

Connectivity Initiatives in the Economic Committee

*Key initiatives for enhanced connectivity in
the Asia-Pacific*

**Symposium on APEC Connectivity
Blueprint**
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The Economic Committee (EC)'s Work

- Focuses on structural and regulatory obstacles to growth
- Helps member economies improve policies
- Competition Policy and Law Group
- Friends of the Chair (FotC) Groups:
 - Public sector governance
 - Corporate law governance
 - Competition policy
 - Regulatory reform
 - Ease of doing business

Why is the EC's work important to connectivity?

- The EC's work focuses on structural reform and reducing regulatory barriers that impede competition and economic efficiency
- Structural reform can improve productivity across a range of sectors, including transport, energy and telecommunications
- Sound structural regulatory policies are critical for private sector investment
- Sharing experiences can help identify gaps in good practice, build capacity, and drive reform

Gains from connectivity

- Intensive users of infrastructure services stand to gain the most (e.g. metals, chemicals, wood industries)
- Enables competitors to access infrastructure networks
- Greater industry investment
- Enhanced productivity across sectors
- Create new sources of innovative growth

Barriers to connectivity

- Infrastructure gaps between economies
- Different levels of institutional capacity
- Ineffective regulatory frameworks
- Inconsistencies between national and international standards
- Natural monopolies in infrastructure sectors
- Balancing structural reform with other economic reforms
- Legal and financial restrictions to investment in infrastructure sectors
- Access and affordability of ICT infrastructure

Lessons learnt from the PSU Study: *The Impacts and Benefits of Structural Reforms in the Transport, Energy and Telecommunications Sectors in APEC Economies (2011)*

- Economies with fully open telecommunications and financial services sectors grow up to 1.5% faster than other economies
- Productivity improvements can reduce costs in supply chains and enable goods to move to market more quickly and cheaply
- Governments may distort market efficiency by seeking to implement equity objectives in infrastructure industries
- Policy design must be matched by the most effective and least distorting policy instruments to the objectives sought (LAISR)

Lessons learnt from the PSU Study – sectoral examples

- **Air transport:**
 - Reform of international markets involves treaties as well as airlines, causing liberalisation to move slower than domestic markets
- **Maritime transport:**
 - Access to port services is still an issue – in particular access to services required to berth, load and unload
 - Full liberalisation for all APEC economies would on average reduce maritime freight rates by about 20%
- **Electricity:**
 - Structural reforms in the energy sector are mostly incremental
 - Separating the generators from distribution companies increases the utilisation of capacity (e.g. Korea electricity reforms)
- **Telecommunications:**
 - Liberalisation of fixed-line as well as mobile services offers marked improvements in performance
 - Introduction of competition leads to better social interaction in economies with difficult geographic terrain

Lessons learnt from the PSU Study: Next steps and effects

- Reforms could 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

Examples of EC work in connectivity:

APEC New Strategy for Structural Reform (ANSSR)

- Enhancing the Quality and Relevance of Technical Education and Vocational Training (TEVT) for Current and Future Industry Needs (Malaysia)
- Supporting Good Regulatory Practices – Improving Public Consultation Mechanism in Indonesia
- Improving the Capacity of Competition Authorities of Developing Economies in Competition Policy Assessment and Advocacy (the Philippines)
- APEC Seminar on Sharing Experiences in Developing and Implementing New Growth Paradigm (Viet Nam)
- APEC-OECD Web Portal – Good Regulatory Practice

ANSSR Project: *Malaysia (2012-2015): Enhancing the Quality and Relevance of Technical Education and Vocational Training (TEVT) for Current and Future Industry Needs*

- Purpose:
 - To upgrade the skills and capabilities of existing workforce to address the needs of industries;
 - Producing the right types of workers who can match the needs of the market in a timely manner.
- Outcomes:
 - To develop recommendations on improving Occupational Analysis (OA) of critical future jobs;
 - Develop recommendations on the process of developing National Occupational Skills Standard (NOSS) that meet industry requirements;
 - Recommend improvements to the stakeholders in relations to the national Skill Development and Training (SDT) system to fulfil the current and future demands of industries with regards to OA and NOSS development.

ANSSR Project: Indonesia (2012-2013): Supporting Good Regulatory Practices – Improving Public Consultation Mechanism

- Purpose:
 - To improve the effectiveness of public consultations when implementing regulatory reforms; and
 - Ensure the quality, transparency and public accountability of laws and regulations.
- Outcomes:
 - Undertake consultation with key stakeholders
 - Develop guidelines for Indonesian Government institutions to effectively conduct best practice public consultation
 - Distribute guidelines throughout Indonesian Government agencies and relevant public stakeholders

Examples of EC work in connectivity:

Ease of Doing Business (EoDB) Multi-Year Initiative

- **Getting Credit:**
 - Seminar on Getting Credit for Small and Medium Enterprises (Japan)
- **Dealing with Permits:**
 - Workshop on Reforming the Regulatory System for Construction Permits (Singapore)
 - Capacity Building Program for Dealing with Construction Permits for Government of Peru (Singapore)
 - Reducing Construction Permit Delays (Malaysia)
- **Starting a Business:**
 - Workshop on "Reducing Start-up and Establishment Time of Businesses" (Japan)
 - Incorporating Companies in One Day (Chile)
- **Trading Across Borders:**
 - Capacity Building Program for Trading Across Borders for the Government of Mexico (Singapore)
 - Workshop on Trading Across Borders (Japan)
- **Enforcing Contracts:**
 - APEC Workshop on Enforcing Contracts (Korea)

Challenges

- Turning shared experiences into deliverable actions
- Adjustment costs of structural reform
- Employment effects
 - Higher real wages
 - Some losses in unskilled employment
- Indirect impact on other industries (e.g. textiles, motor vehicles)
 - Relative losses in industry outputs in these sectors
- Balancing political commitments and other economic reforms to ensure inclusive development

Conclusions

- Introducing competition is key to structural reforms and greater productivity in infrastructure sectors
- Structural reform provides potential for significant gains in connectivity
- Productivity improvements create new sources of innovative growth
- Key reforms need to be undertaken at the domestic level