



**Asia-Pacific  
Economic Cooperation**

# **APEC Economic Policy Report**

APEC Economic Committee

# 2011

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



**Asia-Pacific  
Economic Cooperation**

# **Taking Stock of the Progress in the LAISR Initiative and Structural Policies in APEC Economies**

**Report by APEC Economic Committee**

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# Preface

Since its inception, APEC has worked to reduce tariffs and other trade barriers across the Asia-Pacific, creating efficient domestic economies and increasing exports. As tariffs have declined in the region, attention has gradually shifted to the structural and regulatory obstacles that hinder cross-border trade and investment.

The momentum towards structural reform in APEC started in 2004 with the adoption of the Leaders' Agenda to Implement Structural Reform (LAISR). Five priority areas – regulatory reform, competition policy, corporate governance, public sector governance, and strengthening economic and legal infrastructure (SELI) – formed the foundation of this agenda. In 2006, the Economic Committee developed a detailed work programme outlining how APEC's structural reform agenda will progress across the five LAISR priority areas through 2010. This is known as the Forward Work Programme for LAISR.

2010 marked the turning point for the LAISR agenda. It is when APEC took stock of the progress that APEC and member economies made on structural reform.

This year's APEC Economic Policy Report (AEPR) reviews progress under the LAISR initiative and structural policies in APEC economies based on various exercises that were conducted as part of the stocktaking exercise. Part I is divided into several sections covering an overview of the LAISR initiative, progress in implementing the LAISR 2010 Forward Work Programme, economies' progress toward the pursuit of domestic structural reforms and the impacts of structural reforms, as well as implications for further strengthening APEC's structural reform agenda. Part II consists of collated responses to questions for the Friends of the Chair Coordinators and the Competition Policy and Law Group (CPLG) Convenor, as well as survey responses from member economies. The original report, titled "Taking Stock of the Progress in the LAISR Initiative and Structural Policies in APEC Economies – Report by the Economic Committee", was submitted to and endorsed by the APEC Ministerial Meeting held in Yokohama, Japan in November 2010. The Economic Committee decided to publish this as AEPR 2011.

The AEPR is made possible through the collaborative effort of all member economies, the APEC Secretariat, and the Economic Committee Chair's Office. I would like to extend special thanks to all of the member economies for their valuable inputs and comments on the stocktake survey as well as the entire draft of this publication, which would set a milestone of the Economic Committee's work on structural reform.

Looking ahead, structural reform remains an important issue for APEC in the years to come. The 2010 APEC Economic Leaders Meeting endorsed the APEC New Strategy for Structural Reform (ANSSR), laying out a wider scope for APEC's structural reform than LAISR. The Economic Committee will continue to contribute to the ANSSR from its horizontal perspectives based on its experience acquired in the work for LAISR.

A handwritten signature in black ink that reads "Takashi Omori". The signature is written in a cursive, flowing style.

Takashi Omori

Chair, APEC Economic Committee

# Executive Summary

## **Structural reform in APEC**

Structural reform refers to measures to improve market efficiency, such as improvements to regulatory systems, competition frameworks and governance structures. APEC's momentum towards structural reform has been supported by ministerial and leaders' mandates since the inauguration of the Leaders' Agenda to Implement Structural Reform (LAISR) in 2004, which comprises five priority areas, i.e. regulatory reform, competition policy, corporate governance, public sector governance and strengthening economic and legal infrastructures. The Economic Committee (EC) was charged with responsibility for leading the agenda, and its internal structure has evolved over time to facilitate this initiative. The global financial crisis has attached renewed importance to the structural reform agenda, such as the need to foster inclusive growth. This stock-take of the LAISR initiative has been conducted following an instruction by the APEC Ministerial Meeting on Structural Reform held in 2008.

## **A wide range of structural reform activities conducted under clear objectives**

Under the LAISR initiative, EC has overseen a large number of seminars and workshops to facilitate capacity building for structural reform in the five priority areas. In addition to these traditional approaches in APEC, the EC has also employed new approaches such as developing checklists/guidelines, holding a ministerial meeting and introducing a process of voluntary reviews of institutional frameworks to facilitate the LAISR initiative. EC has also produced an annual APEC Economic Policy Report each year on one of the five priority areas, which has been serving as an important source of information on key structural reform issues in the APEC region and has been one of the most frequently accessed publications on the APEC website.

## **Member economies have also worked hard to facilitate structural reforms**

The value of the LAISR initiative has been demonstrated by the efforts of APEC economies to undertake structural reform. Among the five LAISR areas, a number of economies cited regulatory reform as the area in which they had made the most significant progress. Economies are making efforts to creating business-friendly environments through regulatory reform. Initiatives have been taken to enhance the effectiveness of competition policy, in which economies often face similar challenges in setting up competition regimes. Member economies are increasingly aware of the importance of applying good corporate governance, although the diversity among APEC economies has necessitated a flexible approach when implementing international principles. Various efforts have been made in member economies to improve public sector governance to address similar challenges inherent in the public sector. Economic and legal infrastructure has also been upgraded in many member economies. In achieving these successful reforms, leadership has been identified as the key element to ensuring success, along with effective communication and consultation with stakeholders. Institutional frameworks and use of independent experts and analysis are also considered to be important.

## **Structural reforms produce significant economic benefits**

Studies undertaken in some member economies have estimated significant economic gains from structural reforms. In addition, a new study by the APEC Policy Support Unit (PSU) has found that structural reforms in key infrastructure industries in member economies have resulted in lower prices, differentiation of services and other service improvements. It also

estimated that the introduction of more competition in these industries could lead to gains that would be almost twice as big as the gains from further liberalisation of trade.

