

Report by the Chair of the Economic Committee on EC 1 2019

Executive Summary

1. The EC held its first plenary meeting of 2019 on 4-5 March in Santiago, Chile.
2. EC pursued the following key objectives through its deliberations:
 - a. Advance RAASR Implementation
 - b. Agree process for 2019 AEPR on Structural Reform and Digital Economy
 - c. Discuss APEC Collaborative Framework for ODR of Cross-Border B2B Disputes and Model Procedural Rules for the APEC Collaborative Framework for ODR of Cross-Border B2B Disputes.
3. EC endorsed PSU ToR for 2019 AEPR on Structural Reform and Digital Economy (2019/SOM1/EC/039);
4. EC noted the progress on developing APEC Collaborative Framework for ODR of Cross-Border B2B Disputes and Model Procedural Rules for the APEC Collaborative Framework for ODR of Cross-Border B2B Disputes and agreed to circulate the Model Procedural Rules and Framework for review and begin to develop an implementation plan for the pilot project intersessionally.
5. The following events were held in conjunction with EC 1:
 - a. Workshop on Economic Analysis in Horizontal and Non-Horizontal Mergers (28 February – 1 March);
 - b. CPLG Meeting (2 March) – the Convenor’s Summary Report 2019/SOM1/EC/037;
 - c. Stocktake Workshop on the SELI ODR Workplan (2-3 March);
 - d. Workshop “Digital Economy: Measurement, Regulation and Inclusion” (6 March).
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.
 - a. Strengthening Economic Legal Infrastructure (SELI – led by Hong Kong, China, work plan – 2019/SOM1/EC/042);
 - b. Ease of Doing Business (EoDB – led by the United States, work plan - 2019/SOM1/EC/003);
 - c. Corporate Law and Governance (CLG – led by Viet Nam, work plan - 2019/SOM1/EC/002);
 - d. Regulatory Reform (RR – led by Mexico, work plan - 2019/SOM1/EC/005);
 - e. Public Sector Governance (PSG – led by Thailand, work plan - 2019/SOM1/EC/004).
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 two policy dialogues on:
 - a. Online Dispute Resolution (ODR – led by Hong Kong, China);
 - b. Applying Emerging Technologies for Better Governance and Regulation of the Digital Economy (led by Chinese Taipei).
8. PSU organized a session on Regional Economic Outlook with Focus on the Digital Economy and presented the draft final assessment for the implementation of the Second EoDB Action Plan.
9. Chile proposed “Structural Reform and Gender” as topic of 2020 AEPR.
10. International partners including PECC, OECD, ECLAC, UNIDROIT and others contributed to the EC plenary.

Recommendation: that Senior Officials endorse this report.

Report

The following report provides details about the proceedings of the EC 1 2019 plenary.

Regional Economic Outlook with Focus on the Digital Economy

The session featured presentations by Dr Dennis Hew (PSU), Ms Marie-France Paquet (Chief Economist of Global Affairs Canada), Dr Mario Cimoli (ECLAC) and Mr Kensuke Tanaka (OECD Development Centre).

Dr Hew presented on the APEC Regional Trends Analysis. The APEC region grew by 4.1% in the first three quarters of 2018, slightly higher than the 4.0% GDP growth in Q1-Q3 2017. Growth is uneven across APEC economies due to heightened uncertainty. Domestic consumption remains steady while exports sustain contribution to growth. Growth in the value of merchandise exports declined while it went up for merchandise imports. Growth in the volume of merchandise exports and imports decreased. According to WTO reports on trade developments covering all APEC economies, trade-restrictive measures have consistently outnumbered trade-facilitating measures from mid-Oct 2015 to mid-May 2018. Latest available data also show an uptick in investment-restricting measures. Uncertainty has tilted risks to the downside, both in the short-term and medium-term.

Dr Hew noted that trade is no longer a reliable driver of growth. In fact, when the responsiveness of economic growth to trade started to slow down, trade was replaced by domestic consumption as source of sustainable economic growth among APEC economies. APEC may need to look beyond trade to ensure that growth is balanced, sustainable, and inclusive.

