

Attachment 3

The Impacts and Benefits of Structural Reforms in the Transport, Energy and Telecommunications Sectors in APEC Economies

APEC Policy Support Unit

EXECUTIVE SUMMARY

This Executive Summary condenses more than 500 pages of detailed analysis and economic modelling into a digestible brief. We consider the material available in this summary and the main report can be used to develop easily communicated messages for APEC members to promote further structural reform. We also hope the Executive Summary will entice officials to read the more detailed analyses, as they contain useful examples of structural reforms and lessons on how to implement them effectively.

The study as a whole seeks to catalogue many of the substantial, tangible benefits for consumers and for small and medium businesses arising from APEC members' structural reform efforts in recent years, focusing on the transport, energy and telecommunications sectors. As well, economic modelling was undertaken to provide empirical estimates of reform impacts in those sectors.

INFRASTRUCTURE AND STRUCTURAL REFORM

Structural reform in APEC economies refers to policy change related to 'institutional frameworks, regulations and government policy [designed] so that barriers to market-based incentives, competition, regional economic integration and improved economic performance are minimized'.

Infrastructure is a significant and quantitatively important determinant of growth and development. Economies with fully open telecommunications and financial services sectors, for example, grow up to 1.5 percentage points faster than other economies. Improving destination infrastructure by a factor of 16% reduces transport costs by an amount equivalent to a reduction of 6500 sea km or 1000km of overland travel. Better infrastructure also contributes to better health outcomes, including key indicators in the Millennium Development Goals.

While competition in domestic markets and openness to foreign investors might usually be expected to lead to better quality services, the link is not straightforward in infrastructure industries where the nature of an asset that is essential in service delivery can cause market and competition failures.

Where this occurs, the asset or infrastructure industries have natural monopoly characteristics. Their owners can seek to charge higher prices in the absence of competition or they may not allow others to use the infrastructure, for example, a gas pipeline or telephone cable duct, at reasonable cost. Some infrastructure activities involve externalities, i.e., side effects which

are not priced, so that market price signals may not convey the accurate information about the real cost and value of the activity to the economy as a whole. Noise and air pollution are examples. Even where market competition can deliver efficient outcomes, governments may distort efficiency by seeking to implement equity objectives.

The best way to achieve good outcomes is not only to design better policy, but also to match the most effective and least distorting policy instruments to the objectives being sought. Good microeconomic policy also requires policy coherence. The APEC Leaders' Agenda to Implement Structural Reform is directed at exactly these issues.

PROGRESS TO DATE

Air transport

In air transport the initial instances of competition often occur in domestic markets through the introduction of low cost carriers (LCCs). For example, in Korea fares fell by 20–30% as a result of the entry of LCCs in 2006. The LCC share of the domestic market in Korea is now 25% and close to 30% on some routes.

Reform of international markets, which involve sovereign treaties as well as operating airlines, moves more slowly than that in domestic markets, but there is a shift towards liberalisation. For example, in 2006 Korea and China entered a more liberalised agreement for routes between Korea and China's Shandong province. As a result, fares fell by an average of more than 8% on these routes and traffic grew much faster (by a factor of 2) compared to other routes between the two economies.

Other studies rank economies according to their degree of liberalisation in international markets. An economy moving from the bottom quarter of the ranking to the top quarter would see substantial benefits. Such a move would see traffic volumes between economies linked by direct air services increase by about 30%. Signing Open Skies agreements has lowered air cargo freight rates by 8%.

Regulations remaining in APEC economies, particularly in international markets, maintain barriers to the entry of new airlines. Econometric analysis undertaken for this project finds that conversion to full openness in air transport would lead to an average reduction in margins for all APEC economies of 15%. Exporters able to reap such benefits from more competitive world aviation markets would be able to capture these reduced margins and pass them on to consumers.

Rail transport

In rail transport the separation of track (below-the-rail) and train (above-the-rail) operations and the introduction of competition between train operators provide significant benefits. Free entry of new operators and the resulting dynamics of competition are critical for better performance. One study found that free entry adds over three times as much to productivity as separation.

The separation of track ownership and operations is increasingly common in APEC economies, along with the specification of regimes that provide access for new competitors. Financing challenges in relation to track investment, however, remain. Between 2001 and

2008 the annual average rate of productivity growth in the rail sector for APEC members was 3.5%. There is still room for improvement, since for non-APEC members, productivity grew by 4.8% a year over the same period.

Tenders to operate the Auckland urban rail system were called in 2002. The track was owned and managed by a government enterprise. Traffic doubled between 2005 and 2010 under this competitive model. Services more than doubled between 2005 and 2009. Reliability also improved. In March 2005 only 77% of trains arrived on time. This figure exceeded 85% for most of 2009. Over 5 years 21 of the 41 stations on the network were upgraded. There were more services, higher frequencies, greater punctuality and better trains. Under this model, the government continued to invest in the track. It also subsidised fares on the grounds of rail's contribution to the reduction in road congestion. The subsidy was transparent. Modelling suggests that this subsidy per passenger could be halved if further investment, including electrification, adds to service quality and attracts more passengers.

The process of privatisation in the New Zealand rail system in 1993 also had a significant effect on volumes and user satisfaction. Between 1994 and 1997 prices fell 7% per annum in the bulk goods sector and by more than 4% per annum for export goods. Significant improvements were found in customer satisfaction surveys, with recommendation rates improving from just over 30% to nearly 80%. Issues remained however in relation to investment in the rail track.

In Chile, fares were 40% lower after the government-owned rail corporation divested its southern operations. The track remained in the hands of the state organisation which provided maintenance and facilities.

Road transport

Regulation of passenger and freight transport by road must juggle conflicting demands of avoiding congestion, bringing home to users the costs of road use and damage created, funding investment in the network, meeting safety targets and providing access to services. The package of regulations that is created, however, may induce a market response that in turn illustrates the opportunities available from better policy.

In Bangkok an opportunity was created for new entrants offering a differentiated passenger transport service at unregulated prices. When they began in the mid 1980s, these new services, or 'vans', were illegal, but later many were licensed. The vans were smaller than buses and charged higher prices but offered shorter and faster routes with guaranteed seats. Although passengers were required to go to terminals rather than usual bus stops, by 2008 there were more than 6500 vans operating in Bangkok. They provided consumers with more variety and wider access to services.

Freight rates fell by 20–30% when quotas on cross-border freight licences were removed between Thailand and Laos in 2004.

For international road freight, as for trade more generally as tariffs are lowered, greater importance now attaches to infrastructure and other regulatory constraints, such as arrangements for customs clearance.

Maritime transport

Shipping services markets are now regarded as largely competitive, but residual regulation of maritime services remains in some economies. The emerging issue is access to port services – in particular, access to ancillary services required to berth, load and unload.

Another common restriction in maritime services is that on cabotage rights. The Australian approach has been not to remove the regulation. Rather, the manner of its implementation has been changed and greater flexibility is obtained through a permit system. Technological improvements and rationalisation of staffing scales resulted in a downward trend in real interstate non-bulk freight rates from the early 1980s. Regulatory changes sustained this trend. Rates were 40% lower in 2005 compared to the start of the 1990s. The Australian coastal fleet capacity was 60% lower in 2007 compared to 1999 but productivity more than doubled as a result of a rise in capacity utilisation.

New econometric work undertaken in this study finds that a movement from the current policy regime to full liberalisation for all APEC economies would on average reduce maritime freight rates by about 20%. This saves real resources and provides benefits to shippers and their customers.