**APEC's work on structural reform should be reenergised, building upon the progress in LAISR.**

The LAISR initiative has made significant progress and the choice of the five areas seems to have been appropriate. Given that structural reform takes time to produce concrete results and that APEC is faced with new challenges, structural reform should remain as a key priority agenda for APEC beyond 2010. The five LAISR priority areas continue to remain relevant, however some necessary modifications will be made to the scope of the topics to build on lessons learnt and reflect the priorities of members. Going forward, capacity building programmes can be further strengthened by developing methods for better dissemination and strengthening collaboration with other fora. The success of the new APEC Ease of Doing Business (EoDB) initiative will depend on the active contributions by the champion economies, close cooperation between relevant groups and businesses, and high-level leadership. Some flexibility would be needed in implementing the initiative to allow for the diverse nature of economies, while maintaining sufficient momentum. Taking an approach which combines cross-cutting themes as pursued under LAISR and sectoral themes will be important in addressing new challenges such as facilitating inclusive growth. As a forerunner in inter-regional cooperation on structural reform, APEC, in particular the EC, is well placed to further pursue this policy agenda, while also collaborating with other international fora as appropriate.

# PART I

## Progress in APEC and Member Economies

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# Section 1: Introduction

## 1.1 A brief overview of the LAISR initiative

Since its inception, APEC's economic focus has been on trade and investment liberalisation and facilitation. As tariffs, quotas and other trade barriers at the border have diminished in the APEC region, the focus of APEC has naturally shifted to the structural and regulatory obstacles that inhibit cross-border trade by creating "behind-the-border" barriers to improving business performance (see also the *Report on Assessment of Achievement of the Bogor Goals* prepared for the AMM/AELM in November 2010).<sup>1</sup>

In 2004, APEC Leaders endorsed an ambitious work programme called the *Leaders' Agenda to Implement Structural Reform* (LAISR). The Economic Committee (EC) was subsequently charged with responsibility for leading APEC's structural reform work programme and implementing the LAISR. Leaders indicated that structural reform should be promoted in the areas of regulatory reform, strengthening economic and legal infrastructures, competition policy, corporate governance, and public sector management (later renamed as public sector governance). In 2005, the EC established the *APEC Work Plan on LAISR towards 2010* (LAISR 2010) to set out a roadmap to address structural reform issues across APEC over the 2005-2010 period.

In 2006, APEC Ministers instructed the EC, drawing on LAISR 2010, to develop a detailed and ambitious work programme outlining how APEC's structural reform agenda will be progressed in a clear and consistent manner. This report, referred to as the *EC Forward Work Programme for LAISR* (FWP), provided a high-level overview of how the EC would progress APEC's structural reform agenda across the five LAISR priority areas through until 2010.<sup>2</sup>

## 1.2 Global financial crisis has reaffirmed the importance of structural reform

While the member economies and APEC were working hard to push forward structural reform policies (see Sections 2 and 3), a global financial crisis hit the region in 2008, which highlighted weaknesses in some economies' regulatory and institutional settings. Against such a backdrop, APEC Leaders agreed in November 2009 to formulate a comprehensive long-term growth strategy in APEC.<sup>3</sup> Particular attention was paid to fostering inclusive growth, i.e. to broaden access to opportunities created by growth and to spread the benefits of growth more widely so that consensus for free and open trade and investment would be strengthened. As an input into APEC's development of an agenda on inclusive growth issues, the EC submitted a report to APEC Ministers through Senior Officials in 2009 which explored the concept of

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<sup>1</sup> Such a shift in focus would also reflect the APEC Leaders' recognition in the late 1990s: "As Leaders, we accept responsibility for ... addressing structural and regulatory weaknesses that contributed to the economic downturn from 1997." (*APEC Leaders' Declaration: The Auckland Challenge*, September 1999).

<sup>2</sup> According to the FWP, "Structural reforms refer to measures to improve market efficiency, such as improvements to regulatory systems, competition frameworks and governance structures. By domestic economies increasing their efficiency, flexibility and resilience through structural reform, the Asia-Pacific is stronger as a region."

<sup>3</sup> "We will put in place next year a comprehensive long-term growth strategy that supports more balanced growth within and across economies, achieves greater inclusiveness in our societies, sustains our environment, and which seeks to raise our growth potential through innovation and a knowledge-based economy" (The APEC Economic Leaders' Meeting Statement, Singapore, November 2009).

inclusive growth and its various components.<sup>4</sup> One of the report's key conclusions is that inclusive growth is consistent with APEC's structural reform agenda.

Meanwhile, the APEC Finance Ministers discussed in November 2009 how structural reforms that improve economic flexibility, raise productive potential, develop financial markets and increase private demand could contribute to raising potential output in the medium- to long-term and narrowing development imbalances and reducing poverty, and called upon APEC economies to leverage on each others' expertise in structural reforms in specific areas. They also encouraged the EC to intensify its efforts to promote structural reform, particularly noting the importance of its work on competition policy and regulatory reform.

G20 also recognises the importance of structural reform. At their Toronto Summit in June 2010, G20 Leaders recognised that structural reforms could have a substantial impact on economic growth and global welfare across all G20 members and declared their intention to implement measures that would enhance the growth potential of member economies in a manner that paid particular attention to the most vulnerable.

### 1.3 Ministerial mandate to conduct LAISR stocktaking

This year marks a turning point for APEC's structural reform agenda as it is the final year of the LAISR initiative and it is also the year to take stock of APEC's progress on structural reform. At the *APEC Ministerial Meeting on Structural Reform (SRMM)* held in Melbourne, Australia in August 2008, the EC was asked to report back to APEC Leaders on:

- progress in implementing the LAISR 2010 forward work programme; and
- progress by economies in pursuing domestic structural reforms

at the end of the FWP. The task was confirmed at the *APEC Leaders Meeting* in November 2009.<sup>5</sup>

Since 2009, the EC has carried out a stock-take of structural reform programmes via various activities as summarised in Box 1. They include (i) the LAISR Stock-take Survey of EC members, (ii) the EC Seminar on "*Impacts of Structural Reform and LAISR Stock-take*" in which an outline of the study on impacts and benefits of structural reforms conducted by the APEC Policy Support Unit (PSU) was also discussed, and (iii) discussions at the EC plenary meetings. This Stock-take Report has been prepared based on the outcomes of these activities.

