



**Asia-Pacific
Economic Cooperation**

2018/SOM1/024

Agenda Item: 6

Report by the Chair of the Economic Committee on EC 1 2018

Purpose: Consideration
Submitted by: EC Chair



**First Senior Officials' Meeting
Port Moresby, Papua New Guinea
8-9 March 2018**

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Executive Summary

1. The EC held its first plenary meeting of 2018 on 5-6 March in Port Moresby, Papua New Guinea.
2. EC pursued the following key objectives through its deliberations:
 - a. Agree process for the 2018 AEPR on Structural Reform and Infrastructure;
 - b. Advance RAASR IAP Implementation and consider preparations for 2018 High-Level Structural Reform Officials' Meeting;
 - c. Consider EC contributions to PNG's overarching theme on inclusion and the digital economy:
 - i. Consider the Scoping Paper for the proposed Policy Framework on Structural Reform and Inclusive Growth and agree next steps;
 - ii. Discuss current and future EC work in the area of structural reform and the digital economy;
 - d. Consider ways to improve the efficiency of drafting annual AEPRs;
 - e. Consider updated CPLG ToR.
3. EC endorsed:
 - a. PSU ToR, Statement of Principles and Individual Economy Report Questionnaire for 2018 AEPR on Structural Reform and Infrastructure (2018/SOM1/EC/057, 2018/SOM1/EC/055, 2018/SOM1/EC/054);
 - b. Updated CPLG ToR (2018/SOM1/EC/062).
4. EC noted:
 - a. General Outline for Case Studies and Proposed Report Structure for 2018 AEPR (2018/SOM1/EC/053; 2018/SOM1/EC/056);
 - b. The Chair's Scoping Paper for the Policy Framework on Structural Reform and Inclusive Growth (2018/SOM1/EC/038);
 - c. Japan's paper on Options for AEPR Process (2018/SOM1/EC/058).
5. The following events were held prior to EC 1:
 - a. Workshop on Information Sharing Best Practice on Merger Control Regimes (1-2 March);
 - b. Joint EC-HRDWG Policy Dialogue on the Implementation of 2017 AEPR Recommendations (2 March) – the Co-Chairs' Summary Report is annexed herewith;
 - c. CPLG Meeting (3 March) – the Convenor's Summary Report 2018/SOM1/EC/064;
 - d. Workshop on the Use of Modern Technology for Dispute Resolution and Electronic Agreement Management (particularly Online Dispute Resolution or ODR) (3-4 March) – conclusions and recommendations of the workshop 2018/SOM1/EC/063.
6. The EC's five Friends of the Chair (FotC) groups also met and presented new proposals for future work including on a cross-fora basis. The updated FotC work plans include the sunset clauses.
 - a. Strengthening Economic Legal Infrastructure (SELI – led by Hong Kong, China, work plan - 2018/SOM1/EC/067);
 - b. Ease of Doing Business (EoDB – led by the United States, work plan - 2018/SOM1/EC/007);
 - c. Corporate Law and Governance (CLG – led by Viet Nam, work plan - 2018/SOM1/EC/004);
 - d. Regulatory Reform (RR – led by Mexico, work plan - 2018/SOM1/EC/005);
 - e. Public Sector Governance (PSG – led by Thailand, work plan - 2018/SOM1/EC/003).
7. In addition to EC's regular work under the Renewed APEC Agenda for Structural Reform (RAASR) and Phase II of EoDB, EC 1 featured three policy dialogues on:

- a. Ease of Doing Business Stocktake (initiative of EoDB, led by the USA);
 - b. Open Government (initiative of PSG, led by Thailand);
 - c. Public E-Services (initiative of PSG, led by Russia).
8. EC had a productive discussion about Structural Reform and the Digital Economy. EC and its FotCs are already taking steps to ensure that their work on structural reform addresses digital economy and harnesses digital tools.

Recommendation: that Senior Officials note this report.

Report

The following report provides greater details about the proceedings of the EC 1 2018 plenary.