Electricity

Regulatory reform in OECD economies has contributed to lower industrial electricity prices. Competitive wholesale markets and retail competition also reduced prices significantly in the United States of America: retail competition reduced prices by 5–10% for residential customers and by 5% for industrial customers.

Given the complexities involved, structural reforms that have taken place since 2004 in the energy sector in APEC economies have mostly been incremental – there have been few ‘big bang’ initiatives.

Russia is an exception. The extent of reform of the Russian electricity sector is remarkable. There has been a complete transformation of the system, to separation and a wholesale market. The Californian experience of reform, where blackouts followed measures to increase competition, has not been a deterrent in Russia, where the reforms have been designed with lessons learned from earlier international experience.

The first stage of electricity reforms in Korea included the separation of generators from the distribution company. Utilisation of capacity increased: planned outages of 25 days across 109 units of generators in 2000 dropped after restructuring to about 19 days across 117 units in 2003. Productivity also increased through a substantial rise in the capacity utilisation rate of coal-fired plants – from 75% in 1999 to 89% in 2003.

Econometric analysis in this report shows that further structural reforms in APEC electricity markets would reduce prices and increase efficiency. In electricity markets:

- the introduction of competition through a third party access regime would be associated with electricity prices being almost 5% lower than otherwise, on an indicative basis and holding all other factors constant;
- the introduction of a wholesale electricity market would be associated with electricity prices being about 7% lower; and
- unbundling of generation from transmission would be associated with a fall in electricity prices by more than 11%.

This study estimates that the combined effect of all three of these initiatives would be electricity prices that are 23% lower than otherwise.

Gas

In general, reforms in natural gas have been less extensive than in electricity. In part, this is because the scope for competition in natural gas production depends on the range of sources of supply. A remarkable development in China began in 2005 with reform to the system for pricing gas. Gas prices had been based on a cost-plus formula, but from 2005 they were 'hooked' to the prices of other sources of energy. This began to correct the problem of pricing gas too low, which in 2009 had led to gas shortages.

Econometric analysis in this report identifies the effects that further structural reforms in APEC gas markets would have on prices and efficiency. The introduction of retail competition would be associated with gas prices being about 15% lower than otherwise, all other things being constant. The unbundling of gas production/import from distribution would lower gas prices by more than 23%.

Telecommunications

Telecommunications reform, which embraces information and communications technology (ICT) as well as traditional telephony, leads to productivity improvements. A contributor is the greater use of the Internet for business transactions. Productivity improvements reduce costs in supply chains and enable goods to move to market more quickly and more cheaply.

As of 2009 the majority of APEC economies have adopted full market entry liberalisation. However, a common practice is to limit foreign investment from gaining dominant positions in fixed-line operators. This is a major issue in current telecommunications regulatory settings. As of 2009 all APEC economies have liberalised their mobile telecommunications sectors. In most economies new licences are granted based on market-oriented approaches unless limited by the availability of spectrum. APEC members have undertaken - as required by their respective GATS commitments - to allocate spectrum in an objective, timely, transparent and non-discriminatory manner.

A liberalisation program began in Chinese Taipei in 1997, first in mobile then in fixed-line services. The subsequent change in performance has been remarkable in comparison with its APEC peers. Fixed-line penetration in Chinese Taipei exceeded that of Australia and Japan in 1998 and of the USA in 2003: it peaked at 65% in 2005. It has since been falling, as in many economies. Mobile penetration in Chinese Taipei exceeds 100%. Broadband penetration is at the same level as these comparator economies.

Fixed-line development in Viet Nam is outstanding when compared with other APEC economies with similar levels of economic/telecommunications development. Prior to 2003 Viet Nam had a similar level of fixed-line penetration as Indonesia and the Philippines of around 5%. Yet starting from 2003, access jumped. In fixed-line availability, Viet Nam is now at 35% and mobile penetration is at 80%. Monthly subscription charges for mobile services had fallen to zero by 2004, compared to \$US17 in 1999. Structural reform efforts contributed to this outcome, including the establishment of the universal service fund.

The introduction of competition into the mobile sector in PNG has led to universal coverage, following a rise of 700% in the number of mobile subscribers since mid 2007. Charges have fallen by 11% in the peak times for domestic calls and 51% in off-peak periods. In an economy like PNG with such a difficult terrain, the benefits cannot be underestimated. Social interaction, such as the rate of response to medical emergencies, is better, mobile banking initiatives are underway and market pricing information is more readily available.

THE NEXT STEPS AND THEIR EFFECTS

What are 'the next steps' to achieve greater benefits still? A common theme for all sectors is the introduction of more competition:

- air transport – through a range of reforms to air services agreements, to entry conditions for domestic and foreign carriers, and ownership;
- maritime transport – by the dismantling of remaining entry restrictions, quotas or cargo sharing arrangements and the granting of domestic-vessel treatment to foreign-owned carriers located domestically;
- rail transport – through free entry in freight operations in those economies that do not have them;
- electricity and gas – by providing third party access, unbundling, wholesale prices set through market arrangements and/or retail competition in economies that have not implemented them; and
- telecommunications – through the removal of remaining foreign equity limits.

A package of reforms based on the measures outlined above would have a significant effect. Across the whole APEC region, USD175 billion a year in additional real income (in 2004 dollars) could be generated relative to what would have accrued had these reforms not occurred. This is a snapshot of the gains projected after a 10-year adjustment period.

The reforms can be translated into productivity effects, and the estimated first round impacts of these reforms suggest that they could lead to weighted average productivity improvements in the range of 2–14% across the transport, energy and telecommunications sectors. The largest productivity gains (above 10%) would occur in Indonesia; Malaysia; Mexico; the Philippines; Chinese Taipei; and Viet Nam.

There is no compelling reason for an APEC economy to wait for others to start. In all economies an overwhelming proportion of these gains come from reforms domestically, rather than reforms in other economies. Of course, the gains from joint reforms are also considerable.

APEC-wide, the projected gains from these structural reforms are almost twice as big as the gains from further liberalisation of merchandise trade. Yet the sectors where the structural reforms occur are less than a quarter of the size of those engaged in merchandise trade. When structural reforms lead to lower real production costs, even by half as much as is estimated here, they create a return to reform effort that is much greater than that from trade reforms.

These findings, therefore, vindicate APEC Leaders' decision to move beyond a 'border' focused trade reform agenda to one that focuses on 'behind the border' issues. Yet along with generating significant gains, structural reforms often require significant structural adjustments.

These must be managed carefully and sensitively and often take a considerable transition period when implementing policy measures.

The essence of a productivity improvement is that an industry can produce more with less. To ensure that efficiency gains are passed on to consumers, competition is required. Competition also allows dynamic gains to be achieved as new ways of doing things are found and best practice is transmitted more widely across market players.

Employment effects of greater efficiency are always a concern to policy makers. Modelling work for this study indicates that sectors which show relatively high reductions in employment do so not as a result of their own productivity improvements but because the domestic industries that use their services lose their position as other economies reform. In the extreme cases, modelling indicates relative losses in unskilled employment in a particular sector after 10 years can accumulate to upwards of 30%. But this modelling result needs to be kept in perspective. Employment changes occur over time and can be addressed through targeted structural assistance measures. Secondly, as long as an economy grows overall employment will increase, so the modelling shows that structural reforms may require significant relative shifts of labour across sectors over time. Thirdly, the model projects the generation of higher real wages for all workers in all economies. Modelling and real world examples demonstrate that displaced workers earn higher real wages in their new occupations.

To reiterate, employment opportunities overall depend on the growth of an economy. Thus, one of the best ways that APEC economies can guard against any adverse employment effects of structural reform is to maintain healthy underlying rates of economic growth. Structural reform itself makes a contribution to this goal, since it adds to productivity, stimulates activity and increases the resilience of the economy, but prudent macroeconomic management is also crucial.

