



**Asia-Pacific
Economic Cooperation**

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Agenda Item: 8

Concept Paper on Enhanced APEC Agenda for Structural Reform

Purpose: Information
Submitted by: Viet Nam

Concept Paper

Enhanced APEC Agenda for Structural Reform (EAASR)

1 Purpose

This concept paper sets out a proposed approach to APEC’s new structural reform agenda for 2021-2025. During this period, APEC economies will continue to focus on recovering from the economic impacts of the COVID-19 pandemic. The Economic Committee’s new structural reform agenda presents an opportunity to reset and rebuild economies. It is important that the new agenda promotes growth-focused reforms that are designed to be inclusive, sustainable and innovation-friendly. Relevant reforms will be those that: keep markets open, transparent and competitive; support business recovery and enhance resilience to future shocks; strengthen economic and financial inclusion of all segments of society and well-being; facilitate the even growth and effective regulation of the digital economy; and harness new technologies and innovation to increase labour productivity and digitalization.

The development of the new structural reform agenda will draw on key Economic Committee (EC) strategies, including the Final Review of the Renewed APEC Agenda for Structural Reform (RAASR), APEC Economic Policy Reports, the Three Approaches to Structural Reform and Inclusive Growth, and the input papers for the next Structural Reform Ministers’ Meeting.

The RAASR Action Team (RAT) proposes the new agenda be named the **Enhanced APEC Agenda for Structural Reform (EAASR)**.

2 Background

The world economy is facing more challenges in achieving sustainable and inclusive growth. The pattern of growth has been less predictable, and uneven across different groups of economies. Even the Asia Pacific, arguably the most dynamic economic region, witnessed sluggish growth. The COVID-19 pandemic has further disrupted economic activities and/or the priority of economic growth as a target for policymaking. Navigating and accelerating the pace of growth recovery in the Asia Pacific region is therefore a major need, since it helps to shape prosperity and enhance cooperation on trade and investment in the region.

Table 1: Selected indicators and forecasts for East Asia and the Pacific (%)

	2017	2018	2019 ^e	2020 ^f	2021 ^f
East Asia and Pacific, GDP growth	6.5	6.3	5.9	0.5	6.6
<i>GDP per capita, growth</i>	5.8	5.6	5.2	-0.1	6.0
Export growth	9.4	4.9	1.9	-10.3	4.2
Import growth	8.3	8.4	0.3	-5.7	5.2

Source: World Bank (June 2020).

Note: ^e: estimate; ^f: forecast.

Structural reform measures will play an important role in government's arsenal for supporting recovery and building back stronger. In response to the impacts of COVID-19, APEC economies have adopted large-scale monetary and fiscal stimulus measures. For some economies, further monetary or fiscal measures may be constrained. Others may have borrowing constraints limiting their ability to undertake further fiscal stimulus sustainably. Within the next couple of years, many economies will have significant debt service coming due, and the ongoing fiscal pressures from the response to COVID-19 will only exacerbate the situation. Structural reforms will therefore play a key role in encouraging investment, enhancing productivity, improving the ease of doing business and supporting economic growth. Structural reforms can provide a means of improving the efficiency and simplicity of doing business that will be essential for recovery and harnessing the growth potential.

The economic crisis is also having a significant impact on already vulnerable groups. The pandemic has disproportionately affected, women, youth and low income households, particularly those working in industries hardest hit by the pandemic, including tourism, hospitality and retail, as well as those living in remote and rural areas.

Supporting resilient recovery in our individual economies will also support the resilience and inclusivity of the APEC region. Through the EAASR, policymakers in APEC economies can look to utilize complementary measures domestically to support the economic recovery of our societies, businesses, economies and the region. Over the next few years, structural reforms and EAASR will play a key role in providing strong, sustainable, balanced and inclusive growth in the region.

In this context emerges the need for concerted efforts to enhance structural reform in the Asia Pacific region. Such efforts should build on the progress achieved under the APEC New Strategy for Structural Reform (ANSSR) in 2011-2015 and RAASR in 2016-2020, and could take account of relevant regional and global policy frameworks for economic growth, such as the OECD's Going for Growth.

EAASR should continue efforts to target strong and sustainable economic growth, including by deepening the focus on enabling equal access to opportunities by all segments of society, including MSMEs, women, young people, the elderly, people living with disability, ethnic minorities, indigenous people and people living in rural and remote areas. EAASR should also aim to enhance collaboration between economies to share experiences and mobilise collective commitment and actions in the post-COVID-19 context.

The implementation of EAASR will necessarily involve partnerships between the EC and other APEC fora and work streams. Given the policy overlap on financial and economic policy issues, the Finance Ministers' Process will be a key stakeholder in this work.

