



**Asia-Pacific
Economic Cooperation**

2016/SOM3/024
Agenda Item: 2.2.1

Report by the Chair of the Economic Committee on the Second Economic Committee Meeting 2016

Purpose: Consideration
Submitted by: EC Chair



APEC PERU
2016

**Third Senior Officials' Meeting
Lima, Peru
27-28 August 2016**

Report by the Chair of the Economic Committee on EC 2 2016

1. The Economic Committee (EC) held its second plenary meeting of 2016 from 23-24 August in Lima, Peru. This report provides a summary of the outcomes of the meeting.
2. The following events were held prior to EC (in order):
 - 9th Conference on Good Regulatory Practices (EC)
 - EC – HRDWG Symposium on Structural Reform and Human Development
 - Workshop on Supply Chain Financing and Secured Transactions in Cross-Border Contexts (EC)
 - Seminar on Leniency Programs for the Repression of Anticompetitive Conduct (CPLG)
 - EC – CTI Joint Meeting on Services
 - EC Seminar on the Middle Income Trap (organised by PSU)
3. The EC's five Friends of the Chair groups (listed below) also met, and presented many new proposals for future work. Their updated work plans are annexed to this report.
 - Strengthening Economic Legal Infrastructure (SELI – led by Hong Kong, China)
 - Ease of Doing Business (EoDB – led by the United States; Phase II EoDB 2016-2018)
 - Corporate Law and Governance (CLG – led by Viet Nam)
 - Regulatory Reform (RR – led by Mexico)
 - Public Sector Governance (PSG – led by Chinese Taipei)
4. EC featured two policy dialogues, on:
 - regulatory heterogeneity, regulatory cooperation and trade; and
 - improving participation and transparency in policy-making and implementation.
5. EC also sought to achieve three key objectives through its deliberations:
 - to assess that the Committee is on track in implementing RAASR;
 - to make substantive progress on agreeing the 2016 AEPR and choose a topic for 2017; and
 - to review the outcome of key EC events including the 9th GRP Conference.

Policy Dialogues

Regulatory Heterogeneity, Regulatory Cooperation and Trade

6. The first policy dialogue saw presentations from Bernard Hoekman (European University Institute), Hildegunn Nordas (OECD) and Gloria Pasadilla (PSU).
7. Mr Hoekman offered a challenge to members to ensure that their trade and regulatory agendas were complementary rather than in conflict or unconnected. In an era of significant global uncertainty, increased anti-global rhetoric, rising importance of global value chains and generally lower trade barriers, it was critical to take a whole-of-government approach to ensure that domestic regulation could attain its goals and improve economic performance. Trade agreements could be used to create incentives for international regulatory cooperation. At the same time, good regulatory practice and international regulatory cooperation would deliver trade benefits in and of itself.

8. Mr Hoekman suggested a shift away from the 'market access' narrative towards a stronger narrative around regulatory cooperation and its impact in lowering costs. Regulatory cooperation could also be conducted in a somewhat more transparent manner than traditional trade negotiations. And unlike trade negotiations, where existing settings were sometimes leveraged to be retained, there was every incentive to unilaterally pursue sectoral reforms and improve economic governance.

9. Ms Nordas discussed the impact of regulatory divergence between economies – noting the trade costs as a result. This was all the more important when other trade barriers were generally low. International regulatory cooperation could reduce, but would never eliminate, this regulatory heterogeneity. Local circumstances would always necessitate a certain degree of economy-specific regulation.

10. Ms Pasadilla reviewed three of the case studies under the draft APEC Economic Policy Report (AEPR): the electricity retail market in New Zealand; financial services in Japan; and testing and certification services in Chinese Taipei (the other two case studies under the AEPR, retail in China and air transportation in Indonesia, were reviewed during the joint EC-CTI meeting the day prior).

11. Discussion among members raised the possibility of the broad issue of connectivity between the trade and regulatory agendas as a future topic for EC-CTI discussions.

Improving Participation and Transparency in Policy-Making and Implementation

12. The second policy dialogue was organised and chaired by the SELI and PSG Convenors and saw keynote speeches from Nick Malyshev (OECD), Jae Sung Lee (UNCITRAL) and Ignacio Goicoechea (HCCH), followed by valuable experience sharing in this area from a range of economies.

13. Mr Malyshev spoke to the OECD's work on stakeholder engagement, which had three key elements – communication, consultation and participation. These elements required practice, but were also part of a necessary mind-set in government. Done well, they not only improved trust in government but also delivered better economic outcomes. The OECD's work in this area had shown that the more enshrined in law such engagement was, the better the general results. Mr Malyshev also noted that smart and concise communication was critical in an age of information overload.

14. Mr Lee outlined UNCITRAL's efforts to produce and implement international legal standards which could assist with aspects of participation and transparency, such as the model laws on: arbitration; public procurement; and secured transactions. Capacity building assistance was available to economies interested in pursuing these instruments.

15. Mr Goicoechea provided an overview of the Hague Conference's work in private international law and noted the positive benefits from widely shared private international law for participation and transparency. He urged all economies to engage with HCCH as the more economies that provided inputs on developments, the better the result would be and also – for those economies involved – the easier it would be to implement.