There are some basic viewpoints that were considered when conducting the stock-take exercise.

First, given the diverse background and development stages of APEC economies and the APEC's cooperative, non-binding and consensus-based tradition, this report does not attempt to provide one-size-fits-all type conclusions and recommendations for adoption by member economies. Rather, it aims to draw lessons from the past experiences to be shared with member economies as well as to inform the audience of the importance of structural reform in general.

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<sup>4</sup> See *APEC's Inclusive Growth Agenda - Senior Officials' Report to APEC Ministerial Meeting 2009* (2009/AMM/R/004).

<sup>5</sup> The APEC Leaders stated "We look forward to the progress stock-take in implementing the LAISR forward work programme in 2010, and instruct our Ministers and officials to strategise the next phase of the LAISR, including in the context of supporting our new growth strategies."

Second, since structural reform often takes time to produce concrete results, this exercise does not exclude reform initiatives undertaken before LAISR. Some earlier reform policies which the EC members consider relevant in the current context have been included in the report.

**Box 1. Outline of the activities carried out by the EC on the LAISR stock-take**

Against the backdrop of the global financial crisis, the EC1 meeting held in Singapore in February 2009 included a round table discussion on the implications of the crisis, where members reaffirmed the importance of continuing structural reform efforts, not only for overcoming the crisis but also for enhancing the potential of long-term growth.

A Brain-storming Session for Restoring Growth and Post-LAISR Agenda was held at the EC2 meeting in Singapore in July 2009. The session was aimed at discussing the structural policy for addressing the crisis and rebuilding the basis for sustainable growth, with a view to initiating a discussion on the post-LAISR agenda beyond 2010. The issues for discussion included possible new priority reform areas for resuming growth and issues related to inclusive growth, reflecting the discussion at the APEC Ministers Responsible for Trade (MRT) meeting.

The EC Chair conducted a LAISR Stock-take survey in late 2009 and received responses from the five FotC Coordinators, the CPLG Convenor and all of the 21 member economies (hereinafter referred to as the *Stock-take Survey*). An outline of the stock-take report including a preliminary summary of the responses to the Stock-take Survey was tabled at the LAISR Stock-take Seminar (see below) and the EC1 meeting in February 2010 (2010/SOM1/EC/011).

The EC Seminar on "*Impacts of Structural Reform and LAISR Stock-take*" (hereinafter referred to as the *Stock-take Seminar*) held in the margins of the EC1 meeting in February 2010 comprised discussions focused on structural reforms in the telecommunications, transport and energy sectors in APEC, and presentations on an outline of the ongoing *PSU Study* (see below) and stock-take of progress made on LAISR. The importance of structural reform in the post-financial crisis was a recurring message in the seminar. It attracted around 70 to 80 participants including presenters from academia, international organisations and businesses.

At the EC1 meeting held in Hiroshima, Japan in February 2010, a round table discussion on the post-LAISR agenda including its relationship with the Growth Strategy was held based on two issues papers prepared by the EC Chair (2010/SOM1/EC/018 and 2010/SOM1/EC/019) as well as a concept note jointly prepared by the US, Australia, New Zealand and Singapore (2010/SOM1/EC/020).

Following the EC1 meeting, the EC Chair carried out a quick survey of the EC members on possible new priorities for structural reform (hereinafter referred to as the *Quick Survey*), their effective implementation mechanisms and the role of the EC. Based on the *Quick Survey* results and the discussion at the EC1, the EC Chair made a presentation on the EC's discussion on the Post-LAISR structural reform agenda at the Extraordinary SOM held in Tokyo in April 2010 (2010/ESOM/006, see Attachment 1).

Following a request by one of the Senior Officials, the EC Chair gave a presentation on an interim report on the LAISR stock-take at the SOM2 held in Sapporo, Japan in June 2010 (2010/SOM2/R/011). APEC Ministers Responsible for Trade consequently welcomed the progress in the five LAISR areas and encouraged senior officials to develop a new structural reform agenda beyond 2010.

At the EC2 meeting held in Sendai, Japan in September 2010, the EC members discussed the draft LAISR stock-take report prepared by the EC Chair as well as the future directions of the EC's structural reform work, including the reformulation of the LAISR areas.

## Section 2: Progress in Implementing the LAISR 2010 Forward Work Programme

This section reviews the progress in implementing the LAISR initiative including an overview of activities conducted mainly by the EC and their key outcomes, followed by an overall evaluation.

### 2.1 EC's institutional framework has evolved to facilitate the LAISR initiative

APEC's momentum towards structural reform has been supported by ministerial and leaders' mandates as explained above. Presumably, such high-level commitments should have encouraged an active participation of member economies in carrying out various structural reform programmes. Meanwhile, the fact that the EC was appointed as the driving force of the LAISR initiative essentially resulted in a greater focus on cross-cutting approaches. To accomplish this task, the EC's internal structure and the implementation mechanism have needed to evolve over time by making the best use of resources available.