This concept paper proposes 4 pillars of work for EAASR, building on those under RAASR:

- 1. Creating an enabling environment for open, transparent, and competitive markets;**
- 2. Boosting business recovery and resilience against future shocks;**
- 3. Ensuring that all groups in society have equal access to opportunities for more inclusive, sustainable growth, and greater well-being; *and***
- 4. Harnessing innovation, new technology, and skills development to boost productivity and digitalization.**

3 Approaches

EAASR should build on the structural reform gains made by APEC economies between 2016 and 2020, and act on the enduring gaps and areas of need identified in the Final Review of RAASR. The Final Review recommended economies continue their efforts to strengthen the following policy areas:

- Simplifying, assessing and reducing regulatory burdens that restricts economic growth, and addressing behind-the-border barriers that affect trade and investment;
- Competitiveness of labour and financial markets;
- Access to basic services and infrastructure; and
- Participation in labour markets by wider segments of society, including youth, older workers and women.

While the RAASR pillars remain broadly relevant to the post-COVID-19 period, there is a need to recast them to better target economic recovery and new challenges, especially in relation to the digital economy, new technologies and innovation. Cross-cutting issues such as access to services, quality infrastructure, education and human resources development, remain relevant across all three pillars of RAASR.

In approaching structural reforms that promote inclusive and sustainable growth, EAASR can take into considerations the three approaches set out in the 2018 'Structural Reforms for Inclusive Growth: Three Approaches' paper, namely:

1. Delivering the six core structural reforms (competition policy and law; strengthening economic legal infrastructure; ease of doing business; regulatory reform; public sector governance; corporate law and governance) to improve market function and transparency;
2. Implementing specific market reforms to improve innovation and competitiveness of business and achieve pro-inclusion benefits; and
3. Adopting a holistic approach to structural reform which combines core reforms, specific market reforms and broader policies to boost productivity and economic resilience.

4 Proposed pillars of EAASR in 2021-2025

4.1 *Creating an enabling environment for open, transparent, and competitive markets*

Under RAASR, this pillar covered the structural reforms to institutional frameworks, regulatory frameworks and economic policies that are needed to support the efficient functioning of markets and reduce behind-the-border barriers. This pillar retains its relevance and importance in the post-COVID context, given the need for economies to strengthen their competitiveness and growth potential.

Increasing the capacity of competition authorities, will remain a key focus for Pillar 1, especially given the rise of digital economy. In particular, building capacity for competition authorities on competition policy issues and competition assessment, especially in the context of technological advances emerges as an important need. Improving the enforcement of competition policy and law in the digital economy is another key area of work. The EC should extend cross-fora efforts to facilitate alignment on definitions of anti-competitive criteria with international best practices, including adaptation to the digital economy, with the aim of achieving competitive markets and social welfare.

Regulatory reform will continue to be foundational to the objectives of Pillar 1. The implementation of transparency and other good regulatory practices (GRPs) should be further supported and systemized to increase the overall resilience of open economies. There is room for APEC economies to do more to strengthen their regulatory policy frameworks, including reducing unnecessary regulatory burdens, undertaking public consultation, and pursuing international cooperation on regulatory issues. APEC can support this work by facilitating alignment with international best practices on the regulation of digital platforms and businesses. The promotion of online public consultation in the rulemaking process will be even more relevant in the post COVID-19 context. APEC could also facilitate capacity building programs for statistical agencies in developing individual digital economic and social growth indexes and measurement tools that can be used to further drive transparent, evidence-based policymaking. Further, APEC could share best practices for updating financial regulation for inclusive digital finance (e.g. using regulatory sandboxes, technology-neutral regulation) and the adoption of supporting frameworks (e.g. data-sharing, inclusive digital ID).

Services is another area where continued structural reform is important. A number of services have the potential to align with the sustainable development agenda and economic diversification, especially in the context of the COVID-19 pandemic. Reform efforts over financial market regulations that support access to capital and finance to help businesses grow, particularly MSMEs, should be strengthened. Reforms should also aim to facilitate investment in quality infrastructure (energy, digital and telecommunications, and transport) that bridges distance, supports new work arrangements and creates jobs. E-commerce should be encouraged to safeguard relevant forms of transactions in the digital economy. APEC should continue to promote adoption of regional connectivity through specific initiatives such as the

Online Dispute Resolution (ODR) Framework and the adoption of risk-based digital identity frameworks and technical standards.