16. The United States, Japan, New Zealand, Papua New Guinea, Chinese Taipei, Thailand, Viet Nam and Indonesia then proceeded to share their valuable experiences in improving public participation and transparency in their own economies. Key points to emerge included:

- the importance of both early and late stage consultation processes;
- the role of regulatory advisory committees in enhancing good government;

- the rising expectations of the next generation in terms of consultation and information availability;
- the value of both face-to-face contact with stakeholders, and the use of new ICT and social media to facilitate online exchanges; and
- the benefits from placing these issues at the heart of economy-level planning.

17. The Chair and members thanked Hong Kong, China and Chinese Taipei for organising the policy discussion and for attracting such good keynote speakers and interest from economies.

Implementation of the Renewed APEC Agenda for Structural Reform (RAASR)

18. Australia outlined the achievements of its RAASR Workshop held mid-2016 in Singapore, which was very well-attended by economies: 15 had actively participated with a further 3 observing. The Workshop had assisted economies in thinking about their Individual Action Plans (IAPs) which were required under RAASR. Australia also reminded economies of the direct link between the IAPs and the planned RAASR sub-fund: the sub-fund was only accessible for actions listed in the IAP.

19. Japan asked and Australia confirmed that it was possible for more than one action in the IAP to include the same measurement indicators.

20. Australia underlined that the deadline for the submission of completed IAPs was 14 October.

21. With respect to the RAASR instruction to conduct self-assessment of barriers to competition, the EC Chair noted the suggestions from the EC and CPLG Chairs that this self-assessment be considered through economies' IAPs and also through events at EC1 2017. The United States spoke in support of these proposals and reminded that self-assessment was not the same thing as looking at competition law – it was a broader look at the issue. The United States would be working towards a potential event at EC1 2017 to support this.

22. The PSU outlined its proposal for a set of 17 external quantitative indicators which could be used to help monitor and track APEC-wide progress on RAASR (as distinct from through the IAPs for individual economy progress). Among the criteria used for selecting the proposed indicators is balancing those with high coverage, and those with high relevance. Several economies questioned aspects of the selection and the EC Chair noted that further comments would be welcomed by 9 September. PSU noted that comparisons between years were one of their primary concerns considering the frequency and potential delay in the release of these proposed indicators as well as potential changes in the methodology for calculating their values over time. PSU had tried to overcome this by selecting multiple indicators where appropriate. Malaysia asked about planning for 2020, given it would be hosting APEC that year. The EC Chair welcomed Malaysia's early thinking about this key deadline, and noted the important role first of the 2018 Structural Reform senior official-level event, which would assess progress.

Ease of Doing Business (EoDB)

23. The PSU updated members on their assessment of progress under EoDB Phase I from 2009-2015. Overall a 14.6% average improvement across the five indicators had been achieved; shy of the 25% overall average improvement sought. However, progress was much higher in some aspects (e.g. starting a business) and almost non-existent in others (e.g. enforcing contracts).

24. PSU then noted some changes ahead for EoDB Phase II from 2016-2018 as some of the indicators used were changing in their definition and composition, which could have an impact on the eventual result. Hong Kong, China asked whether progress might be greater with these changes,

for example in enforcing contracts. PSU noted that the 2016 data, still to come, would offer greater insights into this question but that in theory there could be some uplift in APEC's performance under the revised indicators.

Good Regulatory Practices: 9th GRP Conference; GRP Baseline Study; OECD's Work on GRP

25. Mexico reviewed the outcomes of the 9th Conference on Good Regulatory Practices (GRP) which it had organised from 18-19 August in Lima. The event, which was organised by the EC for the first time, had been a success with many high-level speakers and participants. An action plan from the conference would be prepared by Mexico intersessionally. The EC Chair congratulated Mexico on their efforts and for concluding a very good start to the EC's now alternate hosting of the annual GRP Conference with the CTI Sub-Committee on Standards and Conformance (SCSC). Russia and Hong Kong, China, also thanked Mexico for their efforts. Hong Kong, China noted that tools for structural reform could also facilitate GRP.

26. The Chair also underlined his key takeaways from the event. GRP required:

- Political commitment;
- Regulatory oversight bodies which were empowered and independent;
- A robust regulatory impact assessment (RIA) process; and
- Effective approaches to engaging stakeholders.

27. The Chair noted the importance of taking a broad view of international regulatory cooperation in the EC framework.

28. The United States outlined the significant progress that had been made by APEC economies as demonstrated through the GRP Baseline Study for 2011-2016. That said, transparency and public consultation remained a challenging area. Economies were continuing to invest in GRP in the post-Global Financial Crisis era. The United States supported continuing the GRP baseline monitoring.

29. Mr Malyshev of the OECD also outlined in broad terms the OECD's work on GRP and its ongoing reviews of GRP in APEC economies. The OECD was focusing increasingly on the institutions supporting GRP, and had also recently looked at the link between behavioural science and regulatory design, implementation and enforcement.