**Table 1. The five FotC Coordinators and the CPLG Convenor**

Areas/group	FotC Coordinators/CPLG Convenor (as of September 2010)
Regulatory Reform	Australia
Competition Policy	Hong Kong, China
Public Sector Governance	New Zealand
Corporate Governance	The United States
Strengthening Economic and Legal Infrastructure (SELI)	Japan
Competition Policy and Law Group (CPLG)	Japan

Five "Friends of the Chair" (FotC) groups for the LAISR priorities were set up in 2007. The FotC mechanism was designed to ensure that the work programme of the EC reflects the priorities of member economies and guides the work of the EC through until 2010. The reporting lines of Strengthening Economic and Legal Infrastructure (SELI) and the Competition Policy and Deregulation Group (CPDG) were transferred from CTI to EC in 2008, while the CPDG was later renamed as the Competition Policy and Law Group (CPLG) to reflect the group's focus on competition policy and law. Discussions within the FotCs and the CPLG including the bi-annual revision of the FWP have been led by the five FotC Coordinators and the CPLG Convenor (see Table 1 and Attachment 2). The FotC system has worked well as it has allowed economies to commit themselves to one or two LAISR areas and invest resources into these areas.

### 2.2 A wide range of activities have been conducted

The diversity of APEC economies provides member economies with a greater chance to learn from each other. Sharing information on best practices and lessons learned have been the main instruments in driving APEC's structural reform programmes. The *APEC Economic Policy Report* (AEPR), the main publication of the EC since 2006, has been serving as an important source of information for government officials, academics, and other stakeholders on the key structural reform issues in the APEC region. This annual report is designed to focus on one of the key themes of LAISR (see Box 2). The AEPR has been one of the most frequently accessed

publications on the APEC website – e.g. the 2009 AEPR has to date been the second most accessed publication in 2010.

### Box 2. Main themes of the past AEPRs

The 2006 AEPR, prepared by Canada, New Zealand and Viet Nam, provided a high-level overview of the structural reform mandate given to the EC. It started with a brief summary of the work that APEC undertook on structural reform and its policy implications, examined sustainable development issues with an emphasis on the role of structural reform, and reviewed individual economies' domestic structural reform activities over the past 10 years.

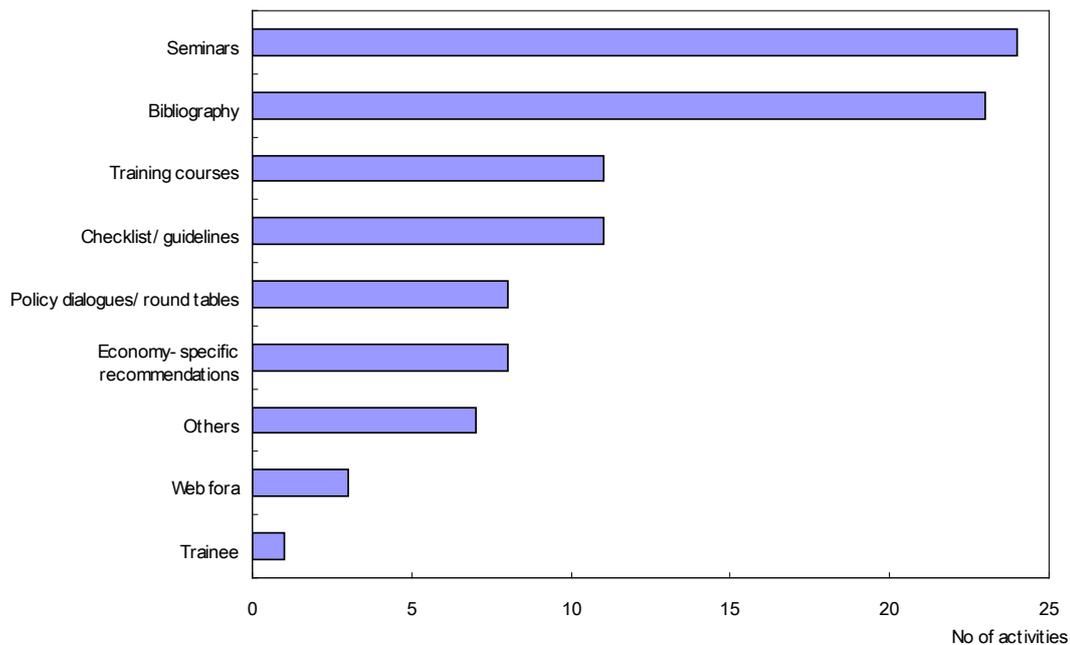
The 2007 AEPR, prepared by New Zealand and Australia, focused on public sector governance. It established a range of generalised high-level principles for good public governance and identified key tensions in public sector governance and the processes that had evolved to overcome these challenges. It also focused on domestic institutions to support reform.

The 2008 AEPR, prepared by Japan and Peru, focused on competition policy. It shared lessons about how APEC economies had adopted and had been enforcing competition policy, highlighted achievements and activities by APEC in competition policy, and helped formulate the focus of future competition policy work.

The 2009 AEPR, prepared by Australia and Singapore, focused on the theme of regulatory reform and outlined key elements of a good regulatory reform framework, measured the regulatory burdens on business, and reviewed individual economy experiences in implementing regulatory reform. The report provided a useful tool to identify and share good frameworks and best practices to guide regulatory reform of member economies.

The 2010 report, prepared by the United States and Japan on the theme of corporate governance, focused on 1) corporate governance and sustainable economic growth and 2) legal and institutional foundations of corporate governance in APEC economies.

Figure 1. Capacity building activities by type



Note: The above table has been prepared by the EC Chair office for indicative purposes by simply aggregating the number of activities reported by the FotC coordinators at the time of the capacity building survey distributed in December 2008.