Ms Paquet provided a Canadian perspective on the global economic outlook. She indicated that global economic growth in coming years would be led by emerging markets, and described Canada's efforts to diversify its trade towards those markets. She briefed the members on the research by Global Affairs Canada on digital trade and emphasized that the digital economy can be an enabler of growth. However, it is a challenge to get the policy mix right, and there is a need to balance different objectives.

Dr Cimoli presented on Latin American and Caribbean Economies: trends, highlights and outlook. Economic growth in Latin America and the Caribbean slowed to an estimated 1.2% in 2018, with strong differences between domestic economies and subregions. Growth was driven by private consumption with a slight increase in the recovery of investment and exports. The current account deficit slightly widened in 2018. Regional goods export values increased 9.7%, mainly driven by a rise in commodity prices. The fiscal adjustment process led to a reduction in the primary deficit and mixed results among economies with respect to public debt. In 2019, growth in Latin America and the Caribbean is expected to be 1.7%.

Dr Tanaka presented Regional Economic Outlook and Digital Economy – Focusing on Emerging Asia. The presentation covered growth prospects for the region, inflationary pressure, FDI flows, fiscal balance and touched upon risks and challenges related to export performance amidst rising protectionism. He also discussed the need to strengthen disaster response and improve the efficiency of infrastructure spending and delivery, and described the opportunities and risks of Fintech.

Policy Dialogue: Online Dispute Resolution

Dr James Ding, the SELI Convenor, briefly introduced the SELI ODR Work Plan. This was followed by reports on the Workshop for Developing a Collaborative Framework for ODR held in November 2018 in Osaka, Japan, organized by the USA and the SELI ODR Work Plan Stocktake Workshop held on 2-3 March 2019 during SOM1 and organized by Hong Kong, China.

The panel consisted of Prof Zhao Yun from Hong Kong, China, Mr Michael Dennis, expert in ODR and Prof Yoshihisa Hayakawa from Japan. Prof Zhao shared his insights on the benefits of ODR for MSMEs and the importance of having a B2B ODR framework for MSMEs in cross-border trade. Mr Dennis then introduced the collaborative framework for ODR being developed by SELI and its significant value in making disputes resolution for MSMEs engaging in cross-border trade much easier and at a lower cost. Key elements of the framework were also highlighted. Prof Yoshihisa Hayakawa took the EC through the draft model procedural rules under the draft collaborative framework and conclusions from the previous workshops on ODR.

After discussion, the EC agreed to continue implementation of the ODR Work Plan and welcomed preparatory work be carried out and proceeded with by interested economies with a focus on the details of how the plan is to be implemented. Member economies may offer any further comment on the framework and model procedural rules (bearing in mind that they may be revised in light of the experience and lessons learnt from the pilots).

Policy Dialogue: Applying Emerging Technologies for Better Governance and Regulation of the Digital Economy

The Policy Dialogue was organized and chaired by Chinese Taipei as EC's contribution to the implementation of the AIDER, especially in the key focus areas 4, 5, and 10. Speakers from OECD and Owlting Group (an innovative startup of Chinese Taipei speaking from industry perspective) provided a general overview of applying emerging technology for better governance and regulatory approaches for nurturing the digital economy. Chile, Singapore, Russia and Chinese Taipei shared their respective experiences on the subject.

The Dialogue was intended to explore the opportunities, challenges and risks of applying emerging digital technologies to structural reform efforts, specifically with a focus on public sector governance and regulatory reform. Ms Ubaldi from OECD shared OECD's work on recommendations on digital government strategies. She talked about the digital transformation within the public sector, the role of emerging and disruptive technologies in digital government, and how governments should regulate these emerging technologies. In addition, an industry representative, Mr. Wang, Founder & CEO of OwlTing, shared application of blockchain in areas such as food traceability, travel and hotel services (to solve the double-booking transaction problem). Mr Wang also discussed new business models made possible by technologies such as blockchain as well as his experience with government on regulatory matters.