Structural Reform and Services

30. The Committee considered completion of the 2016 APEC Economic Policy Report on Structural Reform and Services.

31. Australia, which has led the core group developing the 2016 AEPR, introduced the draft framework and case study chapters and outlined the suggested forward process to bring the AEPR to conclusion:

- Remaining comments on the draft by 9 September
- Circulation of revised draft in early/mid-October
- Endorsement by EC late October
- Endorsement by CSOM in November
- Acknowledgment by AMM in November
- Upload of AEPR to www.apec.org

32. A factsheet on the AEPR will also be developed and circulated in mid-September for comment. The factsheet would be endorsed and finalised in advance of the report.

33. Australia agreed to Korea's request to upload current Individual Economy Reports to ACS – this will be done in due course.

34. Regarding the EC-CTI Joint session on 22 August, the Chair agreed that it had been a successful start. The AEPR and the draft APEC Services Competitiveness Roadmap (ASCR) were complimentary and there was a placeholder in the ASCR for the AEPR recommendations when ready.

Structural Reform and Innovation

35. The Seminar on the Middle Income Trap organised by PSU was the third such MIT seminar and on this occasion addressed the issue from a Latin American perspective. The four panellists from the World Bank, Inter-American Development Bank, UN Economic Commission for Latin America and the Caribbean, and Universidad del Pacifico, looked at the exposure of Latin American economies to commodity price turbulence and the fortunes of major trading partners. GDP per capita growth had turned in recent years and trade protectionism remained higher than other regions. Large urban/rural gaps also persisted. Peru, however, was doing comparatively well in this difficult period. The panellists noted the importance of structural reforms and product diversification in improving the region's growth prospects.

36. The Seminar also saw a presentation by China on the importance of innovation in avoiding the Middle Income Trap. Fostering an entrepreneurial culture, building public platforms, and facilitation of financing were critical.

Tools for structural reform

37. Peru noted the results of the CPLG Seminar on International experience regarding the Role of Leniency Programs in the Repression of Anticompetitive Conducts (reported in 2016/SOM3/EC/048). The Seminar helped build capacity in APEC members in the application of their respective leniency programs or their interest in establishing one in the future. Participants noted the necessity of identifying the correct incentives to ensure the efficiency of such programs.

38. The United States outlined the results of its Workshop on Supply Chain Finance and Secured Transactions (reported in 2016/SOM3/EC/040). The Workshop assisted APEC members in making further improvements to their business enabling environments, in particular, to facilitate the use of supply chain financing as a way to improve access to finance by MSMEs. This capacity building activity was part of the EoDB Implementation Plan 2016-2018, under the priority of getting credit.

Outcome of Key EC Events and Activity

Cross fora collaboration

39. The Chair noted his attendance and briefings at SOM2 to: PPSTI, PPD on Services, and the SOM FotC on Connectivity. With that and his earlier cross-fora collaboration he had completed the RAASR instruction to share the results of the 2015 AEPR on Structural Reform and Innovation. The report had been well received, particularly by during an earlier presentation to AHSGIE (Internet Economy). The Chair also updated members on the ASCR process.

40. The Philippines briefed on the SOM-level Boracay Action Agenda on MSMEs. Members reviewed the annual reporting and the contributions from the EC, and SELI. The Chair commended the Philippines for putting the spotlight on MSMEs.

APEC Regional Trends Analysis

41. PSU presented a mixed picture with export/import trade values in the region largely stagnant or falling, while FDI flows continued to be healthy which suggested long-term growth prospects. BREXIT impacts on APEC appeared manageable in the short-term but the long-term uncertainty created by BREXIT could still weigh on APEC's growth. The Chair noted that, in such circumstances, structural reforms were not only important but that also the politics of structural reforms were somewhat more conducive. There was debate on what time-horizon should be discussed when talking about structural reforms; some examples given showed that successful structural reforms can take a long time.

APEC Projects

42. The Secretariat provided an update and overview of the EC's APEC projects to date in 2016, noting that so far 2 APEC-funded and 4 self-funded projects were underway, with the possibility of more funded projects after the conclusion of the current Project Decision Maker process. The Secretariat also provided advice to members on how best to target projects for Session 1 2017.

43. Australia introduced its proposal to amend the APEC New Strategy for Structural Reform (ANSSR) sub-fund to suit the current RAASR agenda. Members **endorsed** this proposal under document 2016/SOM3/EC/017. The RAASR sub-fund will be available from Session 1 2017.

44. Russia (2016/SOM3/EC/018) and Japan (2016/SOM3/EC/019) introduced self-funded projects for consideration by members. Discussion on both revealed that while there was some support, there were also some questions and further consultations were required. In respect of Russia's note on government procurement, the Chair suggested that a Policy Dialogue on related issues or the PSG FotC could be a starting place for the discussions. In respect of Japan's proposal on Growth Model in Resources Economies, intersessional agreement would be sought.