Meanwhile, a large number of capacity building exercises have been conducted as part of the LAISR initiative. According to a survey conducted in 2008/2009 on the EC capacity building activities (see Section 5), which had asked the FotC coordinators to report activities in each of the five FotC areas according to the contents classification given by the EC Chair, nearly one hundred structural reform-related activities had been conducted mostly during the period between 2006 and 2008.<sup>6</sup> There would also be events that had not been captured in this survey, and the number of capacity building activities conducted in the 2009-2010 period is also significant. In terms of the types of activities that were carried out, seminars were found to be most frequently conducted, followed by bibliographies and training courses which are APEC's traditional approaches to capacity building.

In addition to these, the EC has also employed other approaches including (i) developing checklists and guidelines, (ii) holding a ministerial meeting to facilitate reforms, and (iii) introducing a process of voluntary reviews of institutional frameworks and processes.

The *APEC-OECD Integrated Checklist on Regulatory Reform* was developed as a voluntary tool that member economies can use to evaluate their regulatory reform efforts. It outlines principles such as the importance of regulatory quality, competition and the avoidance of unnecessary economic distortions. It also promotes core values such as transparency, non-discrimination and accountability. Six economies (Hong Kong, China; Chinese Taipei; and the United States in 2006; Australia and Korea in 2007; and Japan in 2010) have so far presented the findings from their self-assessment activities to the EC. Through such exercises, the Checklist functions as a repository of APEC and the OECD members' experience, knowledge and best practices leading to further reforms. Such an experience could also be used as a model for cooperation between APEC and other international fora.

The first-ever SRMM was held in Melbourne, Australia in August 2008. This provided an opportunity for Ministers to share experiences on the political challenges of structural reform, strategies to support the reform process, and optimal institutional frameworks. Ministers recognised the benefits of structural reform as it (a) provides better quality products and services at lower prices, combined with better choice for citizens, (b) expands gains from trade and investment, (c) strengthens capacity to respond to changes in the global economy, and (d) increases economic stability, competitiveness, overall productivity and sustainable economic growth and ultimately, improving the wellbeing of citizens. Ministers endorsed a *Comprehensive Good Practice Guide on Regulatory Reform*, which aimed at providing economies' with useful tips and practical experiences on good practice for regulatory reform, including regulation making, review and enforcement. They also agreed to initiate a process of voluntary self reviews of member economies institutional frameworks that support structural reform, and EC was tasked to further develop the process.

The *APEC Voluntary Reviews of Institutional Frameworks and Processes for Structural Reform* was subsequently endorsed at the EC2 meeting in July 2009. The purpose of the review is to assist economies to build and maintain effective institutions and processes to support structural reform efforts. The recommendations will be cognizant of the reviewed economy's political system and developmental status and will be tailor made to assist each economy with the process of reform.

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<sup>6</sup> Attention should be paid to the fact that the scope of the survey was not necessarily confined within APEC, but also included reports and activities of other international institutions, governments, academicians, and bilateral scheme etc. As a result, around 30 activities conducted outside of APEC have been included in the survey result.

## 2.3 Overall evaluation of the activities

Although it is not a simple task to evaluate the overall progress in implementing the LAISR initiative, a couple of distinctive characteristics can be pointed out regarding the APEC's structural reform activities. The following points suggest that APEC has been making a difference in this key policy area.

**Table 2. The objectives of the current FWP and number of action items**

Areas	Objectives	No of action items
<i>Regulatory reform</i>		
	1 Enhance APEC economies' regulation making, review and enforcement processes and systems	5
	2 Improve APEC economies' regulation in key sectors of the economy	3
	3 Address key regulatory burden on businesses in APEC economies	2
	4 Assess overall progress in regulatory reform amongst APEC economies and set direction for future work	1
	(Completed items)	
	1 Provide context for the discussion on regulatory reform within APEC	1
	2 Provide guidance for good practice regulation principles and practices within APEC	5
<i>Competition policy</i>		
	1 Set the stage for productive discussion on competition policy within APEC	1
	2 Stocktake of progress in competition policy and set direction of future work	1
	3 Capacity building to implement practical measures	1
	4 Promote better understanding of practical measures to strengthen competition policy	1
	(Completed items)	
	1 Provide context for the discussion on competition policy within APEC, identifying areas of need for competition policy	1
	2 Provide guidance for good practice	2
	3 Stocktake of progress in competition policy and set direction of future work	1
	4 Capacity building to implement practical measures	1
	5 Promote better understanding of practical measures to strengthen competition policy	2
<i>Corporate governance</i>		
	1 Set the stage for productive discussion on corporate governance within APEC	3
	2 Identify areas of need for strengthening corporate governance	1
	3 Build consensus on best practices in corporate governance	1
	4 Build capacity to implement practical measures	3
	5 Increase awareness of the elements of sound corporate governance	3
	6 Stocktake of progress in strengthening corporate governance and set direction of future work	1
<i>Public sector governance</i>		
	1 Set the stage for productive discussion on public sector governance within APEC	3
	2 Identify areas of need for strengthening public sector governance	2
	3 Promote better understanding of practical measures to strengthen public sector governance	11
	4 Capacity building to implement practical measures	1
	5 Increase awareness of the elements of sound public sector governance	1
	6 Stocktake of progress in strengthening public sector governance and set direction of future work	2
<i>Strengthening economic and legal infrastructure</i>		
	1 Set the stage for productive discussion on strengthening economic and legal infrastructure within APEC	2
	2 Identify areas of need for strengthening economic and legal infrastructure	2
	3 Build consensus on best practices in strengthening economic and legal infrastructure	1
	4 Promote better understanding of practical measures to strengthen economic and legal infrastructure	1
	5 Capacity building to implement practical measures	1
	6 Increase awareness of the elements of sound economic and legal infrastructure	3
	7 Stocktake of progress in strengthening economic and legal infrastructure and set direction of future work	1

Note: The above table has been prepared by the EC Chair office for indicative purposes by simply aggregating the number of action items registered in the *Consolidated LAISR Forward Work Programme* submitted to EC1 in 2010.