Chile shared that Chilean government has coordinated public and private sectors in 2018 to explore the potential of distributed ledger technologies (DLT) in six areas: digital identity, commerce, financial services, registry systems, energy and healthcare. Chile also described technical documents to guide future blockchain-based projects that it had produced.

Singapore introduced its AI Governance Framework (the AI Model Framework), which is aimed at supporting AI development and adoption. The AI Model Framework is part of Singapore's broader efforts towards becoming the most AI-enabled economy supported by vibrant AI ecosystem with globally-recognized capabilities.

Russia shared its experiences and objectives with regards to its “Digital Economy 2019-2024” program that focuses on digital transformation of the economy, including six directions which are supposed to give substantial cross-sectoral economic effect and raise the living standards of the population and provide better integration of remote areas.

Chinese Taipei shared the Smart Government Initiative, with special focus on infrastructure for smart-government (e-ID, T-road, etc.), and also the various applications of blockchain in public services, for example digital school diploma, healthcare blockchain platform, financing/Banking services, cloud computing, open data, My Data, etc.

There was a vigorous and wide ranging discussion following the presentations. Topics raised included the definition of fairness while applying new technologies, challenges faced by blockchain startups, immutability issue of blockchain, issues around FinTech ecosystem and regulatory sandboxes, managing risks versus supporting innovation, etc.

In conclusion, Chinese Taipei noted that challenges and opportunities brought about by disruptive emerging technologies in digital age are far beyond our imagination. The discussion in EC on policy formulation therefore needs to keep pace with technological change. Chinese Taipei concluded by noting that the EC has a lot to contribute to the APEC discussion on the holistic approach in the policy formulation as required by the AIDER.

APEC Economic Policy Report (AEPR)

New Zealand presented the draft Guide to Producing an APEC Economic Policy Report, which is intended to guide the Lead and members of the Core Team responsible for the AEPR process. The economies were invited to provide further comments. The Guide will be finalized at EC 2.

Chile as the Core Team Lead presented a progress update on 2019 AEPR on Structural Reform and Digital Economy. The report will focus on the following objectives:

- Contribute to understanding of the opportunities and challenges presented by the digital economy and digital economy measurement.
- Contribute to understanding of how different programs and plans on digital economy have been developed within APEC economies.
- Contribute to understanding of how structural reforms such as competition policy and regulatory reform can encourage the development of technology-based businesses and transformation of traditional business through digitization and that create appropriate regulatory frameworks to foster digital technology adoption and application.
- Understand the role of structural reforms in promoting inclusive growth in the digital economy.
- Collect best practices related to the effectiveness of structural policies related to FinTech, RegTech and SupTech and public services, as well as case studies in areas of interest identified by member economies.

The proposed Terms of Reference for the study was endorsed by EC members. The Core Team described next steps in the AEPR project including finalizing the Individual Economy Questionnaire and hiring the consultant to draft parts of the report. A few economies offered to provide case studies. The report will be developed by EC in collaboration with FMP. The final report to be presented for endorsement to CSOM.

Chile proposed the topic of “Structural Reform and Gender” for 2019 AEPR. This received positive responses from some economies. It was mentioned that this work should be coordinated with PPWE. The topic will be formally endorsed at EC 2 in August.

Renewed APEC Agenda for Structural Reform (RAASR)

The EC aims to help economies implement RAASR through their Individual Action Plans. Members discussed follow up on the recommendation from the last year’s High-Level Structural Reform Officials’ Meeting. The Chair proposed to start preparations for the next Structural Reform Ministerial Meeting (SRMM – to be held in either in 2020 or 2021) and encouraged members to contribute ideas for the next structural reform program to replace or modify RAASR, which will expire next year. It was agreed that a few economies would work with the Chair interessionally on a proposal to create a small informal team of EC members to take action on ideas from the HLSROM to improve APEC’s structural reform efforts and undertake preparatory work for the SRMM.