A STRONGER AGENDA FOR APEC

This research shows the value of the APEC Leaders' adoption of an agenda to implement structural reform. It also reveals the importance of structural reform as providing strong bridges behind the border to capture the full benefits of improving regional economic integration. This study has found that:

- structural reform is challenging because it takes time amid the economic and political complexities in all economies;
- structural reform can create winners and losers but yields more inclusive development when it is carried out dynamically, with transitional measures and with other economic reforms; and
- structural reform is worth undertaking and provides potentially greater gains than trade liberalisation and generates economic sustainability.

These results suggest the scope to build an even stronger APEC agenda and work program. Structural reform is a vital process to achieve growth and to provide greater flexibility and resilience with which to deal with and withstand shocks, both domestic and external. However, it requires changes in economic structures, innovation and the adoption of new technologies and market responses to shape effective regulation as well as transform APEC economies and their current regulatory systems.

Steady adaptation is required, not least because expectations will rise as development proceeds. Pressure from the rest of the world, both competition from other economies and new commitments for cooperation, creates further forces for change. APEC economies are at various stages of reform, and their experiences to date are valuable to other APEC members. The sharing of this experience remains a priority, not just to learn about what is possible but also about the strategies for implementation. This will enable economies to examine measures and strategies and then shape and adapt them to their own situation.

To be effective, structural reform must be adopted for a purpose and specific outcomes should be the goal. Otherwise it is impossible to specify a method and explain its rationale in an often complex and sensitive environment. Another requirement to assess the impact of implemented policy measures is the design and implementation of reporting systems and monitoring arrangements for the progress of reform. The impacts of reform and their economy-wide effects are worthy of regular attention. Evidence of gaps between good practice, allowing for the varying stages of development, and the costs of those gaps are drivers of reform. But in the end what matters is the outcome.

A reform program focused on structural reform will create new sources of growth. This growth will be driven by productivity. Often these new sources of growth are unable to be identified or forecast because it is the dynamics of competition, the near limitless imagination of enterprise and the innovative use of changing technology that gives rise to new beginnings. Reform at the border remains significant for the efficiency and growth of member economies but the empirical work here demonstrates the significance of the productivity effects of even a modest set of 'next steps', all primarily focused on the introduction of competition.

Another consequence of reform will be economic resilience. More efficient market operations, macroeconomic stability and higher productivity all follow from structural reform and will contribute to higher standards of living. The concern with resilience and macroeconomic stability is even more relevant in the context of responding to the recent global financial crisis.

Programs of structural reform in each economy, designed and implemented to suit the situation in that economy but which take into account lessons learned from other members to achieve clearly defined outcomes, can deliver new growth and economic resilience. Support in the APEC region through cooperation to learn these lessons and perhaps sequence reforms may also give rise to even more dynamic gains in APEC economies.

Attachment 4

Update of Ease of Doing Business (EoDB) Action Plan- Progress of Phase 1 Programmes and Phase 2 Diagnostics

Objective

This short note updates senior officials on the progress of the EoDB Action Plan in improving the regional business environment.

Background

In 2009, APEC leaders supported the new APEC initiative on the EoDB Action Plan. Compared against the benchmark year of 2009, the Action Plan aims to achieve the aspirational target of making it 25 per cent cheaper, faster and easier to do business in the region by 2015, with an interim target of a 5 percent improvement by 2011. The targets set are for APEC as a whole (rather than for individual economies), and the focus is on improvements in absolute terms (e.g. the reduction in the costs and the number of days for starting a business).

Following the discussion within APEC, the World Bank's Doing Business indicators¹ were chosen to measure improvements in regulatory reform. The indicators track regulatory burdens affecting ten stages of a company's business activities, and provide quantitative measures of this burden. Based on feedback from both governments and businesses, five priority areas were selected for the EoDB Action Plan, namely: starting a business, getting credit, enforcing contracts, trading across borders and dealing with permits. To help APEC economies meet the aspirational targets, several Champion Economies have stepped forward to build capacity in these five areas. The capacity building programmes were to be carried out in two phases.

Progress of the Phase 1 Programmes

For Phase 1, Champion Economies conducted seminars and workshops to share experience and raise awareness of best practices with member economies. Participants of the workshops were mostly lead practitioners from relevant line agencies who are in the position to implement changes and improve their economies' performance in the priority areas. Through these workshops, the practitioners can have a better understanding of the strategies to designing and implementing successful reforms. This will change mindsets and help member economies in their reform efforts, thus allowing the APEC region as a whole to advance towards the aspirational targets.

¹ The World Bank's Doing Business index identifies the burdens imposed by government requirements on business transactions, and provides quantitative measures of this burden. They track regulatory burdens affecting 10 stages of a company's business activities. They are: starting a business, registering property, dealing with permits, accessing credit, employing workers, enforcing contracts, protecting Investors, trading across borders, paying taxes, and closing a business. The Doing Business methodology is based on specific assumptions about the company that is being affected. For instance, where relevant, the methodology assumes that the company is a private, limited liability company that operates in the largest business city in the economy (Source: 2009 APER).

Hitherto, all the Champion Economies have commenced Phase 1 of the EoDB Action Plan and have held capacity building programmes to support regulatory reforms in the five priority areas (Please see Table below).

| Workshop | Champion Economy | Venue | Date |
|--|-----------------------------------|--------------|----------------|
| Reducing Start-up and Establishment Time of Businesses | US and New Zealand | Hiroshima | 1-2 Mar 2010 |
| Enforcing Contracts | Korea | Seoul | 21-22 Jun 2010 |
| Trading Across Borders | Singapore and Hong Kong, China | Sendai | 18-19 Sep 2010 |
| Getting Credit for Small and Medium Enterprises | Japan | Sendai | 21 Sep 2010 |
| APEC Seminar on the First Steps of Successful Reform in Doing Business | US, New Zealand, Japan, Singapore | Taipei | 5-6 Oct 2010 |
| Reforming the Regulatory System for Construction Permits | Singapore | Singapore | 18-22 Oct 2010 |

Achievements and Lessons Learnt

The following highlights four workshops where the progress updates are ready.

Reducing Start-up and Establishment Time of Businesses

The US and New Zealand co-organised a two-day workshop on *Reducing Start-up and Establishment Time of Businesses* in Hiroshima on 1-2 Mar 2010. 78 participants from all 21 APEC economies took part in the workshop. On the first day of the workshop, there were four case study presentations on the business registry systems by APEC economies and three presentations by the private sector (i.e. business association, women’s business leader, and USAID project in Vietnam) describing their perspective of on-the-ground challenges. On the second day, breakout sessions were organised and participants had the opportunity to discuss issues with three lead practitioners in a small group dynamics.

Participants agreed that each APEC economy faces different challenges in implementing reforms related to reducing the start-up and establishment of businesses. Over two days, participants and speakers shared information on approaches their governments were taking to address business start up procedures, recognizing that solutions are not one-size fits all because of the diversity in economic and political circumstances and the wide variation in procedures. The group overall agreed that reducing the time and costs to start a business can have important benefits for APEC economies and for employment, as well as reducing burdens on overwrought registrars and improving the confidence of potential business people by easing the procedural barriers.

Enforcing Contracts

Korea held a two-day workshop on *Enforcing Contracts* in Seoul on 21-22 June 2010. The event was attended by representatives from 15 APEC economies. Majority of the participants came from the legal field, but there were also economics and policy experts from the relevant Ministries. On the first day of the workshop, there were presentations by World Bank on the Enforcing Contracts indicator, as well as case studies of the reform experience of several APEC economies. On the second day of the workshop, experts and moderators led breakout sessions on three different topics for a more in depth discussion. The three topics are: doing business index and the relevant reform efforts, the social, economic and legal factors, and the role of IT in improving the judicial systems.

