



**Asia-Pacific
Economic Cooperation**

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Agenda Item: 4

Economic Committee Chair's Report 2018

Purpose: Consideration
Submitted by: EC Chair



**Concluding Senior Officials' Meeting
Port Moresby, Papua New Guinea
12-13 November 2018**

The following report provides APEC Senior Officials with an overview of the Economic Committee's work and achievements in 2018.

It is recommended that Senior Officials **welcome** the EC Chair's Annual Report and endorse the following recommendations:

- **Endorse** the 2018 APEC Economic Policy Report (AEPR) on Structural Reform and Infrastructure, **forward** the 2018 AEPR to Ministers (AMM) to welcome the report
- **Forward** the earlier endorsed topic of Structural Reform and the Digital Economy for the 2019 AEPR to AMM for further consideration and endorsement, and **welcome** the Core Team for the 2019 AEPR
- **Note** the RAASR Mid-Term Review and submit it to Ministers
- **Welcome** the paper "Structural Reforms for Inclusive Growth: Three Approaches"
- **Welcome** EC's 2019 Internet and Digital Economy Workplan

Annexes

- Annex A. 2018 AEPR on Structural Reform and Infrastructure (Individual Economy Reports, Case Studies and ABAC Report on Structural Reform and Digital Infrastructure are not attached)
- Annex B. Structural Reforms for Inclusive Growth: Three Approaches
- Annex C. 2019 Internet and Digital Economy Workplan

Economic Committee Chair's Report 2019

November 2018

Port Moresby, Papua New Guinea

I. OVERVIEW

1 In 2018 the Economic Committee (EC) aligned its overall effort with Papua New Guinea's APEC theme of *"Harnessing Inclusive Opportunities, Embracing the Digital Future"*. In doing so, the EC supported Papua New Guinea's priorities for 2018 - in particular its third priority of *"Strengthening Inclusive Growth through Structural Reform"*.

2 The EC met in plenary twice in 2018, at SOM1 and SOM3. It held a joint meeting with the Human Resources Development Working Group (HRDWG) at SOM 1. The 11th Conference on Good Regulatory Practices was held in the margins of SOM 3.

3 Under the **Renewed APEC Agenda for Structural Reform (RAASR, 2016-2020)**, the EC endorsed the RAASR Mid-Term Review Report prepared by the APEC's Policy Support Unit (PSU), which was then presented to the **High-Level Structural Reform Officials' Meeting (HLSROM)** in August. Members made good progress in implementing their RAASR Individual Action Plans - including through capacity-building projects funded under the RAASR sub-fund. The HLSROM's informal outcome – 10 Structural Reform Priorities and Gaps to Fill, may be used by the EC to guide its work for the remaining two years of the RAASR mandate.

4 The EC considered and approved the **Interim Assessment of the APEC's Ease of Doing Business Second Action Plan 2016-2018 (EoDB, 2016-2018)**, prepared by the PSU. The final assessment will be prepared in 2019.

5 The EC took on the topic of **Structural Reform and Infrastructure** for its annual **APEC Economic Policy Report (AEPR)** in collaboration with the Finance Ministers' Process (FMP). The 2018 AEPR highlights the infrastructure needs, the impact of investment in physical and digital infrastructure on growth and connectivity and structural policies to enable the efficient provision and management of infrastructure.

6 For the 2019 AEPR, the EC agreed to the topic of **Structural Reform and the Digital Economy**, which was also endorsed by Senior Officials at SOM 3 and is pending final approval by the AMM. The EC will look for areas of collaboration for the 2019 AEPR with other APEC fora as appropriate, as a continuation of the fruitful cross-fora collaboration established this year.