Regional Economic Outlook and Update on Digital Economy

The Chair stressed his commitment to advancing work on Papua New Guinea's priorities on inclusive digital economy in addition to structural reform.

This was followed by the reports from the Chair on the successful Joint EC-HRDWG Policy Dialogue on 2017 AEPR Recommendations (the summary report is attached) and from convenors of CPLG and five FotCs.

The session on the Regional Economic Outlook and Update on Digital Economy featured presentations by Dr Dennis Hew (PSU), Mr Kensuke Tanaka (OECD Development Centre), Mr Eduardo Pedrosa (PECC) and Ms Natasha Beschorner (World Bank).

Dr Hew presented on the APEC Regional Trends Analysis, focusing on economic recovery amid the challenges of inclusion. The APEC region grew by 4.0% in the first three quarters of 2017, higher than the 3.3% GDP growth in Q1-Q3 2016, reflecting the global economic upswing. In the short-term growth in the APEC region is expected to be higher than global GDP growth. Domestic consumption continues to be the main driver of growth. Merchandise trade growth increased in 2017 in terms of value and volume compared to the levels in 2016. Stronger growth is also observed in trade in commercial services. At the same time, as of mid-2017 trade- and investment-restrictive measures outweighed facilitating measures, which is a cause for concern. Dr Hew pointed out that the downward trend in the labour's share of GDP, partly due to the technological changes and globalization. Policy options include improve access to and quality of education and training, developing ALMPs that ensure a timely, coordinated and holistic approach to responding to skills gaps and mismatches while providing support and protection to workers, promote people-to-people connectivity through cross-border training exchange, labour mobility and regulatory coherence.

Mr Tanaka presented Economic Outlook for Southeast Asia, China and India 2018. Near- and Medium-term prospects in ASEAN remain robust on resilient domestic demand and a recovery in trade volumes. However, maintaining robust growth momentum requires careful attention to several downside risks. Digitalization drives new ways of doing business and affects trade and productivity. Broad, adaptive strategies will be needed to foster inclusive growth through digitalization.

Mr Pedrosa talked about PECC's 2017-2018 State of the Region report, which provides perspective on how internet/digital technologies are changing the nature of business and economic growth and policy recommendations to address these changes. He mentioned that year-on-year growth of exports outpaced that of the broader economy by around 3 percentage points from 1989 to 2008. However, for the 2010-2022 period, trade is expected to outpace the broader economy by only 0.7 percentage points. Data flows continue to increase at a very rapid pace. However, there are large variations in internet

speed, cost and penetration across the region. Benefits of the digital economy include growth in productivity, access to larger markets, increased consumer choices, etc. Priority issues for the growth of the digital economy include data protection, infrastructure, privacy, universal broadband access, digital literacy, etc.

Ms Beschorner presented some statistical information on the digital economy in the APEC region and raised a number of relevant issues for consideration by the policy makers. While many economies have high-level digital economy plans and strategies, we need to shift to pragmatic implementation – with ongoing leadership; coordination across agencies and levels of government; and private sector collaboration. Governments are still trying to identify the right balance between targeted support for digital economy start-ups/SMEs, and cross-cutting reforms that lower barriers to entry and address enabling environment barriers. Regulatory infrastructure for data across the region remains underdeveloped: varying approaches to data localization, privacy, cybersecurity. Greater effort needed to implement policies and awareness-raising to foster consumer/user trust. Strong potential for more regional approaches, e.g. on data policies; taxation.

Promoting E-Commerce to Globalize MSMEs

PSU presented findings of its two recent studies related to Digital Trade, E-commerce and Globalizing MSMEs. The presentation underlined the importance of tailored training and guidance for SMEs, clarity and transparency of regulations and procedures relevant to cross-border e-commerce, exchange in 'best practices' and innovative models to promote cross-border e-commerce, and regular Public-Private Dialogues to understand current and emerging trends in e-commerce and exchange in policy innovations. The presentation was followed by an active discussion among members.