Participants were generally satisfied with the workshop. From the two-day workshop, the participants learnt that even though the judicial system and reforms may differ from region to region, judicial reforms are needed to improve the business environment. Moreover, the overall direction for the reform should aim at making the procedures less costly, more accessible and more efficient. At the initial stages of the reform, there might be challenges and objections from various stakeholders. However, once the success of the initial reforms can be demonstrated, the reform activities will be able to proceed in a smoother manner.

Getting Credit for Small and Medium Enterprises

Japan held a one-day workshop on *Getting Credit* for small and medium enterprises in Sendai on 21 Sep 2010. The event was attended by 71 participants from 19 APEC economies. There was a good mix of presentations by experts from the World Bank, the financial and legal sectors, as well as the research institutes.

From the workshop, participants learnt that good legal infrastructure and credit information allowed SMEs to efficiently obtain credit and grow, while avoiding potential moral hazards from more direct government assistance programs. With regard to legal infrastructure, participants agreed that they should work towards an environment where security interests in all kinds of SME assets, including receivables and inventory, along with a unified and certain credit registry system are acceptable. There was also broad consensus among participants that positive² and negative credit information should be available cheaply and efficiently.

APEC Seminar on the First Steps of Successful Reform in Doing Business

To complement the work of the champion economies, Chinese Taipei held a successful two-day seminar in Taipei on 5-6 Oct 2010. This workshop offered a useful perspective to reform-minded economies on how to take first steps of reform in the three priority areas of *Starting a Business*, *Getting Credit*, and *Dealing with Construction Permits*. The workshop focused on examining

². Positive information includes repayment history and loans which have been paid off in the past, as well as those where repayment is on-going and on time. Negative information is missed payments, bankruptcy, etc.

strategies for enhancing the business environment, and sharing various aspects of how examples of successful interim reform were achieved.

There was broad consensus among participants that although the EoDB indicators are not perfect, the comparison across economies would be helpful in discovering regulatory and administrative weak points of individual economies. While some economies were concerned their progress was not reflected in the indicators, many economies were encouraged by the World Bank's recognition of their reforms. All participants agreed that real progress in improving the environment for doing business matters, whether ranking positions move upwards or not.

One recommended reform identified by participants was the "one-stop on-line service center," in particular in the area of *"Dealing with Construction Permits."* Via a single website, procedures for registration, payment of fees, insurance, inspections, etc. were integrated and completed. Such on-line services help to reduce travel time and processing delays, lessen the discretion of officials, and increase transparency. By standardizing documentation and procedures as well as minimizing the impact of geographical distance, the application of ICT also provides more equal opportunities to all. It should be noted, however, that e-government services need to be supported with improvement in ICT access and ICT literacy.

On top of targets, means, and prescribed changes, participants broadly agreed that it was essential that the EoDB reform agenda had high-level commitment, the capability to convince competent authorities to adopt changes, the support of legislators and the passion and the perseverance of the government officials coordinating the reforms. Hence, there could be broader outreach aimed at promoting public awareness of the need to reform and build consensus, in addition to technical capacity building programs. This outreach could be in the form of more workshops, seminars, roundtables conducted for APEC economies which would help to achieve both aims (i.e. winning support and technical capacity building) of the outreach programmes.

Phase 2 of the EoDB Action Plan

APEC economies seeking to reform their systems have also expressed strong interest to take part in Phase 2 of the EoDB Action Plan. As each APEC economy has unique regulatory challenges, Phase 2 programmes would involve diagnostic consultations to help participating economies highlight specific addressable problems within their systems and identify opportunities for reform in the priority areas. With the customized action plans, participating economies are then empowered to implement reforms in the identified priority area(s).

At the time of drafting, Phase 2 has already achieved some success. For the priority area of *Starting a Business*, Indonesia has already completed its diagnostics and is in the process of taking concrete steps to improve its business environment.

Attachment 5

What's next for Economic Committee?

--Structural reform in the context of APEC Leaders' Growth Strategy and ANSSR--

(A revised note originally prepared for the EC Chair's presentation at SOM3, 2010)

1. Background

APEC Leaders last year agreed to formulate a comprehensive long-term growth strategy in 2010. Discussions on the Growth Strategy have been made extensively throughout this year at various meetings including the MRT, the Growth Strategy High-Level Policy Round Table, SOM meetings and EC1, with the goal to finalise it at the AMM and AELM to be held in November. The APEC Leaders' Growth Strategy, which aims to achieve balanced, inclusive, sustainable, innovative and secure growth, will be implemented through an Action Plan encompassing five work elements: a) structural reform, b) human resource and entrepreneurship development, c) green growth, d) knowledge-based economy and e) human security. As part of its multi-year follow-up mechanism, SOM will be asked to report to the Leaders in 2015 on the progress made in the Growth Strategy. Given its centrality to the Growth Strategy, it is likely that structural reform will remain as a key policy agenda for APEC beyond 2010.

Along with the discussion on the Growth Strategy, the APEC New Strategy for Structural Reform (ANSSR) has been discussed and developed by SOM and its Friends Group on Structural Reform since early 2010. ANSSR calls for extending the priority areas for structural reform work in APEC beyond the five LAISR areas. The ANSSR statement also invites APEC Leaders to jointly [pledge/commit/declare] in November 2010 to undertake demonstrable and significant structural reform in their economies with a target year of 2015. Each economy is asked, by the end of 2011, to make its own [pledge/statement/plan] setting forth priorities for structural reform in various areas including financial markets, labour market and education, SME, women and social safety nets as well as policies and measures to make progress toward them by 2015. Under this agenda, structural reform will be expanded to become a shared APEC-wide objective, with all relevant fora, including HRDWG, FMP, SMEWG, and GFPN, taking part. The EC will be tasked to lead on work to promote more open, well-functioning, transparent and competitive markets.

Extract from "The APEC New Strategy for Structural Reform (ANSSR)"

The Economic Committee (EC) will continue its horizontal approach as pursued under the LAISR and lead on work to promote more open, well-functioning, transparent and competitive markets, with a focus on regulatory reform, competition policy, corporate law and governance, and public sector governance, as well as the follow up to the EoDB Action Plan.

Meanwhile, ANSSR has been referred to in the Growth Strategy as follows, indicating that it will likely be the main component of the structural reform Action Plan of the Growth Strategy.

Extract from "The APEC Leaders' Growth Strategy"

3. Action Plan for the APEC Growth Strategy

(1) Development of Integrated Work Elements to Facilitate Implementation of the APEC Growth Strategy

a. Structural Reform

Structural reform is essential in achieving strong, sustained, and balanced economic growth. The region has achieved much in this regard over the past five years through our Leaders' Agenda to Implement Structural Reform (LAISR). In order to achieve more balanced and inclusive growth, APEC economies, under Senior Officials' guidance and monitoring, should implement the APEC New Strategy for Structural Reform (ANSSR), which sets forth extended priority areas for structural reform, including promoting quality education, increasing labor market opportunities, promoting SME development, enhancing opportunities for the vulnerable and women, and promoting effective social safety net programs and financial market development, in addition to continued efforts to improve market efficiencies, as pursued under the prior LAISR program.