7 Regarding ongoing APEC-wide processes, the EC is actively contributing to the implementation of the APEC Internet and Digital Economy Roadmap (AIDER), which was welcomed by the Leaders in 2017. In 2018, the EC established an Informal Roadmap Group support the EC in AIDER implementation and adopted 2019 Internet and Digital Economy Workplan as a 'living' document, which can be updated throughout the year and extended afterwards. The EC advanced its work related to the implementation of the Action Agenda on Promoting Economic, Financial and Social Inclusion by producing "Structural Reforms for Inclusive Growth: Three Approaches" to guide future work of the EC. The EC continued its support to the implementation of the APEC Services Competitiveness Roadmap, the APEC Strategy for Strengthening Quality Growth, the Boracay Action Agenda, and the Connectivity Blueprint.

8 The EC continues to actively pursue cross-fora collaboration. It held a joint meeting with the HRDWG to discuss the outcomes from the 2017 AEPR on Structural Reform and Human Capital Development and cooperated with the FMP on preparation of the 2018 AEPR. The EC appreciated being kept informed of developments in the CTI and other fora, including the FMP and PPWE, related to the EC's structural reform work.

9 The APEC Business Advisory Council (ABAC) and Pacific Economic Cooperation Council (PECC) made valued contributions at both EC meetings. The PSU continues to play a major role in supporting the EC's structural reform work, including on the 2018 AEPR, RAASR implementation, EoDB and regional

economic trends. The PSU's Mid-Term Review of the RAASR implementation contributed to discussions on ways to revitalize EC work for the balance of the RAASR mandate to 2020. Further, the EC collaborated with the OECD, World Bank, UNCITRAL, UNIDROIT and HCCH, among others, with the latter three organisations being three-year guests of the EC (for 2017-2019).

10 In its plenary sessions this year, the EC held several high-quality policy dialogues on: economic trends, EoDB stocktake, open government, public e-services, online dispute resolution and infrastructure. The EC also implemented a number of successful projects.

11 Throughout the year the EC's five Friends of the Chair (FotC) groups (Corporate Law and Governance – CLG, Ease of Doing Business – EoDB, Public Sector Governance – PSG, Regulatory Reform – RR and Strengthening Economic Legal Infrastructure – SELI), 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.

II. EC CONTRIBUTIONS TO APEC PRIORITIES

A. RAASR Implementation

12 2018 was a productive year with many accomplishments under the Renewed APEC Agenda for Structural Reform (RAASR, 2016-2020).

13 In 2015, Structural Reform Ministers agreed to a mid-term and final review of RAASR in 2018 and 2020, respectively. The EC endorsed the RAASR Mid-Term Review (MTR) Report prepared by the PSU, which has two parts. The first part reviews APEC-wide progress on structural reforms against agreed 17 quantitative (external) indicators, and the second part assesses progress of individual economies in implementing structural reforms by comparing their response to the MTR questionnaires with their IAPs. The report concludes that economies performed well in enhancing innovation and productivity and should continue to strengthen these areas. There is a need to redouble efforts towards improving business regulations and facilitating business conduct. The MTR recommends that APEC economies take steps to increase efforts towards boosting the competitiveness of labour and financial markets, improve access to basic services and infrastructure and enhance fiscal and social policies. Economies could do more to ensure that all segments of society participate in markets, particularly by addressing youth employment. The report was also presented and discussed at the HLSROM.

14 The EC endorsed the paper "Structural Reforms for Inclusive Growth: Three Approaches", which was produced by New Zealand and based on input from EC members and sub-bodies, in response to the 2015 tasking from the Structural Reform Ministers to develop a policy framework on how structural reforms, including those being initiated by other APEC committees and working groups, can contribute to inclusive growth. The paper proposes three approaches to guide the EC's work on structural reform, with a focus on using structural reform to contribute to inclusive growth: a) getting the basics right – focusing on the six core structural reform functions which constitute the EC's work program; b) selecting "pro-inclusion" structural reforms and deepening their application; and c) an integrated approach which harnesses both structural reforms and supporting policies and programs in a coordinated and holistic fashion, to better support policy objectives in areas such as strengthening the participation of women in economic life and efforts on ensuring their financial inclusion; supporting MSMEs; human capital development, building sustainable social protection floors, promoting basic labour rights; improving infrastructure; developing and integrating rural and remote areas; and developing the digital economy. New Zealand was supported in drafting the paper by a Small Team consisting of China, the Republic of Korea, the Philippines and Viet Nam. The paper is presented to Senior Officials as Annex B to this report.

