

APEC MINISTERIAL MEETING ON STRUCTURAL REFORM

JOINT MINISTERIAL STATEMENT

3-5 AUGUST 2008

MELBOURNE, AUSTRALIA

I. Introduction

We, Ministers of the APEC economies, convened an APEC meeting on structural reform in Melbourne Australia on 3-5 August 2008 under the chairmanship of the Honourable Mr Wayne Swan MP, Treasurer of the Commonwealth of Australia. The meeting was also attended by the Secretary-General of the OECD, the President of the Asian Development Bank, the World Bank and the Chair of the APEC Business Advisory Council.

In 2007, the Leaders of APEC agreed to Australia convening this ministerial meeting to discuss structural reform priorities in the region and to progress the APEC Leaders' Agenda to Implement Structural Reform (LAISR). This includes the five priority work streams of competition policy, regulatory reform, public sector management, corporate governance, and strengthening economic and legal infrastructure.

Under Peru's APEC 2008 theme of 'A new commitment to the development of the Asia-Pacific' we reaffirm our commitment to the role of structural reform in supporting sustainable economic growth and improved citizen wellbeing within APEC economies and the Asia-Pacific region more broadly.

We shared our experience in implementing successful structural reform and fostering political support for reform in the context of domestic economic, social and political conditions. Recognising regulatory reform as an important element of structural reform, we discussed how appropriately targeted and sequenced regulatory reform and public consultation processes, can improve the quality of regulation and facilitate the better operation of the economy more generally.

We were joined by high-level business representatives for a discussion on the priorities for structural reform from a business viewpoint. The role of the private sector in assisting governments to drive and facilitate behind-the-border structural reform was explored as well as identifying strategies for reform.

Our ongoing objective is to realise the economic potential of APEC economies, and greater integration of the APEC region, by raising awareness of the importance of structural reform and exploring opportunities for greater cooperation and capacity building. We recognise that structural reform enhances our ability to be more resilient to global shocks and harness the benefits of globalisation.

Structural reform is fundamental to regional economic integration, including achievement of the Bogor Goals, and to the continued strong and sustainable economic development of the APEC region. We support ongoing initiatives on structural reform to be considered by APEC Economic Leaders, and resolve to intensify work advancing LAISR 2010.

II. The benefits of structural reform

Structural reform consists of improvements made to institutional frameworks, regulation and government policy so that 'behind-the-border barriers' are minimised to improve economic performance and advance regional economic integration. We agree to promote structural reform as a means of fostering an economic environment that supports well-functioning markets and promoting competition; contributes to macroeconomic stability, productivity and economic growth; and ultimately enhances living standards in a sustainable way.

We recognise the benefits of structural reform include:

- providing better quality products and services at lower prices, combined with better choice for citizens;
- expanding gains from trade and investment;
- strengthening capacity to respond to changes in the global economy; and
- increasing economic stability, competitiveness, overall productivity and sustainable economic growth and ultimately, improving the wellbeing of citizens.

The reform of structural policies is an ongoing process and presents challenges for all economies. While structural reform is not an easy path, we acknowledge that the benefits are compelling. A well-implemented structural reform agenda can encourage economic growth, boost productivity and stimulate private sector development.

III. The political challenges of structural reform

Structural reform does not take place independently of its wider domestic political, economic and social context. Strong political will is crucial to the successful implementation of structural reform. We will seek the means to overcome obstacles to reform and, in that regard, develop methods on how governments can use different institutions, strategies and processes to achieve reform through consensus.

We agree that there is not one approach to reform that is suitable for all. The different experiences in APEC economies implementing structural reforms provide valuable insight into the different options open to governments undertaking reform.

We shared views on how to create an optimal environment and build consensus to achieve structural reform, including through the communication of the benefits of structural reform.

We agree that there are many different institutional arrangements and processes capable of supporting a government's reform efforts. An effective institutional framework may comprise one or more institutions or bodies and may include a mix of different government agencies and other advocacy, advisory or regulatory bodies. The role and interaction between such institutions may also differ depending on government reform priorities and strategies. Nonetheless, we agree that robust institutional arrangements and processes are key to driving and achieving structural reforms on an ongoing basis, and that these arrangements and processes require strong support from government.

We also acknowledge that domestic reform efforts can be assisted by international tools such as the *APEC-OECD Integrated Checklist on Regulatory Reform*, the *OECD Competition Assessment Toolkit* and the *World Bank Ease of Doing Business Survey*.

While structural reform ultimately leads to increased economic growth and improved citizen wellbeing, in the short term it may involve dislocation and transitional costs. Accordingly, it is important that governments consult with the public during the development of regulations. We also recognise that there can be a role for governments to address these costs, requiring adjustment mechanisms such as the use of safety nets.

IV. Dialogue with business representatives

We had an open and frank discussion with business, represented by the APEC Business Advisory Council, on the role of the business community in working with governments to promote and undertake structural reform. Business representatives provided a valuable perspective on behind-the-border impediments to doing business in the APEC region and assisted in identifying priorities for reform.