The EC Chair has participated in the discussions on the Growth Strategy and ANSSR on various occasions and has provided the EC members' views on the next phase of the structural reform agenda including effective implementation mechanisms, and the EC's possible contributions to the new strategy. For example, at the Extraordinary SOM held in April 2010, the EC Chair made a presentation on the EC's discussions on post-LAISR agenda and indicated that i) the five LAISR areas are still relevant as a whole and need to be strengthened further with necessary modifications beyond 2010, ii) implementation mechanisms are all the more important if APEC goes further behind the border, and EC should be ready to assist structural reform initiatives by other fora by providing advice based on its past experiences and expertise with horizontal viewpoints, and iii) EC might consider introducing new mechanisms to enhance the effectiveness of structural reform activities. The EC Chair also presented an interim report on the progress made in implementing the LAISR agenda at SOM2 held in June, which was subsequently welcomed by APEC Ministers Responsible for Trade.

2. Proposed contributions to the Growth Strategy and ANSSR by EC

The above discussion suggests that the next phase of APEC's structural reform agenda will likely be a combination of continuation of the cross-cutting approach pursued under the LAISR initiative, and new extended priority areas. This will give EC a greater opportunity to contribute to the structural reform agenda for APEC. In light of such a situation, the EC Chair would like to propose approaching EC's structural reform work for the next five years along the following lines.

First, EC will **continue its horizontal approach** as currently pursued under LAISR. At the EC2 in 2010, EC agreed to reformulate the five priority areas (regulatory reform, competition policy, corporate governance, public sector governance, and strengthening economic and legal infrastructures) to better facilitate structural reform in the current context, with the updated set of FotC groups and new coordinators to lead the work in the priority areas as indicated below. EC has also agreed to retain the Competition Policy and Law Group (CPLG) as a group of experts. The objectives and scope of activities of each FotC and CPLG have been specified in a work plan prepared by each coordinator and the CPLG Convenor (see below).

- Competition policy: Australia
- Corporate law and governance: tbd
- EoDB: The United States
- Public sector governance: Chinese Taipei
- Regulatory reform: Japan
- Competition Policy and Law Group (CPLG): Japan

Second, EC will continue to discuss **possible additional roles** that it can play to facilitate ANSSR with an aim to bridging sector-specific and horizontal approaches in order to seek synergy effects. Although the specific form of contribution will be subject to agreement by other fora and SOM, EC should be ready to assist other fora by providing practical tools that have been employed under LAISR to facilitate structural reform. In addition, EC may hold a number of joint seminars/workshops with relevant committees and fora, taking advantage of its cross-cutting viewpoints. EC could also look to develop a so-called tailor-made approach, which aims to enhance effectiveness of structural reform activities based on APEC's tradition of non-binding practices. This approach can be applied not only to the reformulated LAISR areas but also to the new priority areas, through collaboration with relevant committees and fora.

3. Next step

New FotC Coordinators, in consultation with respective FotC members, are requested to develop a full-fledged programme for each FotC to lay out the FotC's activities with possible timelines. Detailed instructions will be announced by the EC Chair before the EC1 meeting in 2011.

APEC Economic Committee Work Plans of the New FotC Groups and Competition Policy and Law Group

Name of the FotC: Competition Policy

Coordinating Economy: Australia

Membership Principles¹ and Member Economies: TBA

Objectives:

Responsible for considering the role that government should play in facilitating and encouraging competition including through pro-competition policies and government decision-making processes aimed at enhancing, protecting and preserving competitive processes in order to enhance consumer welfare and improve economic outcomes.

This will include consideration of ways to facilitate behaviour which is pro-competitive and prevent behaviour which is anti-competitive. This may include consideration of:

- the role of political support for competition;
- how government has regard to competition during policy making processes;
- how the general state of competition and any case for government intervention can be judged by policy advisors;
- institutional responsibility for policy advice and enforcement;
- the processes by which increasing competition can occur and how transitional issues can be ameliorated; and
- options outside of anti-trust law to increasing competition, including for example, reducing barriers to entry; asymmetric information etc.

Scope:

The Competition Policy FotC would consider competition policy matters from a broad, high level perspective. Consideration of technical elements of anti-trust law and enforcement would be the responsibility of CPLG. CPLG would effectively be a group of experts mainly focused on operationalising competition policy. Competition Policy FotC and CPLG will work closely together and consider joint activities and workshops where appropriate.

List of Individual Activities to be Succeeded (see Annex 1)

¹ FotC coordinators are expected to propose as to how the membership can be organized. Possible examples include:

A: Economies with the intention of sizable/substantial contribution will be members, while other economies will take part in decision making at the Plenary.

B: Two kinds of membership, with core members and non-core members.

C: 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 PSU's research on the impacts and benefits of structural reform in the transport, energy, and telecommunications sectors (PSU). The findings of the study may be suitable to be transformed into workshop-style formats to provide economies with increased practical understanding of how to undertake structural reforms in these sectors.

List of Ideas on Possible New Projects

- How to restore/encourage governments to continue to facilitate competition in markets where there are calls for increased protection post-GFC.
- Considering additional ways to best to utilise the APEC Principles to Enhance Competition and Regulatory Reform and the APEC-OECD Integrated Checklist on Regulatory Reform where it relates to matters of competition policy (noting that CPLG has also contributed to this work in the past).
- Examining the role of competitive neutrality in government policy, which aims to ensure that government business activities do not enjoy competitive advantages over their private sector competitors by virtue of their public sector ownership.

Annex 1

Items in the Forward Work Programme for LAISR and Their Transition to the New FotC Groups (Competition Policy)

| Objectives | Action items/Specific products | Status | Led by | Suggested New FotC /Subfora |
|---|---|----------------|--|---|
| 1. Provide context for the discussion on competition policy within APEC, identifying areas of need for competition policy | APEC Economic Policy Report 2008 | Completed | Peru, EC Chair | Competition Policy, CPLG |
| 2. Provide guidance for good practice | Good practice principles for competition and regulatory reform | Completed | Hong Kong, China; EC Chair | Competition Policy |
| | Seminar on Good Practises in Regulation and the Promotion of Efficiency in Transport Infrastructure Facilities | Completed | Peru, Australia, Singapore, CPLG, EC Chair | Competition Policy, CPLG |
| 3. Set the stage for productive discussion on competition policy within APEC. | Share information and experiences on competition policy | On-going | Hong Kong, China; Chinese Taipei; CPLG | CPLG |
| 4. Stocktake of progress in competition policy and set direction of future work. | LAISR Stock-take Report | Completed | Hong Kong, China; EC Chair | Competition Policy, CPLG, whole of the EC |
| | Ministerial Meeting on Structural Reform | Completed | Australia, Peru, Singapore, EC Chair | Whole of the EC |
| 5. Capacity building to implement practical measures. | Study on the impacts and benefits of structural reforms in transport, energy and telecommunication sectors | Completed | PSU | Competition Policy |
| | Seminar on Impacts of Structural Reforms and LAISR Stock-take | Completed | HKC, Japan | Competition Policy |
| 6. Promote better understanding of practical measures to strengthen competition policy | Training course on Advocacy of Competition Policy | Completed | CPLG (Vietnam, Japan) | CPLG |
| | Training course on Cartel and Bid-rigging | To be proposed | CPLG (Malaysia, Japan) | CPLG |
| | Roundtable Discussion on Procedural Fairness in Competition Cases | Completed | CPLG, ABAC | CPLG |
| | Training course on Vertical Restraints and Interrelations between Competition Policy and Consumer Protection Policy | Completed | Chinese Taipei, Japan, CPLG | CPLG |

Name of the FotC: Corporate Law and Governance

Coordinating Economy: tbd

Membership Principles² and Member Economies: tbd

Objectives:

The new 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. (to be developed)

Scope:

The scope of the new Corporate Law and Governance FotC group will largely overlap with that of the former Corporate Governance FotC and the Strengthening Economic and Legal Infrastructure (SELI) FotC. (to be developed)

List of Individual Activities to be Succeeded (see Annex 2)

List of Ideas on Possible New Projects

(to be developed)

² FotC coordinators are expected to propose as to how the membership can be organized. Possible examples include:

A: Economies with the intention of sizable/substantial contribution will be members, while other economies will take part in decision making at the Plenary.