4.2 Boosting business recovery and resilience against future shocks

In light of the COVID-19 pandemic, structural reform efforts should contribute to promoting recovery of firms and to enhancing resilience against future shocks. *First*, reallocating resources to new growth sectors from those affected by COVID-19 and shifting consumer preferences for digital services while reducing the barriers associated with these measures.

Second, new structural reform ideas to facilitate mutual skills recognition and movement of professionals and experts across borders could also play a pivotal role in regional economic integration and recovery.

Third, there is also a need to better support MSMEs and make it cheaper, faster, and easier to do business in the region during and after the COVID-19 pandemic.

Fourth, EAASR work should share best practices to reduce behind-the-border barriers - including for digital interoperability, online dispute resolution, consumer rights protections, and professional skill and certificate recognition.

Fifth, the role of public sector governance should be revised in line with post-COVID-19 conditions. Building effective public institutions that support resilience and respond to complex, rapid and unpredictable change will be an important area of future EAASR work. This includes reforms to support and strengthen the rule of law, combat corruption and deliver efficient administration, transparency and accountability, through enhanced digitalization. In turn, this will build business and consumer confidence.

Finally, future structural reform efforts should entail a focus on sustainable and resilient recovery with smarter uses of energy and resources. The EC should also explore opportunities to work with other APEC fora to support structural reform initiatives that promote environmentally sustainable policies.

4.3 Ensuring that all groups in society have equal access to opportunities for more inclusive, sustainable growth and greater well-being

The COVID pandemic has highlighted enduring and significant gaps and economic inequity amongst some groups in society. As economic activity has been disrupted across APEC economies, traditionally disadvantaged groups and sectors have been more disproportionately impacted. Going forward, APEC economies should focus their efforts to promote inclusive growth in their economies, including through the economic empowerment of women. This pillar will focus on those structural reforms that enable all segments of society to access the services, quality infrastructure, capital and finance, education and skills training needed to participate equally in economic activity.

Human resources development is a critical cross-cutting issue. It is necessary that EAASR continues to build on this policy area, to ensure that workers are skilled to adapt and participate in the digital economy and new sectors of work created by the

emergence of new technologies and innovation. A key area of reform under this pillar will be to enhance women's participation and leadership in STEM fields and arts, re-skilling/upskilling workers with digital skills, improved economic inclusion of older workers, undertaking active labour market policies and strengthening collaboration with the private sector in training and skills development to address gap.

APEC could support economies' efforts in this area by facilitating capacity building for MSMEs, women, youth, older workers, indigenous people, people with disabilities and those from rural and remote areas, to increase participation in the digital economy. Similarly, APEC could discuss funding and incentives for MSMEs to invest in digital technologies, and support capacity building of rural and region-based MSMEs – including by sharing technical and business best practices in digital adoption. In addition, APEC should advance the recommendations of the 2020 APEC Economic Policy Report on the reforms necessary to achieve gender equality in the digital economy, particularly women and girls' acquisition of STEM skills and employment and retention in higher paying jobs in the digital sector.

APEC should also facilitate the sharing of experiences and policy approaches to the gig economy, chiefly the development of guidelines and best practices to inform regulatory and legal frameworks that provide protections for gig economy workers.

To enable structural reform to respond to the adverse economic and social impacts of the COVID-19 pandemic, the EC should consider updating its 2018 policy framework to expressly encourage economies to: (i) Recognise that embedding inclusion goals as a 'must have' in structural reform design is consistent with international best practice; (ii) Use a comprehensive approach to structural reform where policy packages are designed with inclusion goals up front to mitigate trade-off; and (iii) Use policy, regulatory and funding tools to better assist the private sector to commit to and deliver inclusion goals, including those aligned with the sustainable development agenda.

Consistent with a holistic approach to structural reform, including responding to the impact of COVID-19 on employment and vulnerable demographic groups and particular labour market cohorts, the EC should target economies' attention, research, and collaboration towards: (i) The further promotion of women's economic and workforce participation via anti-discrimination laws and addressing legal, cultural, and regulatory barriers to women's economic empowerment, access to finance, narrowing the gender gap in STEM higher education and other measures; (ii) Sustainable responses to the risks of long-term youth unemployment; (iii) The enduring economic inclusion of older workers, including via employment, volunteering, and the provision of mentoring services; (iv) The long-term economic inclusion of people with disabilities, including via recruitment, rehabilitation programmes and retention policies; (v) The enduring economic inclusion of informal workers, including by ensuring fair and equitable working conditions and benefits; and (vi) The importance and role of health infrastructure to support economic resilience and support productivity, *among others*.