The key themes of the discussions included the following:

- the need for business to have certainty and predictability when making investment decisions; and
- the need for 'smart' regulation based on simplification, transparency and speed of decision.

We note the importance of avoiding inappropriate or unnecessary regulation which can hinder expanded and new business activity and lead to inefficient sectors within our economies. We recognise the valuable contribution that business can also play - complementing the role of government institutions and processes driving reform.

We will continue to engage with business to assist in the identification and prioritisation of behind-the-border barriers that should be addressed. We support an ongoing dialogue with ABAC on APEC's work on structural reform.

V. How a regulatory reform framework facilitates structural reform

We reaffirm our commitment to regulatory reform as an important element of structural reform. Regulation is a fundamental tool of government and an integral part of a well-functioning economy. It can be used to influence the behaviour of firms and individuals in order to achieve important economic, social and environmental objectives. We acknowledge that well-designed and appropriate regulation can promote competitive and well-functioning markets and stronger, sustainable economic performance in the region.

Our discussion centred around the importance of creating and maintaining appropriate regulatory architecture within an economy to facilitate well-functioning markets, including addressing market failures.

We recognise that there is an important role for robust regulatory reform frameworks to ensure that the flow of new regulation is appropriate, and that the stock of existing regulation is reviewed as markets evolve and change.

We recognise the importance of striking a balance between the need for regulation (based on assessed risk or market failure) and the cost imposed by the introduction of regulation. Regulatory reform seeks to address unnecessary costs arising as a result of poor-quality and inefficient regulation.

We welcome the Good Practice Guide on Regulatory Reform prepared by the APEC Economic Committee, acknowledging it will be a valuable tool for member economies in reviewing existing regulation, as well as assessing the impact of new regulation. We endorse the following broad principles for good regulation:

- clearly define the problem - the problem and why it has arisen should be precisely stated;
- justify government action - government intervention should be based on evidence that government action is justified given the nature of the problem;
- consider a range of policy options - regulation-makers should consider a range of regulatory and non-regulatory policy instruments;
- weigh costs and benefits of regulation - regulation-makers should consider the total expected costs and benefits of each regulatory proposal and of feasible alternatives;
- engage in public consultation - regulations should be developed in an open and transparent manner with appropriate procedures to enable meaningful and timely input from interested parties over the course of their development;
- consider enforcement and incentives for compliance - regulation-makers should design responsive implementation strategies; and
- review regulation - regulations should be reviewed to ensure regulation remains relevant and effective over time.

We will seek to take advantage of this work in designing and improving our own regulatory architecture, tailoring it to our own particular circumstances and priorities.

VI. Taking the APEC structural reform agenda forward

APEC working together on structural reform

Structural reform is a key priority of APEC's economic agenda. Trade and investment policy; structural policy; and macroeconomic and financial sector policy are three mutually reinforcing elements of APEC's economic agenda. These three elements broadly represent the responsibility of APEC's Committee on Trade and Investment, the Economic Committee and Finance Ministers' Process respectively.

Action point

We encourage these bodies to continue working together in advancing APEC's structural reform initiatives.

Progressing the LAISR agenda

We reaffirm our commitment to assist APEC in progressing the five LAISR priority work streams - competition policy, regulatory reform, public sector management, corporate governance, and strengthening economic and legal infrastructure.

We note the good work that the Economic Committee has undertaken in progressing the LAISR themes. This includes the various seminars bringing together officials and experts from APEC member economies to discuss competition policy, public sector management and regulatory reform, as well as the publication of the annual APEC Economic Policy Report for APEC Leaders on key economic issues.

We express strong support for the Economic Committee's detailed and ambitious forward work program to further advance the LAISR forward work program.

Action point

We ask the Economic Committee to report back to APEC Leaders through Senior Officials on:

- progress in implementing the LAISR 2010 forward work program; and
- progress by economies in pursuing domestic structural reforms at the end of the forward work program.

The Economic Committee will draw on the expertise of the APEC Policy Support Unit to undertake necessary research on key elements of the LAISR.

Capacity building

We agree on the importance of developing a program of practical support, taking into account work done by other APEC fora, ABAC and other international organisations, to further assist member economies to successfully undertake structural reform. Such practical support would include capacity building initiatives targeted at the needs of individual, or small groups of, member economies as well as holding policy discussions, seminars, training courses, secondments, workshops and technical assistance under the key LAISR themes. This may involve bilateral assistance initiatives.

Action point

We request the Economic Committee to develop and report back to APEC Leaders through Senior Officials on strengthening capacity building initiatives in its forward work program.

Reviews of institutional frameworks

We agree on the importance of building robust institutional frameworks and processes that can help governments achieve sustainable structural reform.

With the aim of complementing the APEC-OECD Integrated Checklist for Regulatory Reform, we ask the Economic Committee to further develop a process of voluntary reviews or self-review of economies' institutional frameworks that support structural reform. This will assist in building and maintaining effective institutions to support reform efforts.

Action point

We ask the Economic Committee to report back to APEC Leaders through Senior Officials on the progress of developing the voluntary or self review process.