B: Two kinds of membership, with core members and non-core members.

C: 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.

Annex 2

Items in the Forward Work Programme for LAISR and Their Transition to the New FotC Groups (Corporate Governance)

| Objectives | Action items/Specific products | Status | Led by | Suggested New FotC /Subfora |
|--|---|-----------|----------------------|---|
| 1. Set the stage for productive discussion on corporate governance within APEC. | Good practice principles for corporate governance | Completed | United States | Corporate Law and Governance |
| | Agenda on corporate governance | Completed | United States | Corporate Law and Governance |
| | Review work on corporate governance | Completed | United States | Corporate Law and Governance |
| 2. Identify areas of need for strengthening corporate governance. | Review progress on corporate governance | Completed | United States | Corporate Law and Governance |
| 3. Build consensus on best practices in corporate governance. | Roundtable discussion on corporate governance | Completed | United States | Corporate Law and Governance |
| 4. Build capacity to implement practical measures. | Technical assistance as necessary | Completed | United States | Corporate Law and Governance |
| | APEC Training Course on Corporate Governance | Completed | Viet Nam | Corporate Law and Governance |
| | Workshop on corporate governance reform | Completed | United States | Corporate Law and Governance |
| 5. Increase awareness of the elements of sound corporate governance. | Seminar on promoting good governance for SMEs | On-going | To be decided | Corporate Law and Governance |
| | Workshop on Implementing the OECD Principles of Corporate Governance | Completed | United States | Corporate Law and Governance |
| | Workshop on Identifying Capacity Building Needs for Implementation of the OECD Principles of Corporate Governance | On-going | United States | Corporate Law and Governance |
| 6. Stocktake of progress in strengthening corporate governance and set direction of future work. | APEC Economic Policy Report on corporate governance | Completed | United States, Japan | Corporate Law and Governance, whole of the EC |

Annex 2

Items in the Forward Work Programme for LAISR and Their Transition to the New FotC Groups
(Strengthening Economic and Legal Infrastructure (SELI))

| Objectives | Action items/Specific products | Status | Led by | Suggested New FotC /Subfora |
|---|---|-----------|---|------------------------------|
| 1. Set the stage for productive discussion on strengthening economic and legal infrastructure within APEC. | Share reports on strengthening economic and legal infrastructure | Completed | SELI Chair (SELI Coordinating Group) | Corporate Law and Governance |
| | Build a network for information exchange on strengthening economic and legal infrastructure | Completed | Australia | Corporate Law and Governance |
| 2. Identify areas of need for strengthening economic and legal infrastructure. | Review progress on strengthening economic and legal infrastructure | Completed | SELI Chair (SELI Coordinating Group), ABAC | Corporate Law and Governance |
| | Report on cross-border mergers and acquisitions | Completed | Hong Kong, China | Corporate Law and Governance |
| 3. Build consensus on best practices in strengthening economic and legal infrastructure | Information sharing on best practices for strengthening economic and legal infrastructure | Completed | SELI Chair, United States (SELI Coordinating Group) | Corporate Law and Governance |
| 4. Promote better understanding of practical measures to strengthen economic and legal infrastructure. | Seminar and/or Roundtable discussion on strengthening economic and legal infrastructure theme | Completed | Japan | Corporate Law and Governance |
| 5. Capacity building to implement practical measures. | Capacity building as necessary | On-going | To be decided | Corporate Law and Governance |
| 6. Increase awareness of the elements of sound economic and legal infrastructure. | Ministerial Meeting on Structural Reform | Completed | Australia, Peru, Singapore, EC Chair | Whole of the EC |
| | APEC Growth Strategy High Level Policy Round Table | Completed | Japan | Whole of the EC |
| 7. Stocktake of progress in strengthening economic and legal infrastructure and set direction of future work. | Summary of outputs and outcomes of work programme | Completed | Japan, EC Chair | Whole of the EC |

Name of the FotC: Ease of Doing Business (EoDB) FotC

Coordinating Economy: The United States

Membership Principles and Member Economies:

Membership is not intended to be exclusive, and broad participation by interested economies is highly encouraged. At the same time, we hope the following three groups of economies will actively participate in the FotC:

- The EoDB Champion economies: Hong Kong China, Korea, Japan, New Zealand, Singapore, and the United States
- Economies that have participated in or are interested taking part in Phase 2 diagnostics of the EoDB Action Plan
- Economies that are willing to provide assistance in conducting the Phase 2 diagnostics

In addition, given the broad range of expertise required and work to promote relevant reforms ongoing in other fora, close collaboration with other fora, particularly CTI and SMEWG, is envisaged.

Objectives:

To assist APEC member economies in promoting reforms for ease of doing business, including by implementing the EoDB Action Plan to make it 25 percent cheaper, faster, and easier to do business in the APEC region by 2015 as measured by the World Bank's *Doing Business* indicators.

Scope:

The immediate focus of the FotC will be to effectively implement the Phase 2 diagnostics in each of the five priority areas in volunteering economies and to monitor progress in the APEC region by 2011 in light of the World Bank's *Doing Business* indicators. The scope of the EoDB FotC over the medium term could also include but not limited to:

- Considering potential directions beyond the Phase 2 diagnostics in the five priority areas
- Exploration of work in EoDB areas other than the five priority areas

List of completed and ongoing activities

Starting a business *championed by New Zealand and the United States*

- Workshop on reducing start-up and establishment time of businesses (March 2010, Hiroshima)
- Phase 2 program in Indonesia (July 2010, Indonesia)

- Seminar on the First Steps of successful reform in Doing Business³ hosted by Chinese Taipei (October 2010, Taipei)

Enforcing Contracts *championed by Korea*

- Workshop on enforcing contracts (June 2010, Seoul)

Trading Across Borders *championed by Singapore and Hong Kong China*

- Workshop on Trading Across Borders (September 2010, Sendai)

Getting Credit *championed by Japan*

- Workshop on Getting Credit for SMEs (September 2010, Sendai)

Construction Permits *championed by Singapore*

- Workshop on reforming the regulatory system for Construction Permits (October 2010, Singapore)

List of Ideas on Possible New Projects

- Phase 2 diagnostics on the five areas
- Report in 2011 on the progress made under the EoDB Action Plan
- Policy Report on the EoDB possibly in 2012 i.e. compilation of reforms in economies and lessons learned from phase 2 diagnostics
- Workshop to explore new areas for reform on EoDB

³ The seminar focused on Starting a business, Getting Credit, and Construction Permits

Name of the FotC: Public Sector Governance

Coordinating Economy: Chinese Taipei

Membership Principles and Member Economies:

Economies with the intension of sizable/substantial contribution will be members, while other economies will be CC-ed when FotC e-mail discussion is conducted among such members.