*First*, a major outcome of the LAISR initiative is that it has translated into a large number of activities. No other international cooperation would come close to APEC in terms of the volume of activities to facilitate structural reform. These activities would have certainly increased the awareness of the importance of structural reform in the APEC region and contributed to capacity building.

*Second*, such a wide range of activities have been organised along the five priority areas and under clear objectives set out in the FWP as summarised in Table 2. This has been made possible through the development of the EC's internal structure.

*Third*, the approach is unique to APEC, i.e. it has a strong sense of providing assistance tailored to each economy's needs, reflecting the diversity of APEC member economies. Many of the activities under the LAISR framework are actually targeted at government officials who are in charge of implementation of specific economic policies. Such capacity building activities are

particularly welcomed by developing economies (see Box 3). This contrasts with the approach taken by the OECD, which is another international forum focusing on structural policies in recent years.<sup>7</sup>

**Box 3. Need for capacity building: examples of Stock-take Survey responses by developing economies**

- The LAISR Forward Work Programme (FWP), which is mostly in the forms of capacity building activities such as seminars, roundtable discussions, workshops, has been really raising the awareness on how important structural reform is for improving trade and investment of economies, especially for developing economies
- Under the APEC framework, more technical assistance should be provided. Moreover, technical assistance programmes should not be common to all member economies; instead, they should be designed to meet the specific needs of each member economy.

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<sup>7</sup> The OECD's approach leverages on peer pressure and indicator-based monitoring, such as the Economic Development and Review Committee (EDRC)'s examination of economic situation and policies of each member country conducted every 1.5 to 2 years based on a draft report prepared by the OECD Secretariat, and the annual *Going for Growth* structural surveillance which relies on a set of internationally comparable indicators.

## Section 3: Progress by Economies in Pursuing Domestic Structural Reforms

The *Stock-take Survey* asked the EC members to report back its progress in structural reform (mainly in the five LAISR areas within each economy), examples of successful reforms, lessons learned in implementing reforms and the keys to the success of reform. This section summarises the responses received.

### 3.1 Structural reform has become a common agenda for all APEC economies

All of the 21 member economies have responded to the *Stock-take Survey* with progress in some kind of structural reform, which indicates that the LAISR initiative has helped increase the awareness of the importance of structural reform in the APEC region and that structural reform has become a common agenda for all APEC economies. More specific comments by member economies indicate that APEC economies are implementing structural reform in order to strengthen medium-term growth potential and raise living standards.

### 3.2 Progress was reported in all five priority areas

The *Stock-take Survey* asked member economies, the five FotC coordinators and the CPLG Convenor for details of the progress in reforms in the five areas. Below is a summary of the responses (see also Box 4 for some concrete examples of structural reform and Part II for the full responses).

#### Regulatory Reform

A number of economies cited regulatory reform as the area which made the most significant progress among the five areas. The results of the survey have highlighted that many economies have recently made concerted efforts to improve the consultation process in the rule-making process, particularly with the business community. There are indeed many unique but ambitious programmes aiming at creating a business-friendly environment through regulatory reform as reported in the *Stock-take Survey*, which suggests that governments across the APEC region have recognised the importance of regulatory reform as a key instrument to attracting businesses and enhancing growth potential.

#### Competition Policy

A couple of economies have reported that initiatives have been taken in recent years to enhance the effectiveness of competition policy, including implementation or improvement of competition law. In addition, the Competition Policy FotC Coordinator reported the outcome of the APEC Seminar on the Role of Competition Policy in Structural Reform held in June 2007 that economies often faced similar challenges in setting up competition regimes, such as insufficient expertise, the need to build a competition culture, a lack of coordination across agencies on competition issues and limited resources. Meanwhile, the discussion at the *Stock-take Seminar* held in February 2010 confirmed the importance of competition policy, and suggested that opening up strategic sectors such as telecommunications, transport and energy might help drive competition as well as greater accessibility at the consumer level.

## Corporate Governance

Member economies are increasingly showing interest in applying good corporate governance rules, although different levels of development and different economic structures (e.g. state owned enterprises versus fully private corporations) have necessitated a flexible approach to implementing international principles as reported by the Corporate Governance FotC Coordinator.

## Public Sector Governance

The Stock-take Survey has revealed that various efforts have been made in member economies to improve the performance of the public service, such as providing greater incentives for public workers, enhancing efficiency and reducing reporting burdens, and promoting transparency. The similarity of the challenges that the member economies are facing suggests that these problems are more or less inherent to the public sector. It would be important to make continuous reform efforts in order to produce visible results. In this context, sharing information on successes and lessons learned would be extremely important.

## Strengthening Economic and Legal Infrastructure (SELI)

Economic and legal infrastructure, including bankruptcy law, has been upgraded in many member economies. Meanwhile, the SELI Coordinator has reported that developing economies are increasingly interested in dispute settlement mechanisms such as Alternative Dispute Resolution (ADR).