2018 APEC Priorities and the Discussion on the Digital Economy

Papua New Guinea made a presentation on the 2018 APEC priorities under the overarching theme *Harnessing Inclusive Opportunities, Embracing the Digital Future* and highlighted EC's potential contribution, in particular to the Priority 3 - *Strengthening Inclusive Economic Growth through Structural reform*. The Host Economy would like the EC to maintain its focus on implementing RAASR and the second APEC EoDB Action Plan, progressing work on good regulatory practices, as well as preparing 2018 APEC Economic Policy Report (AEPR) on Structural Reform and Infrastructure.

As the 2018 APEC Host Economy, Papua New Guinea presented its proposed topic for the 2019 AEPR: "Structural Reform and the Digital Economy." The interrelations between structural reform and the digital economy can be explored in a variety of areas, including competition from new technologies (e.g. in telecommunications), compatibility of standards across borders, adequate incentives for firms to innovate through use of digital technologies, institutional frameworks to support digital commerce such as online dispute resolution and e-procurement, digital platforms (e.g. company registration) to support ease of doing business. Structural reforms for the digital economy likely to grow in importance and become more complex. Our ability to provide for effective competition and regulatory structures is likely to determine the extent our economies can benefit from new technologies. A 2019 AEPR on Structural Reform and the Digital Economy would provide useful analysis and recommendations as well as help the EC position itself with regards to discussion on digital economy issues at APEC and set priorities for future work for EC and APEC more generally.

A number of economies supported Papua New Guinea's proposal, and none expressed reservations.

Policy Discussions

Ease of Doing Business

This discussion, organized and chaired by the US, was an opportunity to review the completed and ongoing work under the EoDB action plan, highlighting the implementation of reforms. APEC Policy Support Unit (PSU) presented on APEC's EoDB overall average progress noting that the combined progress on EoDB was equal to 7.3% above the pro-rata target of 6.6% by the end of 2017. While the greatest progress was achieved in getting credit and starting a business, all other areas reported progress as well.

Champion economies on the five areas of ease of doing business reforms presented case studies that reflected success stories, lessons learned and challenges.

In the discussion, key improvements made under the Second EoDB Action Plan. The US noted that APEC has seen improvements in all five areas compared to the rest of the world. Hong Kong, China stated that the work in enforcing contracts was positive with significant improvement in 2016 and 2017. Indonesia noted the usefulness of reforms made by economies and suggested the possibility of disseminating this information to officials in charge of EoDB across all APEC economies outside of the EC plenary. With regards to next steps and the post-2020 agenda, the US emphasized the importance of looking back at the progress made under the second EoDB initiative to inform further discussions. Data collected by PSU will be needed to take stock of the progress up to the end of 2018, and PSU raised some initial questions on what can come next. EC should consider whether the next initiative could have the same or new targets, whether there could be a focus beyond indicators and look at how economies are implementing reforms, as well as consider the sustainability of reforms. Economies have shared the value of having EoDB indicators to generate incentives to push regulatory reforms and to do technical assistance that targets specific challenges economies face. With more and clearer information on how APEC did collectively, the US expressed support of having discussions on future opportunities.

In conclusion, the US noted that it looks forward to PSU's stocktake on final results and will distribute a questionnaire intersessionally to get further insight on progress made under the second EoDB initiative. The results of this questionnaire will feed into a report that will be submitted to the high-level structural reform officials' meeting later this year.

The Chair concluded by noting that 60 percent of the world is in the informal sector and many have difficulty in accessing credit. This demonstrates the urgency of pursuing structural reforms to promote inclusion. The EoDB initiative ties into Papua New Guinea's host year theme of inclusion and remains relevant across APEC economies. The Chair highlighted the importance of considering next steps in EoDB.

Open Government

The discussion was organized chaired by Thailand. It provided a platform to learn more about open government principles and practices, exchange international experiences and successful initiatives. The discussion featured presentations by the OECD, the Philippines, Chinese Taipei and Thailand. It began with an overview by OECD of internationally accepted principles and standards on open government as a means to promote and strengthen good public governance, based on the 2017 OECD Recommendation on Open Government.