Objectives:

The new PSG FotC aims to maintain a platform for economies to discuss and exchange practical experiences on public sector governance. 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 order to deepen and widen dialogues among economies, Chinese Taipei suggests that the new PSG FotC group develops the priority areas on the basis of its past achievements and the interests of member economies. With references to the results of the *Stock-take of activities against the nine high-level principles for good public sector governance* and the *LAISR Reformulation Survey*, Chinese Taipei proposes five themes for advanced discussions in the new PSG FotC, including:

- Strengthening public administration for the future
Coping with changes of the market, the political situations, and the natural environment within and beyond the boundaries, economies have adjusted their governmental structures to enhance competitiveness and to strengthen governance capacity in the past decade. In order to update lessons of government restructuring from economies, Chinese Taipei proposes that one of the priority areas of the new PSG FotC focuses on the lessons and the results of public administration reforms. Discussions in this area will concentrate on approaches and outcomes of organizational restructuring in the public sector promoting across boundary governance, reduction of administrative process and burden, and an effective government. This area aims to facilitate experience sharing of administrative reforms and expects to promote economic, social, and political performance and good public sector governance among economies.

- **Improving the quality of public service**
Quality public service delivery is 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 area aims to exchange the incentive mechanisms or initiatives economies designed to evaluate the quality of public service and to encourage the citizen-oriented public service.
- **Leveraging ICTs to strengthen public sector governance**
ICTs are becoming an essential part of many economies' governance initiatives. Active uses of ICTs for improving government process (e-administration), connecting citizens (e-citizens and e-services), and building external interactions (e-society) are beneficial to public participation and government transparency. This area expects to deepen experience sharing on how economies utilize new ICTs to promote government efficiency and responsiveness. Key issues in this area include agile and friendly access of public service, real-time government information and services, and applications of social networking to enhance interactions between the government and the public.
- **Enhancing fiscal transparency and public accountability**
Promoting fiscal transparency is one of the government's focal responsibilities to articulate the achievements of value for money. This area focuses on the practical measures and tools economies took to enhance public spending management, to improve government productivity, and to assess the quality of fiscal transparency. This area aims to develop a paper of fiscal transparency and public accountability.
- **Strengthening trust, integrity, and ethics**
Corruption erodes public trust towards the government and the performance of public governance. Therefore, to build a clean government and to construct public service ethic codes have been major concerns among economies. This area aims to promote further discussions on the systematic and organizational design and regulations of anti-corruption in the public sector. Economies will also have opportunities to exchange experiences on surveying the public perception of corruption and on training programs of the

public service ethics.

List of Individual Activities to be Succeeded (see Annex 3)

List of Ideas on Possible New Projects

- Seminar, workshop, and roundtable discussion on priority areas
- Tailor-made project to assist member economies to improve governance quality in the public sector
- Paper on fiscal transparency and public accountability

Annex 3

Items in the Forward Work Programme for LAISR and Their Transition to the New FotC Groups (Public Sector Governance)

| Objectives | Action items/Specific products | Status | Led by | Suggested New FotC /Subfora |
|---|---|---------------|------------------------------|---|
| 1. Set the stage for productive discussion on public sector governance within APEC. | Seminar on public sector governance | Completed | New Zealand, Japan, Malaysia | Public Sector Governance |
| | APEC Economic Policy Report on public sector governance | Completed | New Zealand, EC Chair | Public Sector Governance |
| | Bibliography of resources on public sector governance | Completed | New Zealand | Public Sector Governance |
| 2. Identify areas of need for strengthening public sector governance. | Review APEC Economic Policy Report on public sector governance | Completed | Canada, EC Chair | Public Sector Governance |
| 3. Promote better understanding of practical measures to strengthen public sector governance. | Good practice principles for public sector governance | On-going | Canada | Public Sector Governance |
| | Policy dialogues on public sector governance | On-going | To be decided | Public Sector Governance |
| | Management Performance: Towards Effective Government | Completed | Canada | Public Sector Governance |
| | Workshop on e-governance | Completed | Chinese Taipei, New Zealand | Public Sector Governance |
| | Workshop on government performance and results management | Completed | Chinese Taipei, New Zealand | Public Sector Governance |
| 4. Capacity building to implement practical measures. | Workshops on public sector governance as appropriate | On-going | To be decided | Public Sector Governance |
| 5. Increase awareness of the elements of sound public sector governance. | Ministerial Meeting on Structural Reform | Completed | | Whole of the EC |
| 6. Stocktake of progress in strengthening public sector governance and set direction of future work. | Summary of outputs and outcomes of work programme | Completed | New Zealand | Public Sector Governance, whole of the EC |

Name of the FotC: Regulatory Reform

Coordinating Economy: Japan

Membership Principles⁴ and Member Economies:

Basically all EC members

Objectives:

Promote regulatory reform in APEC economies to:

- increase social welfare by better balancing and more effectively delivering government policies over time;
- boost economic development and consumer welfare by encouraging market entry, innovation and competition and thereby promoting competitiveness;
- control regulatory costs so as to improve productive efficiency by reducing unnecessary costs, particularly for entrepreneurs and small, medium, and micro sized businesses;
- improve public sector efficiency, responsiveness, and effectiveness through public management reforms;
- rationalize and simplify law; and
- improve the rule of law and democracy through legal reform, including improved access to regulation and reduced discretion, where excessive, for regulators and enforcers.

Scope:

- The Regulatory Reform FotC will work to promote regulatory reform bearing in mind that all the FotC's activities will help implement the APEC Leaders' Growth Strategy, including the ANSSR initiative.

List of Individual Activities to be Succeeded (see Annex 4)

1. APEC-OECD Integrated Checklist on Regulatory Reform

- The Agreement for an APEC-OECD Co-operative Initiative on Regulatory Reform was endorsed at the APEC Ministerial Meeting on 12-13 November 2000 in Brunei Darussalam. The first phase of the APEC-OECD initiative was completed in October 2002, at the High level Conference in Jeju, Korea, where economies

⁴ FotC coordinators are expected to propose as to how the membership can be organized. Possible examples include:

- A: Economies with the intention of sizable/substantial contribution will be members, while other economies will take part in decision making at the Plenary.
- B: Two kinds of membership, with core members and non-core members.
- C: 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.

agreed on the need to elaborate an APEC-OECD Integrated Checklist for self-assessment on regulatory, competition and market openness policies, to implement the APEC and OECD principles. The second phase of the initiative has focused on the development of the Integrated Checklist that has been presented for approval to the respective Executive Bodies of APEC and the OECD in 2005.

- The Checklist is a voluntary tool that member economies may use to evaluate their respective regulatory reform efforts. Based on the accumulated knowledge of APEC and the OECD, the Checklist highlights key issues that should be considered during the process of development and implementation of regulatory policy, while recognizing that the diversity of economic, social, and political environments and values of member economies require flexibility in the methods through which the checklist shall be applied, and in the uses given to the information compiled.
- So far, six economies (the U.S.; Hong Kong, China; Chinese Taipei; Korea; Australia; and Japan) have conducted self assessments.

2. Voluntary Reviews of Institutional Framework and Processes

- In Melbourne, Australia on 3 – 5 August 2008, the APEC economies' Ministers responsible for structural reform tasked the EC to develop a process for voluntary self-review of economies' institutional frameworks that support structural reform.
- A process for voluntary self review was developed and endorsed at the EC2 meeting held on 23 – 24 July 2009 in Singapore.⁵ The key features of effective reform institutions or processes that were agreed to be important for supporting reform are: Mandate, Governance, Budget, Independence, Authority, Transparency, and Economy-wide mandate/perspective.
- The overall purpose of the review is to examine the extent to which these key features are present in the institutions and processes for structural reform within the reviewed economy. This review complements the APEC-OECD Integrated Checklist on Regulatory Reform.

