



**Asia-Pacific
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**Advancing
Free Trade for Asia-Pacific
Prosperity**

The Role of Structural Reform in Addressing Current Economic Challenges



**Economic Committee Chair Rory McLeod
To APEC Structural Reform Capacity Building
Workshop on RAASR Individual Action Plans
Singapore, 1-3 June 2016**

Gains from structural reform



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- Economies can improve economic performance and lift living standards by pursuing enhanced economic policy settings, e.g.
 - Strong competition frameworks
 - Well-designed domestic regulatory systems
 - Good governance structures
- Reforms can lead to average productivity improvements between **2-14%** across infrastructure sectors
- Gains from structural reforms are almost twice as large as the gains from trade reforms
- The greatest proportion of gains come from domestic reforms rather than joint reforms with other economies
- Sound regulatory policies are critical for private sector investment.

EC1 Policy Dialogue Pointed Out the Urgency of Such Reforms



Presentations to the Committee were made by APEC Executive Director Dr Alan Bollard, PSU and PECC.

Indications that rates of growth in APEC are slowing and are no longer greater than the rest of the world (based at least in part in a slowdown in trade flows in the APEC region).

- Important signal that we should be looking carefully at growth drivers and the challenges for regulators.

PECC's State of the Region (2015-2016) Report shows the largest risks to growth are failure to implement structural reform and a lack of political leadership.

To respond effectively, the short-term view of fiscal and monetary policy must be balanced with the more medium to long-term goals of good governance and structural reform.

- In the **short-term**, a low-interest rate environment and fiscal support are needed to support households and businesses
- In the **medium-term**, structural reforms, regional integration, and human development need to be pursued

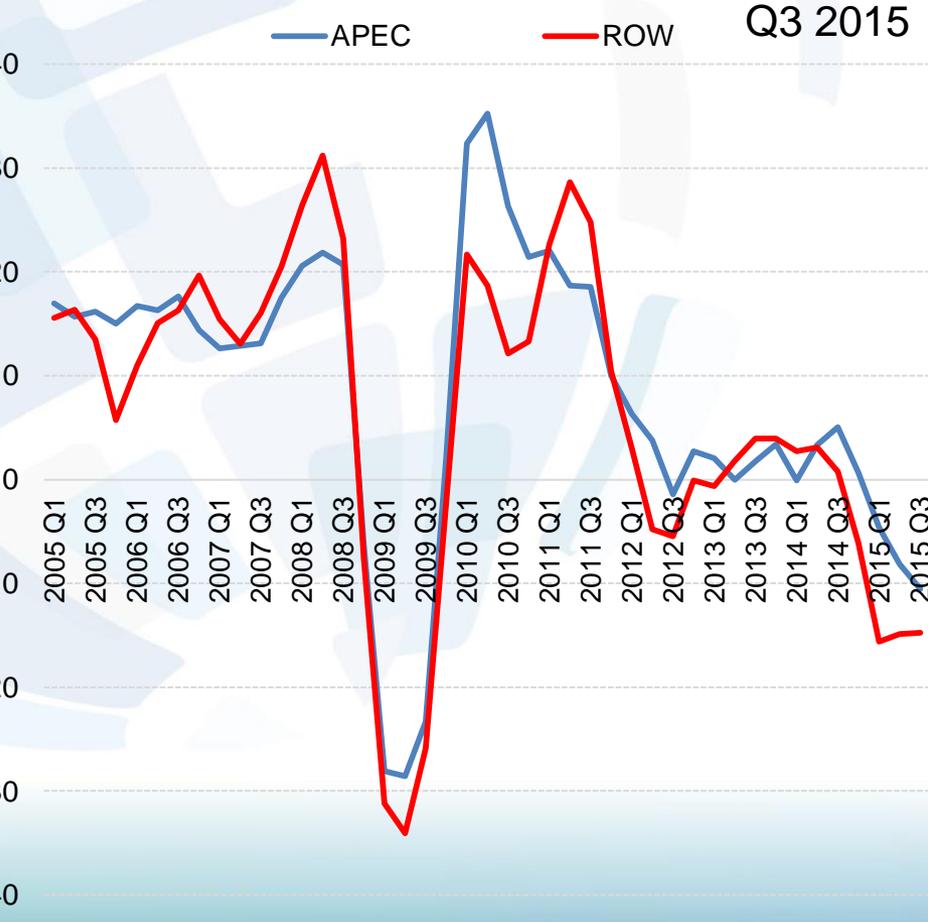
Key areas across APEC economies in which structural reform are required are innovation and entrepreneurship, education and labor, infrastructure, regulation and the financial sector.