45. Chile (2016/SOM3/EC/053) and Indonesia (2016/SOM3/EC/052) provided reports on APEC-funded projects which had been successfully concluded. Chile's project (EC 02 2015A) was on capacity building for the reduction of educational gender gaps through structural reform, while Indonesia's (EC 03 2015A) was on capacity building to facilitate the development of a single online portal for regulatory information in Indonesia. The Chair congratulated both Chile and Indonesia on their achievements.

Other Business

46. The Committee considered the potential topic for the 2017 APEC Economic Policy Report. Peru outlined its idea for an AEPR on Structural Reform and Human Capital Development. Viet Nam expressed an interest to join Peru in working on this and also to looking at issues of inclusive growth. Indonesia also expressed its interest to join the core team. The Chair noted that there was general support among members for this topic and that further work was needed between the team members to finalise the exact wording of the title given Viet Nam's interest in inclusive growth. This should be completed, and the topic endorsed by EC, by end-October so that it could then be endorsed by CSOM and presented to AMM. Further members of the team would also be sought and PSU's support would also be critical. Consultations with PSU will follow.

47. The Chair also noted the importance of close liaison with HRDWG in this potential work. The HRDWG-EC Symposium on Structural Reform and Human Development held prior to EC 2 had been a useful opportunity to discuss some of the issues surrounding the potential 2017 AEPR topic. While the two groups often had different schedules, there would hopefully be more such opportunities in the future.

EC Governance

- i. EC Chair. The Chair noted that the period for nominations closed a few weeks after EC2.
- ii. PSG Convenor. Chinese Taipei announced that Thailand had noted that it would positively consider the position of Convenor from 2017, subject to necessary domestic consultation.

Looking ahead: EC 1 2017

48. The Chair outlined the current thinking for EC1 and CPLG1 2017:

- Idea of a 'Competition Week' bringing together key events and external stakeholders
- Projects to be implemented in margins:
 - o EC 04 2016S: Use of International Instruments to Strengthen Contract Enforcement in Supply Chain Finance for Global Businesses (including MSMEs) – Hong Kong, China and SELI
 - o CPLG 01 2016A: Seminar on Investigative Powers of Competition Agencies – Peru and CPLG
 - o To be confirmed (pending Session 2 funding):
 - EC Project: International Workshop on Protection of Small Shareholders' Interests and Rights in APEC (Viet Nam)
 - CPLG Project: Seminar on Economics of Competition Policy (Viet Nam)
 - o To be confirmed pending further discussion:
 - Workshop on the OECD Toolkit on Self-Assessment of Barriers to Competition
 - Possible additional elements/workshops – with online dispute resolution for business to business disputes noted as one such topic.

49. The above suggested a full and dynamic program to start 2017. ABAC and PECC, which joined the meeting, noted their continued interest in collaborating with members on those issues in 2017.

Recommendation

50. It is recommended that Senior Officials note this report.

ANNEX

Work Plans for Economic Committee's Friends of the Chair Groups

**Strengthening Economic and Legal Infrastructure (SELI)
Work Plan (as at August 2016)**

Name of the FotC: Strengthening Economic and Legal Infrastructure ("SELI")

Coordinating Economy: Hong Kong, China

Membership Principles: All member economies are invited to nominate designated legal advisors or officials with legal background from relevant authorities or agencies.

Objectives:

1. To raise awareness of the role and importance of legal infrastructure for economic developments;
2. To promote understanding of relevant international standards and international instruments useful for strengthening the economic and legal infrastructure of member economies; and
3. To identify areas for technical cooperation and capacity building among APEC member economies (in collaboration with relevant international organizations such as HCCH and UNCITRAL).

Scope of operation¹:

1. SELI is to serve as a network of focal points for relevant legal advisors and officials:
 - (i) To exchange information on legal infrastructure relevant to economic developments (including sharing of their law and practice in the relevant fields);
 - (ii) To develop and enhance in-depth understanding of international economic law including relevant international instruments such as the Hague Conventions and UNCITRAL instruments;
 - (iii) To share experiences and expertise on activities relevant to the implementation of these international instruments and to develop good practice guides in specific legal areas;
 - (iv) To identify areas for capacity building and technical cooperation on the implementation of international instruments or improvement to legal infrastructure essential to economic developments;
 - (v) To examine, when possible, the importance of legal infrastructure on trade and investment flows;
 - (vi) To develop and review appropriate action plans, when necessary; and
 - (vii) To do outreach and public relations to APEC Stakeholders on the achievements of the group as and when appropriate.
2. In collaborating with other relevant APEC fora and the legal sector in member economies, SELI will serve as a forum:
 - (i) To coordinate and discuss as appropriate the implementation of cooperative initiatives such as but not limited to Structural Reform with other relevant APEC fora (including other FotCs) and relevant international organizations;
 - (ii) To report progress and outcomes of each cooperative initiative to the EC, and when necessary make recommendations thereto; and
 - (iii) To invite when appropriate other relevant APEC fora, such as ABAC, and/or other relevant experts to participate in/or observe the group's activities.

¹ The specific activities are contained in the schedule to this work plan.