### Box 4. Some examples of structural reforms reported in the Stock-take Survey

#### *Regulatory reform*

- Progress in the Special Zones for Structural Reform initiative, an idea to allow regulatory changes in dedicated geographical areas to act as a testing ground.
- The expansion of the Sunset Clause, the introduction of a Temporary Regulatory Relief Mechanism, and the Regulatory Reform for New Growth Engine Industries as well as the reduction in regulations on business start-ups, which enabled individuals to set up a company in about 7 days.
- Continuous improvement to facilitate business environment to make it predictable and conducive to encourage foreign direct investment and facilitate businesses. Reform initiatives include i) reduction in the time to register standard property, ii) improvement in the time to start a business, iii) establishment of a Single Corporate Identity Card (MyCoID) to facilitate Business-to-Government and Business-to-Business transactions, iv) improvement in the income refund tax system, v) establishment of a single gateway (myBayar) for payments to government agencies, and vi) reduction in the number of procedures in dealing with construction permits and total time taken to complete the procedures.
- Measures to promote regulatory reform including i) implementation of mechanisms to hinder issuance of unnecessary or high-cost regulation, ii) use of public-consultation mechanisms to identify priority areas for reform, iii) reduction of administrative burdens on start-up businesses and iv) institutionalising regulatory reform in the States.
- Establishment of the Smart Regulation Committee which aimed to develop a regulatory regime that is friendly to business and investment.
- Establishment of a comprehensive coordination mechanism for deregulation, which combines calls for suggestions from the public and private sector, evaluation of such suggestions and policy-making models, supervision and evaluation. World Bank's Ease of Doing Business report has been used for reference.
- Increasing disclosure and transparency on regulatory actions, greater public participation in regulatory processes including advent of e-Rulemaking and greater identification of regulations with international impacts.

#### *Competition policy*

- Amendment of the Antimonopoly Act which introduced a leniency programme and compulsory measures for criminal investigation and revision of the surcharge system.

- The Independent Consumer and Competition Commission (ICCC) has carried out reviews of the state-owned enterprises to support their transition to commercial entities.
- Enactment of the Consumers' Code which introduces new regulations to reduce asymmetric information between consumers and producers and remove any practices that can violate consumers' rights.
- Significant progress in legislation and enforcement of competition policy.
- Establishment of an independent and transparent investigation body to maintain competitive markets in sectors which have been newly included in the Competition Act.
- Although Competition Law was enacted and came into effect, key sectors are still controlled by big enterprises and the price behaviour still lacks substance of competition.

#### *Corporate governance*

- Policies and instruments that would replace the current ones, with a particular focus on enhancing the standard of corporate governance and confidence in the capital markets.
- A new law on corporate governance, which was enacted drawing on international norms including the OECD guideline, has resulted in greater disclosure of information by companies, improved oversight of markets, and better protection of minority shareholders.
- The launch of the Code on Corporate Governance Practices and the Corporate Governance Report, which represents a significant move towards adoption of international benchmarks of corporate governance, best practice and disclosure.
- Reforms include the amendment of the Securities and Exchange Act, such as 1) reinforcement of the independence of directors and supervisors, 2) strengthening the responsibility of companies' management for false financial reports, 2) improvement of transparency measures for information disclosure.

#### *Public sector governance*

- Introduction of the Government Transformation Programme to transform the government to be more effective in its delivery of services and accountable for outcomes that matter most to the public, and to provide high standards of living for all. Six national key result areas have been identified to spearhead the Government Transformation Programme.
- Introduction of initiatives such as the Smart Regulation Committee (SRC), Pro-Enterprise Panel (PEP), and Zero-In-Process (ZIP) to improve public services. In addition, the Pro-Enterprise Ranking (PER) ranks the government agencies on their compliance cost, transparency, review of rules, customer responsiveness and pro-enterprise orientation.
- Utilisation of information and communication technologies to enhance government performance management and transparency, including the establishment of the Government Performance Management network (GPMnet), the Gazette Online, and the Government e-procurement System. Construction of an indicator to evaluate and trace holistic quality of public sector governance.
- Progress in introducing the Results-Based Management system, streamlining the work process of government agencies. Establishment of the Ethics Promotion and Information Center to improve human resource management with ethical standards.
- Attempts to accelerate administrative reform and plans to cut down 30 percent of all administrative procedures, although weak incentive for civil servants to streamline administrative procedures remains a problem.

#### *Strengthening Economic and Legal Infrastructure*

- Reform of the bankruptcy law to introduce new mechanisms and establishment of a special commercial court in order to reduce uncertainty of legal procedures for investors in the case of bankruptcy.
- The amendments to the Trade Marks Rules allowed electronic communication with the trade mark agents.
- Institutionalisation of the basis for promulgating legal documents and promulgation of various new laws and associated under-law documents.

### 3.3 Keys to the success of reform

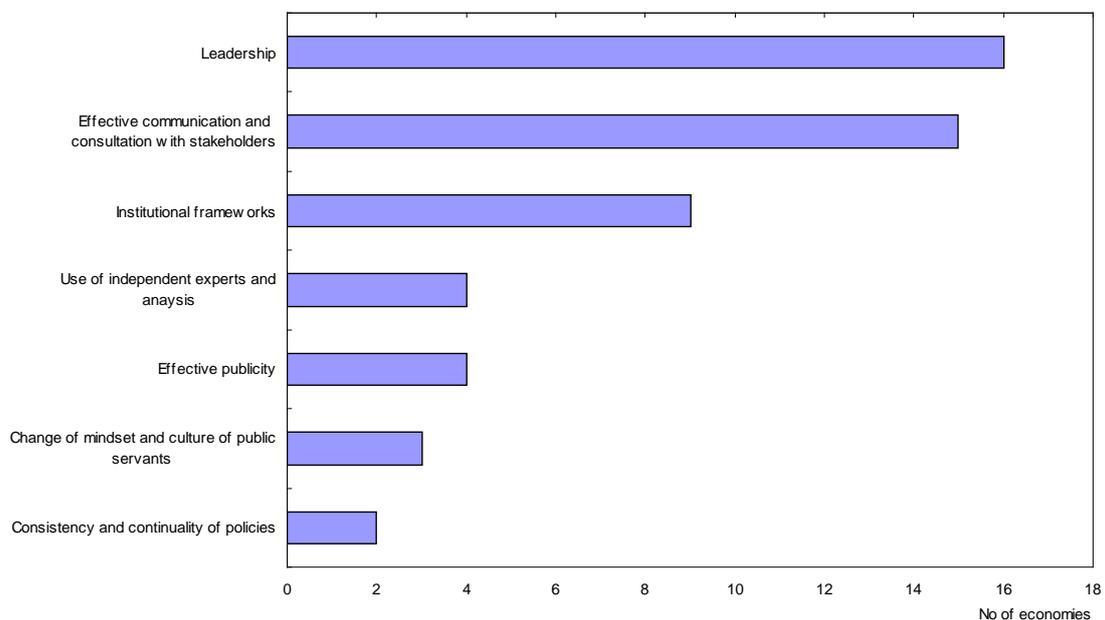
The *Stock-take Survey* also asked members to identify the keys to the success of reform, factors that impeded reform and lessons learned from past experiences. Although a limited number of factors that impeded reform and other negative consequence of reform have been reported, rich information regarding the keys to success of reform in member economies had been collected through this survey. Below is a summary of such responses (see also Figure 2 and Box 5).

