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Report to the CPDG on Proceedings of the Pucón Workshop

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Submitted by: CPDG Convenor



Competition Policy and Deregulation Group
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REPORT TO THE CPDG ON PROCEEDINGS OF THE PUCON WORKSHOP (SIXTH WORKSHOP OF THE APEC-OECD COOPERATIVE INITIATIVE ON REGULATORY REFORM)

24–25 May 2004, Pucon, Chile

The APEC-OECD Co-operative Initiative on Regulatory Reform provides a forum for exchange of experiences on good regulatory concepts, policies and practices. The common agenda is driven by the APEC 1999 declaration of *Principles to Enhance Competition and Regulatory Reform* and the *OECD Principles of the 1997 Report to Ministers on Regulatory Reform*. It aims to facilitate the implementation of similar principles on regulatory reform in their respective member economies.

At the launching conference, held in Singapore in February 2001, APEC and OECD representatives agreed upon a series of three workshops that were coorganized during the following 18 months together with the Governments of China, Mexico, and Korea¹. At the last event of this cycle, both organizations decided to continue to deepen the dialogue by launching a second phase of the Cooperative Initiative.

A central element of this new phase, which is also articulated into a series of four events, will be the elaboration of an APEC-OECD *Integrated Checklist* for self-assessment on regulatory, competition and market openness policies, aimed at implementing the OECD and APEC principles. The final conference in 2004, to be held in Thailand, will complete the discussions and seek an agreement on a common presentation and communication vehicle for the *Integrated Checklist*. The final *Integrated Checklist* will then be presented to the respective Executive Bodies of the APEC and the OECD in 2005. In parallel to these discussions, participants will continue exchanging information on good regulatory practices and concepts that can contribute to understanding key elements for the *Checklist* at each workshop.

The first workshop of the new phase was held in Vancouver, Canada in October 2003. This officially launched work on the *Integrated Checklist* and specifically on the checklist questions focusing on the regulatory policy component. In the second workshop, held in Paris, France in December 2003, participants discussed the competition component of the Checklist and shared competition policy experiences and practices of APEC and OECD member economies.

The sixth workshop, third one of the second phase, was chaired by Mr. **Alan Bowman**, Deputy Director, International Economic Relations and Summit Division, Department of Foreign Affairs and International Trade, Canada, and Chairman of APEC's CTI group, Ambassador **Arne Rodin** of Sweden, Mr. **Ernesto Estrada Gonzalez**, General Director for International Affairs, Federal Competition Commission, Mexico, and Convenor of APEC's CPDG, and Mr. **Rolf Alter**, Deputy Director and Head of Program (Regulatory Reform), Public Governance and Territorial Development Directorate, OECD.

¹ The proceedings for the Beijing Workshop were published in December 2001, for Mérida in September 2002, for Jeju in December 2002, for Vancouver in Dec 2003, and for Paris in the first quarter of 2004. The five reports can be accessed on the OECD Web site www.oecd.org/regreform.

In total, the Workshop brought together 68 participants from 24 countries, the Organization for Economic Cooperation and Development, the European Commission, as well as the Organization of American States.

Session 1 – Policy coherence for efficient regulation: enhancing market openness through a whole of government approach

In the discussions of this first topic of the workshop, the purpose and relevance of the Checklist were explained as well as its process of elaboration and steps ahead. Emphasis was made on the need to generate a clear deliverable project that would ensure that: 1) the three policy communities were in coordination (trade, competition and regulatory policies), 2) the checklist was dynamic, reflecting different levels of development among member economies

Presentations from the OECD emphasized that market openness is a means, not an end to attaining the objectives of globalization and international competition, and that good regulatory practices enhance market openness, which can in turn enhance domestic economic performance.

Other presentations included those of Mr. Ignacio Fernandez and Mr. Alejandro Drexler, as well as a presentation by Mr. Jean-Marie Metzger, of the OECD. Discussion centered on Chile's experience in regulating its Telecom industry, particularly on the need for policy coherence as requirements were imposed on the sector through Chile's bilateral and multilateral trade agreements. Other comments underscored the importance that politics plays during the process of regulatory reform both as a country initially embarks on this process and as it begins to implement reform; there were also questions regarding transparency, non discrimination, and third party participation during the process of regulatory reform.

Session 2 – Market openness and the business environment: ensuring regulatory efficiency and the confidence of the private sector

Presenters in this session included the EC, Korea and China. Discussion centered around Korea's experience with its e-government project, as well as on the EC's experience with its Chemical REACH project which proposed changes to its existing regulation and undertook an important exercise in public consultation. A comment was made regarding the need to evaluate whether measures that increase transparency are effective because there is greater potential (i.e. number of stakeholders involved) or greater action (i.e. improved access to information and/or policy-making process).

Session 3 – Domestic regulation in a globalized economy: the impact on international competitiveness

Subsession 1 – Improving international competitiveness through the reduction of unnecessary regulatory burdens

Presenters included the OAS, Australia and Peru. Discussion points included issues arising from the provision of general services and cross border electronic services, including jurisdictional and consumer protection considerations. An emphasis was made on the trend to regulate services by sector, and gradually expanding the scope of domestic regulatory disciplines to those with similar characteristics. Questions also

arose regarding the experience of Australia's office of regulatory review, particularly its coordination with other departments and the scope of its trade impact assessment, as well as the attributes of Peru's market access commission vis a vis its competition commission.

Subsession 2 – Improving competitiveness by minimizing the cost impacts of regulatory diversity across borders

Speakers included Indonesia, Thailand and Mexico. The questions and answers session included discussion on the relative benefits or costs to developing economies of adopting the current US template agreement for the Telecom sector. The question of whether international agreements encourage regulatory reforms was brought up, as well as the pertinence that reform begin in such a way. Comments included the need to assess whether institutional weaknesses existed in a country and whether new regulation was indeed compatible with its current institutional set up. Given the recent trend of encouraging reform through RTAs, it was noted that all economies, not just the parties to the agreement, should have an interest in its outcome.

Regarding deregulation and the adoption of standards, discussion included the possibility of using this tool as a mechanism to reduce the relative size of the informal sector in the economy. Questions also centered on the mechanisms used in determining the costs and benefits of RIA, particularly when the information required was confidential. It was noted that building a culture responsive to public consultation mechanisms during the process of RIAs was still underway.

Session 4 – Refining the APEC-OECD Integrated Checklist for Regulatory Reform

Prior to an open discussion of the integrated checklist, Joanna Shelton (USA), Rory Mcleod (New Zealand), and Jose Poblano (Mexico) provided general comments about market openness and on the checklist. Some of these comments are included below:

Deregulation requires a very active regulator, and poor quality regulation leads to loss in public confidence for all regulation. Questions that could be added to the checklist include:

- What is the likelihood that the market will attract the benefits advocated?
- Are there benefits that we can identify from deregulation?
- What are the risks and potential costs of deregulating?
- What role does politics play, can it be reduced through transparent decisions?

Special mention was made about elaborating point H7 in the checklist regarding coherence in the timing and sequence of reform. It was also noted that although the APEC-OECD road map is useful once reform has begun, it does not provide information for a country to decide whether to embark on regulatory reform.

Some discussants considered that trade and services should be included in the checklist, as well as investing abroad and immigration, while keeping questions simple and not too specific.

Comments were requested by the 8th of June in order to run a revised version for the Discussion Group.