Schedule – Operation Plan (2015 - 2017)

(Living document: to be updated and may be changed at any time in light of the latest developments and further inputs by members)

Activity	Proposing APEC Economy	Other APEC Fora / Organization	Timeframe
Completed project on “Effective enforcement of business contracts and efficient resolution of business disputes through the Hague Choice of Court Agreements Convention”	Hong Kong, China	HCCH UNCITRAL	EC2 2015
Project on “Assessing APEC Getting Credit and Enforcing Contracts Frameworks according to International Best Practices (including UNCITRAL and Hague Conference Texts)”	USA	FotC EoDB HCCH UNCITRAL	2015 – 2016
Completed project on “Alternative dispute resolution - the key to efficient settlement of business disputes”	Hong Kong, China	UNCITRAL PCA	EC1 2016
ABAC Asia Pacific Financial Forum		ABAC	Annual
Completed project on “Supply Chain Finance and Implementation of Secured Transactions in a Cross-Border Context”	USA Hong Kong, China Mexico	HCCH UNCITRAL UNIDROIT World Bank	EC2 2016

Joint PSG-SELI Policy Discussion on "Improving Participation and Transparency in Policy-Making and Implementation"	Chinese Taipei Hong Kong, China	HCCH OECD UNCITRAL	EC2 2016
Project on "Assessing APEC Starting a Business according to International Best Practices"	USA		2016 - 2017
Seminar on "Use of International Instruments to Strengthen Contract Enforcement in Supply Chain Finance for Global Businesses (including MSMEs)"	Hong Kong, China	HCCH UNCITRAL UNIDROIT	EC1 2017
Possible project on "International Workshop on Protection of Small Shareholders' Interest and Rights in APEC"	Viet Nam Chinese Taipei Hong Kong, China Thailand		2017

Work Plan for the Corporate Law and Governance FotC Group

Name of the FotC: Corporate Law and Governance

Coordinating Economy: Vietnam

Membership Principles and Member Economies:

All APEC member economies with interest in issues of corporate law and governance.

Objectives:

The Corporate Law and Governance FotC group aims to maintain a platform for economies to discuss and exchange information on corporate law and corporate governance issues in APEC.

(Annex)

List of Ideas on Possible New Projects

Issue/idea	Lead economy	Suggested next step	Timeframe	Format
1. Protection of small investors' interest and rights. Governance structure of enterprises has become increasingly diverse, yet the legal framework and enforcement structure to ensure proper exercise of rights by small investors remain inadequate. This may undermine the development potential of various groups of enterprises (especially SMEs) as big investors may focus more on taking full control of enterprises rather than promoting its development. Sharing of experience among APEC economies facing similar problems is thus necessary. This activity also represents a follow-up attempt to the self-funded project of Chinese Taipei on "Lessons from the financial crisis for corporate governance and law.	Vietnam		Submission for funding under Round 2 of 2016.	Workshop in EC1 2017

(Annex)

<p>2. Promotion of credit ratings for financial market development in the APEC region. As a prevalent issue in various APEC economies, financial market could not enjoy vigorous and long-term development due to information asymmetry. In this regard, credit rating services may promote information disclose since credit rating seeks to provide the users with credit situation of the issuers/debtors, thereby making way for financial market development. A number of papers have looked into the possibility of promoting credit ratings; yet it is high time more coordinated actions at APEC regions be developed and justified. A survey over banks and enterprises in APEC economies may be necessary.</p>	<p>Vietnam is considering to lead</p>	<p>May need to find leader; Additional idea for improvement of concept note is greatly appreciated. May need to consult PECC and ABAC;</p>	<p>EC2 of 2017</p>	<p>Theme report; A workshop on the margin of EC2 in 2017 (when Vietnam hosts APEC)</p>
<p>3. Internalizing OECD guidelines on Corporate Governance of SOEs. SOEs are important part of the business community in various APEC member economies. Their ownership structure, linkages with Government agencies and competitive advantages over the private sector affect the implementation of corporate governance. Corporate governance thus encounters issues specific to the SOEs. The OECD guidelines on corporate governance of SOEs are good to follow, but internalizing such guidelines is no easy task. EC member may thus need to share selected experiences on applying such OECD guidelines.</p>	<p>Vietnam is considering to lead</p>	<p>Additional idea for improvement of concept note is greatly appreciated.</p>	<p>2017</p>	<p>Possibly self-funded project by Vietnam</p>

Work Plan Proposal for FotC on Regulatory Reform

Name of the FotC: Regulatory Reform

Membership Principles and Member Economies:

Indonesia, Korea, Malaysia, Mexico, New Zealand, Chinese Taipei, Thailand, the U.S. and Vietnam.

Introduction:

According to the Structural Reform Ministerial Meeting of 2015, progress was made on implementing structural reforms under the *New Strategy for Structural Reform* (ANSSR). Nevertheless, is still work to do in order to remove barriers and identify new sources of growth, raise productivity, narrow development gaps, and steer the world economy towards a path of greater shared prosperity, all subdued in the uncertainty that continues to cloud the global economic scene.

