

**PECC Statement  
APEC Structural Reform  
Ministerial Meeting  
16 June 2021**

**On behalf of the PECC co-chairs Dr Richard Cantor and Ambassador Zhan Yongxin**

Hon David Clark  
Minister of Commerce and Consumer Affairs

Ministers, this meeting takes place at a pivotal moment for APEC. All of our societies are still battling the Covid-19 crisis, this has entailed extraordinary policy measures that have shut down large sectors of our economies to international and even domestic commerce. To sustain livelihoods governments across the region have enacted large fiscal and monetary support measures.

This meeting is pivotal not only because it will set forward APEC's forward work on structural reform for the next 5 years, but also we believe its relative importance to the overall APEC agenda. Last year APEC Leaders agreed to the Putrajaya Vision, of "*an open, dynamic, resilient and peaceful Asia-Pacific community by 2040, for the prosperity of all our people and future generations.*"

In our view, APEC's work on structural reform is critical to its achievement.

Every year we have asked Asia-Pacific policy experts to assess the top 5 risks for their economies, 'failure to implement structural reform policies' has been included as one of the risks since 2013. An average of 35 percent of respondents have selected failure to implement structural reforms as a possible risk to growth for their economies over this 7-year period.

There was therefore a high perception that there was not enough work being done on structural reform during the period following the Global Financial Crisis.

Further detail in our statement today is based on the findings of our Task Force on the Post-2020 Vision for APEC, our annual State of the Region reports and previous work on structural reform issues.

**The Role of Structural Reform in Achieving the Post-2020 Vision**

We see APEC's work on structural reform playing an increasingly critical role achieving APEC's vision. APEC's future agenda must therefore give high priority to continued structural reforms.

**Key Areas for Action**

Our task force on the post-2020 Vision outlined 5 specific action areas that needs to be addressed in the successor plan to the Renewed APEC Action for Structural Reform:

1. Promotes structural reform to achieve well-functioning, transparent and competitive markets;
2. Recognises the importance of structural reform for progressing liberalisation, facilitation and expansion of services and agricultural trade, and in facilitating the freer, more efficient flow of foreign investment;
3. Embraces a strong commitment to deeper regulatory cooperation and development of compatible standards to improve connectivity and efficient investment in infrastructure;
4. Underlines how structural reform can contribute to the achievement of APEC's inclusion and sustainability objectives;
5. Enhances the region's capacity to respond to opportunities associated with digital technologies, including by recognising the importance of competition in key

sectoral markets such as telecommunications as a prerequisite for capturing the full benefits of the digital technologies.

The Final Review of the Renewed APEC Agenda for Structural Reform points to areas where work needs to be done, for example APEC should further strengthen access to basic services and infrastructure and enhance fiscal & social policies, by identifying gaps to be addressed.

### **Labor Market and Social Policy Issues**

This last point on social policy was laid bare in many economies during the Covid-19 crisis. There is a need to work harder on the creation of formal sector jobs by undertaking significant labor market reforms to reduce the costs of entering and exiting the labor market. This, as well as wage and working hours flexibility plus improved and more effective social insurance policies for laid-off permanent workers, can help bring members of such disadvantaged groups from informal into formal sector employment and bring people back into the labor market.

In the aftermath of the Global Financial Crisis we undertook a series of case studies to look at social resilience in the region. The key recommendations were:

- To promote policy innovation, it is essential to compile comparable and longitudinal data relevant to social issues;
- APEC also needs to take up social resiliency issues and consider what infrastructures resilient against economic crises we can establish in the Asia-Pacific region's economies.
- A working team should be formed to discuss how to make our society more resilient against economic crises and to design effective social policies for the economies of this region.

We have now gone through another crisis. As part of our desire to build back better, achieve a more inclusive society, and be more resilient against crises effective social safety net form a critical part of that policy mix.

### **Sustainability and Climate Change**

Sustainability is arguably the greatest existential challenge facing humanity today. It is an issue that intersects with a wide range of policy areas including social policy, environment, energy, food security, science and innovation, technology development to mention just a few. APEC already has work programmes in many if not all of these areas, and should build on this by ensuring that a sustainability lens is built into each programme.

As our economies transition to low-carbon futures, it will be the biggest structural transformation of our economies since the industrial revolution. It will require regulatory cooperation across different part of our economies on environmental, social, & governance standards, regulatory approaches and so on. APEC's approach can play a facilitative role in managing a better understanding among our economies on these issues. We will continue to explore these issues in our annual State of the Region report and develop further recommendations for your consideration.

### **Digital Transformation**

The rapid digital adoption we have witnessed in recent years has come with both centrifugal and centripetal regulatory and policy forces. APEC is now faced by the urgent challenge of developing principles, frameworks and understandings for the utilisation of digital technologies that:

- recognise the critical role of digital technologies in realising the potential of services to drive future economic growth;
- recognise the vital contribution of digital technologies to competitiveness in all economic sectors; and
- facilitate interconnectedness and integration rather than fragmentation of markets across APEC economies, and between APEC economies and the rest of the global economy.

### **Institutional Arrangements**

We urge Structural Reform Ministers to consider the importance of a much a closer working relationship between the Committee on Trade and Investment (CTI) and the Economic Committee (EC), as well the Finance Ministers process, to ensure that cross cutting issues associated with the complex dimensions of services reforms, the digital economy, and structural reform are addressed in a coordinated fashion. For instance, in the recent Trade Policy Dialogue organised by the Group on Services, there was considerable concern that the extent the agenda of reforms around international trade in services should be more closely aligned with other APEC policy areas that have a marked interface with it. Special attention in this respect was given to structural reform and its complementarity to services policy. The structural reform agenda must be linked to the services agenda in APEC.

### **Capacity Building for Structural Reform**

PECC's survey also revealed priority areas for capacity building, another important dimension of APEC's agenda. The Covid-19 crisis has had a clear impact on capacity building needs. Whether this is a temporary or permanent shift remains to be seen. But health security concerns were a clear priority followed by digital technology; supply chain resilience; ecommerce; and structural reform.

One priority area for cooperation is the redesign or recovery of the public sector is regulatory reform. In this respect, recent experience has included instances of regulatory retreat by governments different from subsidy elements. Many rules and regulations have been relaxed to lower business costs and facilitate new ways of operating that are consistent with the response to the pandemic. Examples include changes in the regulation of medical services to facilitate the use of telehealth. The information provided by these experiments in reform should be evaluated as to whether each has value that should be continued in the post-crisis environment. There is value in sharing these results and in cooperation on capacity building for the management of reform.

Another area for cooperation is when and how to begin to withdraw current policies of support. These have significant fiscal consequences but also implications for efficiency and for productivity. Movement back from that support will most likely meet resistance, from the new sets of interests that have been created. Timing will always be difficult given the context of the uncertainty created by the pandemic, it is unwise to unravel the emergency arrangements prematurely. A framework for responding to the pressures of those interest groups and those arguments will be valuable. One well-tried option is that of the public policy framework, which is based on a series of questions related to the nature of the problem to be solved, the tools available to do so, the scope to use market mechanisms rather than regulation followed by a ranking of options and selection of a preferred response. The design of processes for and institutions for managing this work is an important element of regional cooperation.