15 At SOM 1, the EC held a Joint Policy Dialogue with the HRDWG to discuss follow-up from the recommendations of the 2017 AEPR on Structural Reform and Human Capital Development. The dialogue reflected the growing desire to work collaboratively in the area of structural reforms in human capital development and produced a number of ideas in the areas of Structural Reform and the Future of Work in the Asia Pacific Region, Education and Training for the Digital Age, and Active Labor Market Policies and

Social Protection. The EC and the HRDWG established 2017 AEPR “post-Core Team”, which will track progress on implementation of the AEPR recommendations and report to the EC and HRDWG in 2019 and 2021. The team will be responsible for flagging the relevance of the themes and recommendations of the 2017 AEPR for APEC Committees, specific APEC projects and high-level initiatives promoted by host economies. It will seek to continue the discussion between the EC and the HRDWG on ideas at the intersection of structural reform and human capital development, including the recommendations of the 2017 AEPR and the ideas that emerged from the Joint EC-HRDWG Policy Dialogue.

16 At SOM 3, in collaboration with the Sub-Committee on Standards and Conformance (SCSC), the EC held the 11th Conference on Good Regulatory Practices (GRP), which was organized by Mexico and Papua New Guinea. The conference focused on regulatory reform in the digital age, including exploring the role of digital technologies in supporting policy and regulation making, regulatory transparency and stakeholder engagement, and exploring how economies can work together to ensure that regulatory frameworks account for a more digitalized world and support emerging companies and innovation in the digital economy. Economies discussed recent successes in international regulatory cooperation and ways to implement GRP in the APEC economies, particularly the adoption of regulatory impact analyses to promote evidence-based regulations. Economies discussed GRP and inclusion and presented their best practices on the digital economy regulatory frameworks. The conference attracted 142 participants from 19 member economies.

17 The EC-supported HLSROM was held at SOM 3. Chaired by Papua New Guinea, delegates discussed progress under the RAASR including implementation of Economy Individual Action Plans. The HLSROM had four Davos-style break-out dialogue sessions on: Digital Economy, Connectivity, Inclusion and ways to improve the RAASR’s implementation. The discussions generated the HLSROM’s informal outcome paper - 10 Structural Reform Priorities and Gaps to Fill – which the EC may consider to guide its work for the remaining two years of the RAASR mandate.

18 In addition, members spent 2018 implementing their RAASR Individual Action Plans - including through projects funded under the RAASR sub-fund (see section on the EC Projects). An updated RAASR Individual Action Plan was submitted in 2018 from the Philippines. The RAASR sub-fund funded eight projects this year, and there remains a healthy budget for further funded projects in 2019. RAASR Sub-Fund Eligibility Criteria were updated to reflect the recent changes in the APEC project selection process.

B. EoDB Phase II (2016-2018)

19 2018 marks the final year of Phase II of APEC’s Ease of Doing Business (EoDB) Action Plan, 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.

20 At EC 2 2018, the PSU presented the Interim Assessment of the EoDB Phase II. Looking at the average values recorded by the APEC region, the combined progress for the period 2016-2017 was equal to 7.3%, well above the pro-rata target of 6.6%. While the greatest progress was achieved in the priority area of Getting Credit (18.1%), followed by Starting a Business (11.8%), the other areas also reported progress during this period. The final report on the EoDB Phase II will be presented at EC 1 2019.