Therefore, the Ministers of APEC economies agreed to endorse the work program embodied in the , Renewed APEC Agenda for Structural Reform (RAASR) 2016-2020 which strives to reduce inequality based on balanced and sustainable growth. In particular, the commitment demands Member Economies to endorse regulatory cooperation as a mechanism for facilitating market opening and achieving harmonization and mutual recognition, thus reducing the costs of regulatory heterogeneity for firms.

Finally, and with the aim to support the *Economic Committee* (EC) at structural reform on services, *Inclusive Growth* (IG), tools for structural reform and the pillars of RAASR ¹, the FotC propose the following to promote *Regulatory Reform* (RR).

Objectives:

1. Promote the effective implementation of Good Regulatory Practices (GRPs).

With the general reduction on tariffs, non-tariff barriers to trade became the forefront of market access issues. Between these, differences in the regulatory requirements of individual economies have some of the greatest impact. Moreover, regulatory requirements may actually impede gains from trade liberalization and IG. Therefore, it becomes paramount to implement GRPs² that directly contribute to trade, investment, job creation, and sustained economic growth in the region.

Activities required

- 1.1. Improve internal coordination of the rulemaking activity, particularly to avoid duplication of responsibilities between different regulatory agencies.
- 1.2. Encourage public consultation, focused on “publication for comment” and other practices that allow wide access to proposed and existing regulation, in order to create comprehension and acceptance of public policies.

¹ i. More open, well-functioning, transparent and competitive markets; ii. Deeper participation in those markets by all segments of society, including MSMEs, women, youth, and other minorities; and iii. Sustainable social policies that promote the above-mentioned objectives, enhance economic resilience, and are well-targeted, effective, and non-discriminatory.

² According to document 2011/CSOM/032, *Good Regulatory Practices in APEC Member Economies - Baseline Study*.

- 1.3. Publish, on an annually basis, a “Regulatory Plan” to enhance transparency and participation between members. The derivable should include specific GRPs by action planned³.
 - 1.4. Train public servants to enhance the adoption and encourage the good use of *Regulatory Impact Assessment* (RIA), particularly to ensure that better policy options are chosen by establishing a systematic and consistent framework for assessing the potential impacts of government action, including impacts on trade and investment⁴.
 - 1.5. Promote Workshops, Guidelines, Seminars and online courses to assist economies in the creation of national agendas on RR, addressing bullets 1.1 to 1.3.
2. Continue developing efforts in International Regulatory Cooperation.
Encourage economies to continue sharing practical experiences and knowledge about undertaking regulatory cooperation in different ways by building on the results of the *8th Conference on Good Regulatory Practices*, the *2013 Baseline Study of Good Regulatory Practices in APEC Member Economies*, and the outcomes of the EC workshop on *International Regulatory Cooperation: Cooperation in Action*.

Activities required

- 2.1. Take advantage of international experiences on best regulatory practices relying on peer review, benchmark and other evaluation tools.
 - 2.2. Formalize international cooperation relations and activities.
 - 2.3. Focus on reducing unnecessary requirements and encouraging regulatory alignment without compromising public health and safety or environmental protection.
 - 2.4. Develop initiatives to enhance regulatory coherence, supported on ITs, public consultation and other GRPs (objective 8).
3. Apply GRPs in Services Sector.
The importance of the services sector as a major contributor to productivity growth is undoubtedly, specifically the job-creating potential of the services sector at a time of anemic growth in the global economy (i.e. manufactures). Additionally, services sectors are intensive in qualified labor due to the high value added that primal sector lacks (i.e. commodities).

Activities required

- 3.1. Explore GRP in trade services issues.
- 3.2. Address services and investment restrictions that limit market access, discriminate against foreign suppliers, and impose regulations more burdensome and trade-restrictive than necessary to achieve policy objectives, looking to improve effectiveness and compliance.
- 3.3. Balance competing objectives and the appropriate design of regulation.
- 3.4. Map regulatory heterogeneity due to differences in institutions and social preferences across economies, in order to identify elements that could raise the cost for service providers and thereby hinder trade and investment in the sector.
- 3.5. Mitigate regulatory externalities or accounting for the effects of regulation.

³ According to the “APEC-OECD integrated checklist on Regulatory Reform” and understanding that the checklist is a voluntary tool that member economies may use to evaluate their respective regulatory reform efforts.

⁴ Executive Summary (p. V) of Document 2011/CSOM/032 quotes: “Twelve APEC economies have adopted some form of mandatory RIA, although the scope varies from economy to economy, and the standards for the content of RIA are fairly inconsistent and weak. Only four economies explicitly include trade impacts in the RIA, and only six explicitly include trade officials in the consultations on the RIA.”

3.6. Exchange data and deliverables with the *Committee on Trade and Investment* (CTI).

4. Boost Micro, Small and Medium Enterprises (MSMEs) participation

The majority of the business enterprises are small-or medium-sized. They typically account for a substantial share of total employment, but less so of the total value-added due hazards on access to finance and compliance requirements for doing business and even their ability to understand and deal with severe or complex market entry regulations, delaying the IG of sectors and regions.

Activities required

4.1. Explore GRP focus on MSMEs.

4.2. Review the Competition Policy Acts of each member economy, in order to detect potential opportunities or even abuses faced by MSMEs which pursue global market integration.