Exports and imports in the APEC region have contracted in Q1-Q3 2015

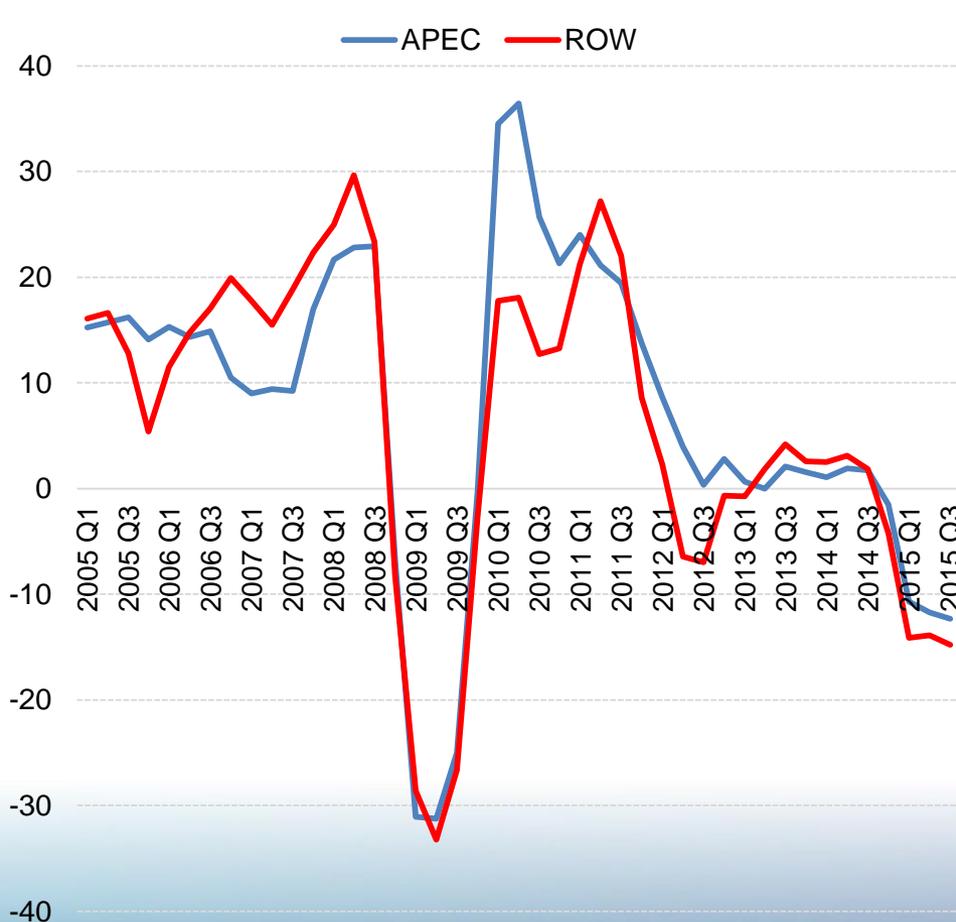


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Export growth rates, y-o-y, Q1 2005-Q3 2015



Import growth rates, y-o-y, Q1 2005-Q3 2015



Source: IFS

Our Blueprint is Provided by RAASR



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Ministers stressed the importance of structural reform and:

- Inclusive growth
- Innovation
- Services

As well as developing tools for structural reform; and

APEC programmes to promote structural reform (RAASR and EODB).

Policy Challenges: Structural Reform and Inclusive Growth



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- Developing policy frameworks that allow structural reform and inclusion policies to be mutually supportive;
- Gaining support for sensible structural reform policies from those groups seeking to promote improved inclusion in our economies;
- Being able to measure our rate of progress on improved inclusiveness.

Policy Challenges: Structural Reform and Innovation



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- Promoting structural policy frameworks that stress “dynamic” as well as “static” efficiency;
- Showing that policies to address the “middle income trap” need to include strong structural reform dimensions;
- Achieving improved policy coherence between structural reform policies and science/R&D/industry policies.

Policy Challenges: Structural Reform and Services



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- Promoting unilateral regulatory reform of key services sectors;
- Prioritising services in the development agenda;
- Addressing trade and investment restrictions;
- Dealing with regulatory heterogeneity;
- Mitigating regulatory externalities.

Development of Tools for Structural Reform



The 2014 AEPR found that the application of GRPs is generally widespread in APEC. The adoption and use of GRPs has also accelerated:

- 15 out of 20 economies that submitted reports published a set of good regulatory principles applicable across government.
- Almost half of the APEC economies have established a central oversight body to guide whole-of-government policy for regulatory reform and coordinate rulemaking activity. These central bodies usually oversee and support agencies to carry out RIA and public consultation mechanisms.
- 16 out of the 21 APEC economies applied RIA in 2014, compared to 14 economies in 2011.

Development of tools for structural reform contd



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- Of the 21 APEC economies, ten have established single online locations for regulatory information, including proposals of new or modified regulations, regulatory review data, RIA, public comment and responses, and registered regulations.
- Fourteen economies have adopted processes, mechanisms or bodies to publish forward-looking regulatory agendas, with most being on an annual basis.
- Ten APEC economies reported implementing systematic reviews of cost and effectiveness of regulations.
- Fifteen economies reported implementing reviews of existing regulations. Many economies conduct reviews by putting priority on reducing unnecessary burdens and costs, while preserving the health, safety and welfare of citizens.

Policy Challenges: Tools for Structural Reform



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- Embedding new policies and institutions (eg RIA, regulatory review) within our governmental systems;
- Developing sufficient regulatory expertise to ensure success
- Application of Hague Convention and UNCITRAL model laws where appropriate.

RAASR Individual Action Plans – An Important Tool for APEC



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- Each economy can assess priorities and promote domestic and international support for reform.
- Should promote increased dynamism of APEC structural reform efforts.
- Will form an important input to 2018 High Level and 2020 Ministerial Meetings on Structural Reform.