In order to better enable economies to understand and respond to the economic and non-economic impacts of COVID-19, the EC could explore indicators to evaluate

inclusive growth, to complement the use of GDP to measure economic growth. This could include a discussion of broader approaches to well-being, which some economies have adopted. In addition, APEC should develop quantitative indicators for economies to track the progress and impact of the APEC Women in STEM Principles and Actions.

Where possible, the EC is suggested to adapt guidelines for: (i) gathering and assessing the evidentiary basis for structural reform before implementation and (ii) continuously measuring the impact of reform including in relation to economic, financial, and social inclusion. Some key reform elements for which guidelines could be considered include: the conduct and management of social cost/benefit assessments accompanying structural reform proposals, and the systemisation of those within policy making institutions and processes; and the systematic conduct of regulatory impact assessments with due consideration of the impacts of rules on economic, financial, and social inclusion.

4.4 Harnessing innovation, new technology, and skills development to boost productivity and digitalization

Structural reforms that promote innovation will also support economic growth and resilience in the Asia Pacific region. Rather than being restricted to technological progress, innovation can take various forms, e.g. in products, processes, designs, marketing and organizational approaches. Innovation could also be promoted through repurposing of products, among others, to address increasing demand of certain goods and to sustain the operation of businesses especially those that are badly affected by the pandemic. Creating a flexible, transparent and predictable regulatory environment, including protecting intellectual property rights, to support innovation requires targeted policy reforms that are developed and improved over time and should themselves be adapted to the post-COVID-19 conditions. Reforms should be proportionate to the individual challenges of an economy; APEC can play a role in facilitating technical assistance for member economies to identify the largest impediments to innovation-oriented structural reforms, promote cross-learning on case studies/know-hows and adopt tailor-made measures in the post-COVID-19 context.

Rebuilding and resetting economies to boost productivity and digitalization depends significantly on the development and uptake of new technologies, as well as the capacity to create new and improved products and services. The COVID-19 experience has accelerated business' digital transformation plans to meet the challenges of remote working and trading. Rapid technology developments in artificial intelligence, analytics, automation and digitalization present immense opportunity for innovation and growth and can be supported through the use of relevant international standards. In this regard, there is a need to promote policies that promote access to digital infrastructure, such as broadband, and incentivise MSMEs to adopt digital technologies. The adoption of new technologies also supports other rebuilding objectives, such as harnessing environment-friendly, sustainable activities and online dispute resolution to facilitate cross border trade.

However, traditional regulatory frameworks may lack the agility to accommodate the rapid pace of technological development. Digital technologies can provide unprecedented interconnection between jurisdictions, and require new levels of cross border cooperation between regulatory agencies. APEC is encouraged to consider ethical and privacy issues in relation to the development and application of new technologies.

Adapting workers' skills and roles to the post-pandemic ways of working will be key to rebuilding economies in a post pandemic environment. Policymakers need to work with industry and stakeholders to address the future of work and build up confidence by working to re-skill and up-skill workers replaced by automation and digitalization, to take on value-added or more advanced roles. To address such issues and drive the acceptance and proliferation of new technologies requires a holistic approach to structural reforms presents a huge opportunity for APEC to corral together the components of a sustainable and resilient digital future. In particular, improving public sector governance towards higher transparency, accountability and engagement will support digital economy growth.

The COVID-19 pandemic has brought new awareness to the benefits of digital financial services. Adopting structural reform on non-financial aspects such as inclusive digital ID systems and cross-sectoral data-sharing frameworks will also play a role in driving financial inclusion. APEC could provide the platform for economies to discuss alternatives and potential partnership and collaborations across the region.

Consistent with taking a holistic approach to structural reform whilst responding to the impact of COVID-19, the EC is suggested to prioritise attention, research, capacity-building efforts, and collaboration by economies on: (i) The impact of digitalization on labour productivity and wellbeing; (ii) The use of broader competition policy tools, such as market investigations, to boost competition, innovation, and overall productivity; (iii) changes in work practices and measures to help MSMEs adopt digital economy; (iv) interoperability that strengthens economic and legal infrastructure and builds trust in the digital economy, including further development of the APEC Collaborative Framework for Online Dispute Resolution; and (v) regulatory reforms that ensure wider economic participation, including through e-government mechanisms.

5 Timelines

- Implementation of EAASR from the date of its final endorsement to 2025;
- Mid-term review of EAASR and dialogue by high-level structural reform officials in 2023;
- Final review of EAASR by 2025;
- Next SRMM by 2025.