4.3. Build up a more inclusive public consultation, despite the fact that member economies have or lack of specific or integrated RIAs to attend MSMEs issues.

4.4. Develop (remote) low investment connectivity strategies for MSMEs to bring markets, stakeholders and regulators closer (by sector or region of importance).

4.5. Construct regulatory environments that foster the growth of globally competitive MSMEs, by enhancing partnerships, linkages, and networking among competitive and innovation centers, research communities, and those involving RI in businesses.

4.6. Exchange information and deliverables together with the CTI.

5. Promote efforts on simplifying the regulatory burden in fields such as business regulation, entrepreneurship, competitiveness and foreign trade.

Continue implementation of capacity-building activities, identifying good practice examples and learning from the international experiences to strengthen the expertise on target and diminish unnecessary administrative burdens -red tape- and severe market entry regulations.

Activities required

5.1. Explore GRPs in business regulation, entrepreneurship and competitiveness.

5.2. Identify hazards on governmental rules, taxation, environmental regulations, lending requirements and licensing, all barriers of entry.

5.3. Continue with workshops and seminars using training or disclosure tools.

5.4. Select projects based on free duplication efforts on issues/topics, so resources are maximized, preventing additional expenses in terms of assistance and deliverables.

5.5. Elaborate handbooks/manuals on GRP tools, promoting new implementation and documentation mechanisms.

5.6. Exchange data, information and deliverables with the CTI.

6. Promote studies that show the real benefits (impacts) of RR.

Strengthening capacity for regulatory quality and regulatory reform is paramount to be measured, specially to convince economy members of the direction taken. Nevertheless, it is complex to demonstrate the effects in terms of economic outcomes from improvements in regulation and regulatory policy due the chain of interventions, interactions, impacts and even reactions of stakeholders and regulators (change behavior in order to produce desired outcomes). Therefore, the outcome performance should be measured for competitiveness comparison and gap analysis goals intra/inter economy members and even with other regions.

- 6.1. Develop a framework for regulatory policy evaluation to help members evaluate the design and implementation of their regulatory policy against the achievement of strategic regulatory objectives.
 - 6.2. Set indicators on *cost-effectiveness* (compliance assessment), *net benefits/efficiency* (impact assessment) and *equity/distributional fairness* (IG assessment) to determine progress and performance between RI Agendas, APEC work plans and even effectiveness of formalized international cooperation.
 - 6.3. Drive regulatory reform on management by results.
7. Promote Inclusive Growth through Regulatory Reform.
 Despite past growth in the region, the benefits of economic growth often are unevenly shared across societies. Those who participate less in economic growth, such as women and rural population, share less in the benefits. An emerging risk is that regional development gap can widen in the absence of economy-specific policy measures. Hence the need to strengthen the capacity of individuals and communities to resist, adapt and even grow in the face of economic stress and shocks. Considering these, member economies not only need to prioritize structural reforms that improve productivity, resilience and flexibility, but also need to evaluate specific impacts on disadvantaged groups and/or existing inequalities, focusing on specific population subgroups instead of only on macro groups (e.g. firms/business, citizens).

Activities required

- 7.1. Share knowledge and experiences relating to structural reforms that affect IG. Recommend policies to mitigate adverse impacts where warranted and highlight the most effective and innovative policies.
 - 7.2. Set requirements to evaluate specific impacts on disadvantaged groups and/or existing inequalities (in or out the RIA).
 - 7.3. Develop a toolkit for evaluating the inclusiveness of structural reform policies.
 - 7.4. Select, preferably as consequence on both usage of GRP and toolkit, structural reforms that improve access to regional economic markets and IG for a wider share of population.
8. Enhance the usage of ITs for Transparency purposes.
 Information and communication nowadays stands out due interconnection, globally reach, intangible treatment and non-permanent effects, characteristics that already set a new order for economic relations. Thus, linking public consultation with ITs, besides to provide easier access and greater reach to obtain knowledge, experience and resources from markets, also drives down the costs of implementing regulations thanks to the ex-ante detection of adverse impacts. Thereby, the joint of transparency and technology allows regulators, stakeholders, and other governments to share accountability and get a better sense on how proposals impact trade and investment at any level (a given industry, economy, region or market) around the world.
- 8.1. Based on GRPs, establish consulting rules on regulatory information (proposals and final products) for the twelve actions identified by the US on the 2014 document APEC Actions on Public Consultations on Proposed Regulations in the Internet Era 5.
 - 8.2. Promote the Internet and digital economy as potential enablers of IG and bridges of the digital divide. Encourage RR on secure cross-border flows of information.

⁵ Particularly on comment and answer periods, public explanations on why public comments were adopted or rejected, public postings of comments and final regulations on centralized web portals, the use of social media tools to notify regulatory activities and even the awareness of the WTO on proposed regulations.