The Philippines and Thailand shared their experiences applying Open Government practices. In the Philippines, as one of the founding members of Open Government Partnership (OGP), open government efforts were used to promote people-centered, clean and efficient governance involving developing institutional mechanisms such as the framework on Participatory Governance Cluster to enhance citizen participation, strengthen mechanisms for public engagement, and enhance the capacity of local

government units, as well as establishing OGP Steering Committee and implement OGP Action Plan. Similarly, Thailand shared with the members Thailand's Transition to Open Government. For example, this transition included the Licensing Facilitation Act (2015), which was introduced to simplify bureaucratic system that control how licenses, permits, registration and other notifications are granted under Thai law to promote further transparency and accountability. This thereby has eased business doing environment. Moreover, Thailand is promoting more open and connected government, focusing on making public service deliveries more efficient and modernizing government administration using electronics and digitization.

The session also included a presentation of Chinese Taipei's experiences on Open Data and E-Participation, which has helped to increase the engagement of the general public in service implementation and delivery improve the public policy-making process more broadly. Chinese Taipei has developed an online participation mechanism that allows the public to express their opinion on policies or submit new policy proposals. The responsible authorities are required to provide an official response once the proposal gained get 5000 expressions of registered on-line support.

Taken together presentations demonstrated how open government can be promoted throughout the policy cycle—from policy design, implementation, monitoring and evaluation, and feeding back with the support of digital technologies.

Provision of Public Services in Electronic Format (Public E-Services): Core Aspects and Potential Benefits

The discussion was organized and chaired by Russia. Speakers from New Zealand, the Russian Federation, Thailand, Chinese Taipei and Viet Nam provided a general overview of the topic, explained the benefits of public e-services and best practices, and gave examples of public e-services from their economies. PECC provided an insightful comment on the leading role of the government in digital transformation and the development of infrastructure through higher public and private investments in APEC economies, and the importance of the public e-services in this process. The speakers shared their economies' experiences in the transformation from electronic to digital public services and presented statistics on their respective government strategies. Some member economies stressed the effectiveness of public e-services for remote areas of development.

Speakers provided information on the legal and institutional infrastructures of their respective economies for the public electronic and digital services, including the description of the one-stop shops (single windows) for all public services (administrative, demographic, land-construction, business, etc.). Russia introduced its quality of services control system "Vash Control" ("Your Control"), which helps receive feedback from the real-life users, as well as reflected on the results of the analytical research that had been conducted by the NAFI Research Center in order to analyze the corporate use of public e-services, their experiences, and barriers that they encounter. Viet Nam introduced its e-government development plans and recent indicators. Chinese Taipei described the e-government platform and provided good examples of digital government services for employment and e-health. Thailand presented the Doing Business Portal, the one stop service businesses interacting with government. New Zealand introduced its most recent initiatives, including Smartstart, Entering Tertiary and Rates Rebate.

EC Members shared their insights on the subject, expressed views on how APEC could further reinforce the development of in economies of the APEC region. Participants emphasized the relevance of public e-services and indicated for continued collaboration the development of additional projects in this area. In his remarks the EC chair noted linkages between and e-services open government (the topic of the previous discussion), noting that both are examples of EC work in relation to the digital economy, a Papua New Guinea's priority for 2018.

Renewed APEC Agenda for Structural Reform (RAASR)

The Chair presented a Scoping Paper for the Policy Framework on Structural Reform and Inclusive Growth. At the Structural Reform Ministerial Meeting (SRMM) in 2015, Ministers instructed the EC to develop a policy framework on how structural reform, including work being initiated by other APEC bodies, can contribute to inclusive growth. The paper provides suggestions on the review of existing policies and initiatives at APEC and relevant fora, some examples of policy areas for cooperation in APEC and a way forward for the project. Some economies suggested that it would be ideal to clarify the basic parameters and need for the policy framework and to avoid duplication with existing APEC documents, including the Action Agenda on Advancing Economic, Financial and Social Inclusion. The Chair asked member economies to for help in drafting the framework, and for a volunteer to lead the project. He clarified that the while the PSU could provide normal course technical support, it would not be appropriate for the PSU to draft or hire a consultant to draft the policy framework.