21 During 2018, the following EoDB events and initiatives were held:

- EoDB Stocktake Policy Discussion at EC 1;
- Study on APEC Starting a Business Frameworks According to International Best Practices;
- APEC Workshop on Secured Transactions: Best Practices for Dynamic Business Growth (21-22 March, Mexico City, Mexico);
- Technical Assistance on Starting a Business According to International Best Practices (September, Jakarta, Indonesia);
- Workshop on One-Stop Shops for Starting a Business - From Theory to Best Practice (11 August, Port Moresby).

22 EC members started preliminary discussion on the next steps after completion of the EoDB Phase II pending the conclusions of the final PSU report in 2019.

23 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. 2018 AEPR on Structural Reform and Infrastructure

24 This year's AEPR is on the topic of Structural Reform and Infrastructure. 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 resonate widely in APEC. The report was prepared in close collaboration with the FMP.

25 The 2018 AEPR makes the case that ensuring quality infrastructure requires an integrated, interlinked approach across a range of policy areas. This integrated approach entails sound public sector and fiscal management as well as structural policies to facilitate competition and private sector involvement, including through public private partnerships, and mitigate the social and environmental impacts of infrastructure development.

26 The main report consists of two parts: 1) Infrastructure Needs and the Impact of Investment in Physical and Digital Infrastructure on Growth and Connectivity; 2) The Role of Structural Policies in Enabling the Efficient Provision and Management of Infrastructure. APEC economies identified a number of drivers of infrastructure needs including: population growth and ageing populations, transport and connectivity needs, the rise of digital infrastructure, and the need to renew ageing infrastructure to ensure that it is crisis-ready. Many APEC economies face a significant infrastructure financing gap, which is estimated to range from USD 3.1 billion to USD 805.5 billion. The report finds that the following nine key outcomes are important to promoting quality infrastructure: sound infrastructure governance and planning, together with project prioritization processes, fiscal sustainability, the reliable operation and management of infrastructure, ensuring that institutional arrangements allow for private sector involvement and competition where possible, providing an institutional environment that supports private sector financing, institutional settings that promote and adapt to technological change, infrastructure decisions that are aligned with economic and development objectives, appropriate management of the social and environmental impacts of infrastructure, and incorporation of resilience considerations into decision-making. Infrastructure development issues in rural and remote areas were also addressed. The report also discusses a number of policies in relation to these outcomes.

27 Australia and New Zealand have generously provided the funding for this year's AEPR. The EC is particularly grateful to New Zealand for leading the Core Team, which also included Australia, Canada, China, Indonesia, Japan, Mexico, Papua New Guinea, the Philippines, Thailand, the United States and Viet Nam.

28 Australia, Canada, China, Indonesia, Mexico, New Zealand, Papua New Guinea, Russia and Viet Nam provided specific Case Studies, which form an annex to the AEPR in addition to the Individual Economy Reports.

29 The EC thanks the PSU, which did an excellent job of managing the overall production of the Report, including in drafting Part 1, and to consultancy Castalia Strategic Advisors for their input into Part 2.

30 The EC expresses its appreciation to ABAC for providing a companion report on Structural Reform and Digital Infrastructure.

31 In addition, the EC produced a Factsheet of the 2018 AEPR that will be further distributed at AMM.

32 The final draft of the 2018 AEPR was endorsed by the EC and SFOM and welcomed by APEC Finance Ministers in October. It is attached herewith as Annex A for consideration and endorsement by the Senior Officials and forwarding to the AMM for final approval.

D. Structural Reform and the Digital Economy

33 In 2018, the EC created an Informal Roadmap Group (IRG), which currently has 12 members (Australia; China; Hong Kong, China; Indonesia; Malaysia; New Zealand; Papua New Guinea; Russia; Singapore; Chinese Taipei; United States and Viet Nam) and is led by Australia, to undertake a preliminary assessment of the EC's current work under the AIDER and propose next steps. The IRG identified the following focus areas of the AIDER where the EC could make a significant contribution: development of holistic government policy frameworks for the Internet and Digital Economy; promoting coherence and cooperation of regulatory approaches affecting the Internet and Digital Economy; and enhancing digital economy inclusiveness. It was also noted that the EC should take the lead in APEC's efforts with regards to measurement of the Internet and Digital Economy. The IRG developed an EC Internet and Digital Economy Work Plan for 2019, which was later endorsed by the EC and is submitted to the CSOM as Annex C to this report for welcoming.