- 8.3. Increase collaboration with the Telecommunication and Information Working Group (TELWG), the Steering Group on the Internet Economy and the Electronic-Commerce Steering Group (ECSG) on the benefits of the Internet and Digital Economy, and the Small and Medium Enterprises Working Group (SMEWG) on the promotion of safe, efficient, low-cost, and inclusive internet financial services for MSMEs.
- 8.4. Have regulatory information⁶ readily accessible on-line and organized in ways that enable it to be easily found by stakeholders, including through a single online location (centralized web portals for public consultations) for regulatory information across the whole of government, this must include proposed regulations and its RIAs.

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⁶ Including proposed regulations and regulatory agendas and planning mechanisms.

New Scope for the Public Sector Governance FotC Group

Name of the FotC: Public Sector Governance

Membership Principles and Member Economies:

Economies with the intention of sizable/substantial contribution will be members, while other economies will be CC-ed when FotC e-mail discussion is conducted among such members. The eight start-up members include Canada, Indonesia, Korea, New Zealand, Chinese Taipei, Thailand, USA, and Vietnam.

Objectives:

Good public sector governance strengthens the national economic environment and improves public service performance. APEC Economic Committee has been in charge of promotion of structural reform and established a set of principles of public sector governance. The 2007 APEC Economic Policy Report highlighted nine generalized high-level principles of good public sector governance to economies. As the progress of structure reform steps into a new phase in 2011-2015, the new PSG FotC aims to maintain a platform for economies to discuss and share practical experiences on public sector governance and to promote the application of the principles of good governance in the public sector. It will facilitate ANSSR and support APEC Growth Strategy by improving the quality of public sector governance via providing opportunities for benchmark learning and best practices sharing among economies.

Scope:

In 2010, the member economies of the PSG FotC group agreed five priority areas, including strengthening public administration for the future, improving the quality of public service, leveraging ICTs to strengthen public sector governance, enhancing fiscal transparency and public accountability, and strengthening trust, integrity, and ethics, for advanced discussion. In 2011-2015, the PSG FotC group organized various relevant policy discussions and completed theme papers according to the priority areas (see annex1). On the basis of the past achievements and the interests of member economies, the PSG FotC group discussed in EC1 2015, and concluded the important issues for the next stage as follows:

- **Open Government**
Openness strengthens the democracy and promotes efficiency and effectiveness in governments. Open government means that the public should have access to government-held information and be informed of government proceedings. Recently open government has expanded to include expectations for increased citizen participation and collaboration in government proceedings through the use of modern technologies. This issue aims to exchange ideas and mechanisms economies facilitate to enhance the transparency, public engagement and collaboration.
- **Quality of Public Service**
Quality of public service delivery keeps to be essential when promoting citizen trust and satisfaction toward the public sector. Seeking ways to advance the efficiency and quality of the public service delivery, APEC member economies have developed various innovative measures in recent years. This issue aims to exchange the incentive mechanisms or initiatives economies design to evaluate the quality of public service and to encourage the citizen-oriented public service.
- **Public Participation**
Public participation is a foundation of open, transparent and engaging government services. With the rising of public awareness, the demands for citizens to participate in public affairs increase. There are many different public participation mechanisms, including public consultation, focus group research, online discussion forums, deliberative citizens' juries or public hearings. This issue encourages economies to share best practices of understanding, communicating and empowering the participants and stakeholders in the policy-making processes.

Optional Actions to proceed

- Seminar, workshop, forum and roundtable discussion
- Paper and report on relevant issues

ANNEX 1

Work Plan details of Public Sector Governance FotC Group (2011-2015)

Priority areas	Action items/Specific products	Timeframe	Led by	Format
1. Strengthening public administration for the future	Good practice principles for public sector governance	2011 EC1	Canada	Theme report
	Policy discussion on bureaucratic reform	2013 EC2	Indonesia	Policy discussion
2. Improving the quality of public service	Policy discussion on improving the quality of public service	2015 EC1	Chinese Taipei	Policy discussion
3. Leveraging ICTs to strengthen public sector governance	Best practice for ICT strategy and public sector governance	2013 EC1	Chinese Taipei	Policy discussion
4. Enhancing fiscal transparency and public accountability	Improving public sector transparency: Good practices and reform experiences	2011 EC2	Chinese Taipei, New Zealand	Roundtable discussion/ Policy dialogue
	Policy discussion on international public sector accounting standards (IPSAS)	2013 EC2	New Zealand	Policy discussion
	2013 APEC Economic Policy Report on improving fiscal transparency and public accountability	2013	Chinese Taipei	Theme report
5. Strengthening trust, integrity, and ethics	Roundtable discussion on anti-corruption and public sector governance	2014	Chinese Taipei	Roundtable discussion

Priority areas Public Sector Governance FotC Group (2016-2017)

Priority areas	Action items/Specific products	Timeframe	Led by	Format
1. Open Government	Forum or Discussion on -- Open Government Data -- E-government/E-licensing			
2. Quality of Public Service	Forum or Discussion on -- Citizen Satisfaction -- Government Process Reengineering/Single Hotline, Single access	2017 EC 2		Policy Discussion/Workshop
3. Public Participation	Policy Discussion on Improving Participation and Transparency in Policy-Making and Implementation	2016 EC 2	Chinese Taipei Hong Kong, China	Policy Discussion