Papua New Guinea presented its plans for the High-Level Structural Reform Officials' Meeting, a one-and-a-half-day meeting to be held right after SOM 3 in August. The objective of the meeting will be to assess progress on and the overall effectiveness of the RAASR process including progress of economies in implementing their RAASR Individual Action Plans (IAPs), review work on the Policy Framework on Structural Reform and Inclusive Growth and discussing work priorities for the remainder of the RAASR mandate from 2018-2020.

PSU presented a progress update on the RAASR Mid-Term Review. To prepare for the mid-term review, EC members agreed to the review timetable and template last year, with a view of getting the review report in time for the HLSROM. The review template was subsequently circulated for members' completion. The first draft of the RAASR Mid-Term Review will be circulated by PSU to the EC members by mid-June 2018.

Projects

Economies presented reports on the ongoing and planned projects, including APEC Peer Review on Public Consultation (Malaysia, the draft questionnaire was presented to EC), 11th Good Regulatory Practices Workshop (Mexico and Papua New Guinea), Addressing Structural Barriers to Human Resource Development (Australia), Assessing APEC Starting a Business Frameworks according to International Best Practices (the US) and Improving Access to Credit according to International Best Practices (the US). A number of new projects were presented, including a project on Capacity Building Online Program on Better Regulation (Mexico), Study about the Trade Costs of Regulatory Divergence and its relation to the International Regulatory Cooperation (Mexico), Promoting Competition Assessment for Improved Market Efficiency in Viet Nam (Viet Nam), Workshop for Developing a Collaborative Framework for Online Dispute (the US), SOEs Governance Reforms (Japan and Viet Nam) (China requested more time for consultations).

2018 AEPR on Structural Reform and Infrastructure

New Zealand as the Core Team Lead talked about the progress on the 2018 AEPR. The Core Team responsible for the project now has 12 members – Australia, Canada, China, Japan, Indonesia, Mexico, New Zealand, Papua New Guinea, the Philippines, Thailand, the US, Viet Nam.

The topic of the report has generated active interest among member-economies, with numerous offers to provide case studies. ABAC has agreed to provide an Annex and the OECD has offered support. This year's report is being prepared in collaboration with the Finance Ministers' Process. New Zealand and PSU are at the initial stage of identifying a possible consultant who will draft the main section of the report and provide policy recommendations.

The EC endorsed PSU ToR, Statement of Principles and Individual Economy Report Questionnaire for 2018 AEPR. The EC also noted General Outline for Case Studies and Proposed Report Structure for 2018 AEPR.

Japan presented a paper – requested by the EC Chair – with options for reforming AEPR process. Japan noted that, as the AEPR had taken on broader and more ambitious topics in relation to structural reform in recent years. Japan aimed to generate discussion among EC members on improving the efficiency of the process.

During the discussion Canada proposed that a small group of volunteer economies should be set up to examine the AEPR process, particularly the issue of finding an appropriate funding source to cover consultant costs. New Zealand and Australia agreed to be on the small group, which will report to EC 2 with options.

EC Governance and Procedure

EC approved the updated CPLG ToR, which now incorporates the sunset and quorum clauses.

The current Corporate Law and Governance FotC Convenor (Viet Nam) will continue to lead the group, but economies are invited to volunteer for this role.

China reiterated the importance of following the relevant APEC nomenclature rules and guidelines with regards to the meeting documents and requested changes.

The Chair concluded by thanking the Host Papua New Guinea for their warm hospitality and speakers for their valuable contribution to the meeting. The Chair commended the CPLG and FotCs for their hard work on structural reform. He also commended EC delegates for their congenial, business-like, win-win approach throughout the plenary.

Next meeting

EC 2 will take place during SOM 3 in August 2018 just before the High-Level Structural Reform Officials' Meeting.

Annex: Co-Chairs' Summary Report on the Joint EC-HRDWG Policy Dialogue on 2017 AEPR Recommendations