6 Deliverables

- Endorsement of concept paper on EAASR by EC until such time it is endorsed by a Structural Reform Ministerial Meeting;

- Annual AEPRs prepared and endorsed by EC;
- Individual action plans (living documents) of member economies to implement EAASR;
- APEC-funded and self-funded projects that contribute to EAASR activities and targets, and collaborative responses to the economic effects of COVID-19 to increase economic recovery and resilience;
- Papers/reports from cross-fora activities of EC (with FMP/SFOM, HRDWG, DESG, EWG, etc.);
- Other APEC publications that incorporate substances of structural reform.

7 Way forward

- EC to endorse the concept paper by November 2020 and start to prepare an EAASR paper for structural reform ministerial endorsement;
- Final endorsement of the new RAASR pillars by either (i) SRMM in 2021; or (ii) EC members seeking endorsement of their own structural reform minister(s) and confirm with EC, in case of no SRMM;
- Structural Reform Ministers to instruct EC to implement EAASR;
- EC Chair to instruct CPLG and FotCs to adapt or enhance their work plans to implement EAASR and develop new work plans for the same purpose;
- PSU to identify and improve quantitative indicators for monitoring and reviewing progress of EAASR;
- Member economies to prepare individual action plans (IAP, living documents) to implement EAASR. Capacity building to develop IAPs may be considered;
- This concept paper may be updated prior to endorsement to reflect contextual changes and/or respond to new requirements.

Pillars for the Enhanced APEC Agenda for Structural Reform (EAASR) 2021-25

Pillar 1: Creating an enabling environment for open, transparent, and competitive markets	Pillar 2: Boosting business recovery and resilience against future shocks	Pillar 3: Ensuring that all groups in society have equal access to opportunities for more inclusive, sustainable growth, and greater well-being	Pillar 4: Harnessing innovation, new technology and skills development to boost productivity and digitalization
<p>Targeting reforms that (but not exhaustive):</p> <ul style="list-style-type: none"> • Build competition policy capacity to promote and enforce competition. • Strengthen financial market regulations that support access to capital and finance to help businesses grow, particularly MSMEs. • Improve investment in infrastructure (energy, digital and telecommunications, and transport) that bridges distance, improves logistical efficiency, supports new work arrangements and creates jobs. • Align regulation of e-commerce with best practices, including, among others, to safeguard relevant forms of transactions in the digital economy. 	<p>Targeting reforms that (but not exhaustive):</p> <ul style="list-style-type: none"> • Reduce barriers for reallocating resources to new growth sectors from sectors affected by COVID-19 and shifting consumer preferences for digital services. • Provide support to viable MSMEs to weather the COVID restrictions. • Support industry development that will deliver quality jobs. • Promote effective public institutions that can support resilience and respond to complex, rapid and unpredictable change. • Support and strengthen the rule of law, combat corruption and deliver efficient administration, transparency and accountability, through 	<p>Targeting reforms that support (but not exhaustive):</p> <ul style="list-style-type: none"> • Access to healthcare (Including digital health such as mobile health (mHealth), health information technology (IT), telehealth and telemedicine, wearable devices and personalized medicine), quality education, infrastructure and employment services. • Access to social protection schemes for those workers most affected by economic shocks or transition to new sectors, e.g. gig workers. • Efforts to enhance financial inclusion by increasing access to and usage of financial products and services. • Strengthening laws and regulations which protect against discrimination and encourage participation by groups with untapped 	<p>Targeting reforms that (but not exhaustive):</p> <ul style="list-style-type: none"> • Prevent erosion of human capital and economic scaring with reskilling and up-skilling for workers displaced by COVID-19 restrictions, automation and digitalization. • Promote labour market efficiency (including wage bargaining, minimum wage, hiring and firing practices) to support and encourage job creation. • Foster closing the digital divide with access to the equipment, technology and skills required for the digital economy e.g. STEM skills and arts. • Provide access to digital and e-government services. • Promote digital financial services to support greater inclusiveness.

<ul style="list-style-type: none"> • Reduce regulatory burdens and barriers to starting and expanding businesses. • Boost ease of doing business. • Encourage good regulatory practices, including ex post reviews and for the digital economy, and cuts to unnecessary red tape. • Promote effective consumer protection regimes. 	<p>enhanced digitalization, to build business and consumer confidence.</p> <ul style="list-style-type: none"> • A focus on sustainable and resilient recovery with smarter uses of energy and resources. 	<p>potential, including women's access to credit and assets</p> <ul style="list-style-type: none"> • Exploring the use of 'Beyond GDP' measures to encourage economy-wide policies that support wider well-being improvements. 	<ul style="list-style-type: none"> • Unveil technology to allow timely monitoring and evaluation of government policies during response and recovery. • Boost business innovation in new products and services, including R&D investment and partnerships. • Incentivize MSME to adopt digital technologies.
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