3. Benchmarking Survey

- In February 2010 at Economic Committee (EC) 1, Australia circulated a draft benchmarking survey on regulation for economies' consideration. Following integration of the comments received, the final survey was circulated for completion by 21 May 2010.
- The survey was intended to gather information on the current regulatory state of play in APEC economies to provide a base level (the benchmark) against which to measure progress - with a follow up to be conducted in approximately five years to examine progress.

⁵ PSU prepared HANDBOOK FOR "THE APEC VOLUNTARY REVIEWS OF INSTITUTIONAL FRAMEWORKS AND PROCESSES FOR STRUCTURAL REFORM" in October 2009.

- The benchmarking survey was also intended to assist economies in setting domestic targets, tracking the success of regulatory initiatives over time and allocating APEC's capacity building resources in this area. The questions attempted to capture the framework and processes which assist in achieving good regulatory outcomes by taking a 'snapshot' of the regulatory processes in place in each economy.

List of Ideas on Possible New Projects

1. Roundtable on the Good Practice Guide on Regulatory Reform and Voluntary Reviews of Institutional Framework and Processes
 - To start our new Regulatory Reform FotC activities, we should review this FotC's past activities. In particular, we might usefully reflect on the purpose and content of the Good Practice Guide on Regulatory Reform and Voluntary Reviews of Institutional Framework and Processes and discuss how to utilize these tools from now on. We plan to have a roundtable for this purpose at EC1 in 2011.
2. Engage ABAC in joint projects to connect APEC regulatory agencies with business needs
 - Cooperation with ABAC is indispensable in this field to promote regulatory reform in alignment with business needs. For example, collaboration on SME finance, which has recently been a hot topic of discussion within ABAC, will create synergy between ABAC's activities and the EC's activities.
3. Joint sessions with other fora (e.g. HRDWG, SMEWG, ISTWG)
 - As regulatory reforms enhance economic growth in various fields, it is important to make our discussion more professional and technical through cross-fora collaboration. Possible ideas include joint sessions with the HRDWG or SMEWG to discuss regulatory reform for Inclusive Growth or with the ISTWG to discuss regulatory reform for Innovative Growth.
4. Regulatory agency case studies
 - Examining exemplary regulatory agencies could be helpful in developing best practices from which all APEC economies could learn. We might derive benefits from case studies of regulatory agencies thought to be world leaders responsible for particular economic sectors or particular regulatory fields.
5. Regulatory transparency best practices

- Sharing and examining best practices for regulatory transparency is very important for improving regulatory reform process in each economy -- i.e., how to consult the public, where to publish draft regulations, leveraging web 2.0 technologies, implementing forward regulatory agendas/programs, sharing regulatory impact analysis with the public, etc.
6. Coordinate with the PSU to research priority areas for regulatory reform in the region and privately communicate them to relevant member economies.
- We will utilize the PSU's expertise and survey capability to encourage regulatory reform in member economies.

Annex 4

Items in the Forward Work Programme for LAISR and Their Transition to the New FotC Groups (Regulatory Reform)

| Objectives | Action items/Specific products | Status | Led by | Suggested New FotC /Subfora |
|---|--|-----------|--|------------------------------------|
| 1. Provide context for the discussion on regulatory reform within APEC | • Roundtable discussion on regulatory reform | Completed | Australia | Regulatory Reform |
| 2. Provide guidance for good practice regulation principles and practices within APEC | • Good Practice Guide on Regulatory Reform | Completed | Australia, Peru, Mexico, New Zealand | Regulatory Reform |
| | • Workshop on Improving Public Consultation in the Rulemaking Process | Completed | United States, Indonesia, Japan, Mexico, Vietnam | Regulatory Reform |
| | • Survey of incentive schemes for civil servants | Completed | Chinese Taipei | Regulatory Reform |
| | • Ministerial Meeting on Structural reform | Completed | Australia, Peru, Singapore, EC Chair | Whole of the EC |
| 3. Enhance APEC economies' regulation making, review and enforcement processes and systems. | AEPR 2009: Regulatory Reform theme | Completed | Australia | Regulatory Reform |
| | Benchmarking Survey | On-going | Australia | Regulatory Reform |
| | Voluntary reviews of institutional framework and processes | On-going | | Regulatory Reform |
| | APEC-OECD Integrated Checklist on Regulatory Reform | On-going | | Regulatory Reform |
| | Ongoing program to address identified weaknesses | On-going | | Regulatory Reform |
| 4. Improve APEC economies' regulation in key sectors of the economy. | Desktop research on the current cost and quality of transport, telecommunication services, and energy to consumers in APEC economies | On-going | PSU | Regulatory Reform |
| 5. Address key regulatory burden on businesses in APEC economies. | Study of regulatory burden within APEC economies | Completed | Singapore | Regulatory Reform |
| 6. Assess overall progress in regulatory reform amongst APEC economies and set direction for future work. | Report to APEC Leaders for endorsement | Completed | Australia, EC Chair | Regulatory Reform, whole of the EC |

Name of the FotC: Competition Policy and Law Group (CPLG)

Coordinating Economy: Japan

Membership Principles⁶ and Member Economies:

The CPLG membership remains open to all economies as in the past.

Objectives:

The CPLG works to promote an understanding of regional competition laws and policies, to examine the impact on trade and investment flows, and to identify areas for technical cooperation and capacity building among APEC member economies.

Scope:

The CPLG is responsible for technical aspects of competition law and enforcement to develop and enhance competition law and policy in APEC member economies. It covers the legal and regulatory issues of competition law and enforcement, including sharing new developments in the law, comparative aspects of competition law, the role of the courts, the degree of autonomy granted to competition authorities, better methods to improve success of monitoring and enforcement of the law and appropriate remedies. It requires high degree of technical expertise, in-depth understanding and ability to analyze the legal and regulatory issues from the members involved.

List of Individual Activities to be Succeeded (see Annex 1)

- APEC Training Course on Competition Policy in 2011 and 2012

Training course in 2011 is planned to be held in Malaysia, focusing on “Cartel and Bid-rigging”. At present, Malaysian Ministry in charge of competition policy is preparing a concept note for the training course in cooperation with CPLG Convener’s Office, aiming at submitting it to EC1 meeting and the first approval session of the BMC (Budget and Management Committee) next year.

As for the training course in 2012, the CPLG are still discussing basic concept of the course and who will be the host.

- The Competition Policy and Law Database

For the purpose of sharing information/experiences and discussions among APEC member economies regarding updates and recent developments in competition law and

⁶ FotC coordinators are expected to propose as to how the membership can be organized. Possible examples include:

- A: Economies with the intension of sizable/substantial contribution will be members, while other economies will take part in decision making at the Plenary.
- B: Two kinds of membership, with core members and non-core members.
- C: Economies with the intension of sizable/substantial contribution will be members, while other economies will be CC-ed when FotC e-mail discussion is conducted among such members.

policy, the website “The Competition Policy & Law Database” has been managed by Chinese Taipei. The website has been updated periodically for providing latest information since its establishment in 1999.

- **Members’ Report/Presentation on Up-dated and Development of Competition Policy**

In order to exchange information, promote dialogue and encourage cooperation among the authorities for competition policy of member economies, each economy will make presentations in the CPLG meeting on up-dates and development of competition policy and law, which may cover the following items;

- 1) Introduction of competition law and change to competition law and policy;
- 2) Enforcement of competition law and policy (featuring recent cases);
- 3) Challenges being faced in the area of competition policy and competition advocacy efforts;
- 4) Provision or needs of technical assistance activities, if any, (what kind of technical assistance is needed or useful)

List of Ideas on Possible New Projects

- Survey on Information Exchange on Competition in APEC region
- Best Practice of Competition Development in APEC
- The dialogue with private sector including ABAC