34 The EC agreed to put forward Structural Reform and the Digital Economy as the theme for next year's AEPR. The EC will define the final scope of the report in the 2019 AEPR Outline. Structural reforms for the digital economy are likely to grow in importance and become more complex. The ability to provide for effective competition and regulatory structures is likely to determine the extent APEC economies can benefit from new technologies. The 2019 AEPR on Structural Reform and the Digital Economy will help the EC shape its work agenda with regards to digital economy issues in APEC consistent with its mandate to promote structural reform. Senior Officials endorsed Structural Reform and the Digital Economy as the topic for 2019 AEPR at SOM 3 and it is recommended that they forward it to the AMM for final approval.

35 The EC look for areas of collaboration on 2019 AEPR with relevant APEC fora such as ECSG, TELWG and SFOM as appropriate given the cross-fora nature of the topic.

36 The 2019 Core Team, as of the drafting of this report, is: Chile (lead economy), EC representatives from Australia, China, Japan, Mexico, Russia, Chinese Taipei, Thailand, the United States and Viet Nam.

37 The EC expresses its appreciation to Australia and New Zealand for their intention to fund the production of next year's AEPR.

E. Policy Discussions, Seminars and Workshops

38 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.

39 Policy discussions were held on:

- Regional Economic Trends (the PSU)
- Ease of Doing Business Stocktake (initiative of the EoDB, led by the United States);
- Open Government (initiative of the PSG, led by Thailand);
- Public E-Services (initiative of PSG, led by Russia);
- Online Dispute Resolution (initiative of the SELI, led by Hong Kong, China);
- Structural Reform and Infrastructure (led by New Zealand as the 2018 AEPR Core Team Lead).

40 Seminars, Workshops and Conferences:

- Workshop on Improving Access to Credit According to International Best Practices (United States, EC 05 2017A);
- Workshop on Information Sharing Best Practice on Merger Control Regimes (Papua New Guinea, EC 06 2017A);
- Workshop on the Use of Modern Technology for Dispute Resolution and Electronic Agreement Management - particularly Online Dispute Resolution or ODR (Hong Kong, China, EC 03 2017S);
- Workshop on APEC Peer Review on Public Consultation Initiatives (Malaysia, EC 04 2017A);
- Workshop on One-Stop Shops for Starting a Business - From Theory to Best Practice (United States, EC 01 2018S);

- 11th Conference on Good Regulatory Practices (Mexico and Papua New Guinea, EC 02 2018A);
- Public-Private Dialogue on Structural Reform and Gender (New Zealand, EC-PPWE 01 2018S);
- Workshop on Developing a Collaborative Framework for Online Dispute Resolution (United States, EC 05 2018A).

41 The EC provided direct technical assistance and capacity building under the following projects:

- Promoting the Use of Economic Evidence for More Effective Competition Policy and Market Functioning (Viet Nam, EC 02 2017A);
- Capacity Building for Managing Single Online Portal for Regulatory Information (Indonesia, EC 07 2017A);
- Technical Assistance on Starting a Business According to International Best Practices (United States, capacity Building in Indonesia, EC 01 2017A);
- Improving Access to Credit According to International Best Practices (United States, capacity building in the Philippines, EC 05 2017A).

42 The EC wishes to record its appreciation for the efforts of all those that organised and participated in these policy discussions, seminars, workshops and capacity-building activities.

