Officials' Meeting