Ease of Doing Business

PSU presented draft final assessment of the Second EoDB Action Plan implementation. Looking at the average values recorded by the APEC region, the combined progress for the period 2016-2018 was equal to 11.6%, above the final target of 10%. The greatest progress was achieved in the priority area of Getting Credit (20.9%), followed by Starting a Business (16.9%). Also, Dealing with Construction Permits improved substantially in 2018 (10.8%). The other two areas also reported progress during the aforementioned period.

The U.S. presented initial ideas for the next EoDB program and requested economies to provide feedback. The Committee will discuss further steps intersessionally and at EC 2.

Structural Reform and Gender

The EC aims to contribute to Chile’s host year priority on Women, SMEs and Inclusive Growth.

New Zealand provided a report on EC-PPWE Public-Private Dialogue on Structural Reform and Gender held in Wellington on 10-11 September 2018. The Dialogue’s main objectives were to build a common understanding among key private sector representatives and government structural reform officials on how viewing structural reform through a gender lens could contribute to both APEC’s structural reform and inclusion agendas. The dialogue covered issues such as: what structural reform and gender means as a concept; how APEC members can structure their public institutions and processes to address gender concerns; good public and corporate governance with respect to gender; gender-neutral vs gender-responsive legislation, regulation and policy design, implementation and enforcement. The Dialogue also used two cases studies to illustrate principles and concepts, namely: indigenous women in public and private leadership; and gender pay equality.

The U.S. shared how the APEC Women and the Economy Dashboard can guide the EC efforts in this area. While there are many structural reform indicators regarding women’s access to capital, the Dashboard indicators show the largest legal and regulatory gaps have to do with women’s equal access to and participation in the workforce. The U.S. stressed that there is an opportunity for the EC to work with the private sector to address gender-based employment restrictions.

Russia made a presentation about annual Business Efficiency and Success Target Award. This initiative aims at spreading the best practices of women-owned MSMEs across the APEC economies, attracting media and public attention to women-owned MSMEs and business-women, popularization of entrepreneurship as a career development opportunity for women, network building of APEC women-owned MSMEs, consultants, mentors and investors.

Projects

Economies presented ongoing and proposed projects.

Existing project reports:

- a. EC 08 2018A – Best Practices Workshop on Public Investment Systems - Chile
- b. EC 07 2017A Capacity Building for Managing Single Online Portal for Regulatory Information – Indonesia
- c. EC 07 2018A – Leveraging Digital Technology to Improve Education Quality in Rural and Remote Areas – Indonesia
- d. EC 04 2017A - APEC Peer Review on Public Consultation Initiatives - Malaysia
- e. EC 04 2018A – Comprehensive Review of Potentially Anti-Competitive Laws and Regulations – The Philippines
- f. EC 03 2018A – Promoting Competition Assessment for Improved Market Efficiency in Viet Nam – Viet Nam
- g. EC 01 2017A – Workshop and Technical Assistance on Starting a Business According to Best Practices – United States/Indonesia

New project proposals:

- a. PSU Study and 2nd Policy Discussion on Applying OECD Guidelines for Governance of State-Owned Enterprises - Japan and Viet Nam
- b. Workshop on Innovative Regulatory Policy Development Best Practices to Embrace Sharing Economy - Malaysia

EC Governance and Procedure

Members undertook the biannual review of the Committee's operations as required by the Terms of Establishment. No changes have been proposed.

The term of the current EC Chair ends in November 2019. The process to select the new EC Chair and the two Vice-Chairs will be set up intersessionally.

Economies were invited to nominate candidates for the roles of CLG and PSG FotC Convenors.

Next meeting

EC 2 will take place during SOM 3 in August 2019. The following policy dialogues were proposed:

- a. Secured transactions (Hong Kong, China)
- b. Structural reform and inclusive growth (New Zealand)
- c. Digital governance (Thailand)
- d. Structural reform and gender (U.S.)
- e. Competition assessment (Viet Nam)