43 Eight new EC and CPLG APEC-funded and self-funded projects were approved this year for implementation in 2019:

- Comprehensive Review of Potentially Anti-Competitive Laws and Regulations (the Philippines);
- Promoting Competition Assessment for Improved Market Efficiency in Viet Nam (Viet Nam);
- Economic Analysis in Horizontal and Non Horizontal Mergers (Chile);
- Competition Policy for Regulating Online Platforms in the APEC Region (Mexico);
- APEC-OECD International Regulatory Cooperation Diagnostic to Help Regulators understand the Regulatory Landscape in other Jurisdictions, and Identify Opportunities for Regulatory Cooperation (Mexico);
- Leveraging Digital Technology to Improve Education Quality in Rural and Remote Areas (Indonesia);
- Best Practices Workshop on Public Investment Systems (Chile)
- Stocktake Workshop on the SELI ODR Workplan (Hong Kong, China).

III. EC CONTRIBUTION TO NON EC-LED PROCESSES

44 APEC Strategy for Strengthening Quality Growth (ASSQG). EC work in 2018 contributed to the ASSQG's three Key Accountability Areas, particularly institution building and social cohesion. 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.

45 APEC Action Agenda on Advancing Economic, Financial and Social Inclusion. EC produced a paper "Structural Reforms for Inclusive Growth: Three Approaches", which suggests approaches that economies might take to better harness structural reforms to promote inclusive growth.

46 APEC Internet and Digital Economy Roadmap (AIDER). The EC held a number of policy discussions related to the topic of internet and digital economy. Throughout the year, many EC projects and activities focused on harnessing digital tools in the areas of better regulation, EoDB and public sector governance. The EC produced its 2019 Internet and Digital Economy Workplan and endorsed the topic of Structural Reform and the Digital Economy for 2019 AEPR.

47 Boracay Action Agenda (BAA). The EC provided inputs into the BAA stocktake for 2018, including noting RAASR IAPs that include MSME reforms, EoDB activities on secured transactions and starting a business and the SELI work plan on ODR.

48 Connectivity Blueprint. The EC continues to support the Institutional Connectivity objectives of the Blueprint through its work on good regulatory practices (with the SCSC), international regulatory cooperation and EoDB. The 2018 AEPR on Structural Reform and Infrastructure is the EC's major input in APEC's work on improving physical connectivity.

49 APEC Services Competitiveness Roadmap (ASCR). The EC continues to consider ways to contribute to the ASCR. The substantial AEPR on structural reform and services that the EC produced in 2016 contains structural reform actions that could be implemented in conjunction with other bodies such as CTI and GOS.

IV. EC GOVERNANCE

50 Mr Robert Logie of Canada expects to continue to serve as the EC Chair until SOM3 of 2019, with Dr Sun Xuegong of China and Dr Rosemary Edillon of the Philippines as Vice Chairs for that same period until the end of 2019. In early 2019, the EC will begin a process to identify the next EC Chair.

51 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.

52 Mr Sebastian Castro of Chile will continue to serve as the CPLG Convenor until the end of 2019 with the support of Mr Kazuo Oya of Japan as Vice Convenor for the same period.

53 All five EC FoTCs and CPLG reviewed and amended their respective work plans and ToR to align with last year's SOM decisions on APEC governance, which was reported to Senior Officials at SOM 1.

V. FUTURE WORK

54 2019 is shaping up as another busy year for the EC with following events currently planned to be held at SOM 1 in Chile:

- Two-day Workshop on Economic Analysis in Horizontal and Non-Horizontal Mergers (CPLG, APEC-funded, proposed by Chile)
- Competition Policy and Law Group Meeting
- Stocktake Workshop on the SELI ODR Workplan (EC, self-funded by Hong Kong, China)
- EC 1 Plenary
 - o Policy Discussion on Online Dispute Resolution (pending proposal)
 - o Policy Dialogue on Applying Emerging Technologies for Better Governance and Regulation of the Digital Economy (pending proposal)
- Measuring the Digital Economy Workshop (pending proposal)

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