The most commonly cited factors (by 16 economies) were associated with leadership. This suggests that since structural reforms tend to have adverse impacts on sectors which were previously protected, they could be watered down without strong leadership even if they are well planned.

This was followed by effective communication and consultation with stakeholders (15 economies). There were views that it was crucial to involving a wide range of stakeholders in the reform process in order to identify priority areas, ensure transparency, and prepare detailed design for reform.

The third most commonly cited factor (by 9 economies) was institutional frameworks including effective inter-agency coordination mechanism and appointment of dedicated ministers. This indicates the importance of having cross-cutting viewpoints in carrying out reforms even when discussing sector-specific issues.

**Figure 2. Keys to the success of reforms: summary of the Stock-take survey responses**



Note: The above figure has been prepared by the EC Chair office for indicative purposes by classifying written comments submitted by the EC members to the LAISR Stock-take Survey, so thus should not be treated like a multiple-choice survey result.

Use of independent experts and analysis was cited by 4 economies. This coincides with one of the ten lessons of the reform in APEC economies put forward in the *PSU Study*, which argues that independent evaluation can be very important, either in the formal sector or utilising the second track as those organisations help to offset the lobbying efforts of the vested interests.

Other key factors for the success of the reforms cited in the survey include effective publicity, change of mindset and culture of public servants, and consistency and continuity of policies.

### **Box 5. Keys to the success of reforms: some examples of Stock-take Survey responses**

#### *Leadership*

- Creation of a government council to initiate, develop and monitor key policy reforms, required support from the highest levels of government.
- Leadership has foremost role in making credible development results that translate to lowering of uncertainties in the government, businesses and consumer confidence.
- Strong political will has contributed to overcoming lobbying by stakeholders.
- Many reform measures were slowed down and even reversed as they often undermine the interest of some social groups. This implies that reforms need strong political will and effective implementation roadmap to be successful.

#### *Effective communication and consultation with stakeholders*

- A thorough, transparent and wide-ranging consultation process that includes all stakeholders and interested members has been the key aspect to the success of reform as these provide legitimacy, buy-in and ownership to the reform process.
- State leaders personally went down to grass-root units and convened symposiums to solicit opinions and suggestions.
- The government has carried out public consultations that significantly contributed to diagnosing, identifying and designing reform policies.
- Regular joint discussions with the representatives of business community, civil society institutions and sectoral experts within the frameworks of various consultation and expert councils provide for transparent mechanism of elaboration of relevant regulations.
- Agencies have learned the importance of public consultation which helps them to focus on priority areas that meet the needs of businesses and key stakeholders.

#### *Institutional frameworks*

- Institutional framework is considered to be one of the keys to success for reform as the problem of coordination among related agencies and between central and local governments might be considered as impediment of reforms.
- Establishment of the government council on national competitiveness and the committee on regulatory reform made the coordination among different ministries and agencies much easier.
- A comprehensive coordination mechanism for deregulation, which combines calls for suggestions from the public and the private sector, evaluation of deregulation suggestions, supervision and evaluation has been set up.
- Appointment of a dedicated minister for regulatory reform (as discussed above).

#### *Use of independent experts and analysis*

- The success of structural reform initiative is often owing to the fact that recommendations underpinning the reform are made by an independent organisation of experts appointed by the government.
- Extensive research is considered to be one of the keys to the success of reform. In the case of the health care system reform, a dedicated working group and its entrusted institutions including the World Health Organisation and an academic institution conducted extensive study and research.
- Rigorous analysis is considered to be a key to regulatory policy. Cost-benefit analysis is used as a pragmatic tool for cataloguing, assessing, reassessing, and publicising the human consequences of regulation given the difficulty of quantifying all of the likely impacts of regulations.
- Independence of analysis by experts groups has been guaranteed by avoiding interference from interest groups and providing high level political commitment to carry out necessary actions.

## Section 4: Impacts of Structural Reforms

In order to gain wide and solid support and maintain momentum for structural reform, it is extremely important to demonstrate impacts of structural reform in an easily understandable manner, since reforms may have adverse impacts on sectors which had been protected by regulations and other policies, while the benefits tend to spread across various segments of the society and across generations. The *Stock-take Survey* asked the EC members about the impacts, both positive and negative, of structural reforms on their economy and flow of trade and investment. Separately, the PSU has conducted a study on the impacts and benefits of structural reforms as explained above. This section summarises such outcomes.

### 4.1 Reforms have produced positive economic impacts in many economies

The responses to the *Stock-take Survey* have indicated that various estimates on the impacts of structural reform are conducted in member economies. They include impacts on GDP, consumer benefits and prices, firm start-ups and investment (see Box 6).

#### **Box 6. Domestic studies on economic impacts of structural reforms: examples of Stock-take Survey responses**

- It has been estimated that productivity and price changes in key infrastructure sectors (electricity, gas, urban water, telecommunications, urban transport, ports and rail freight) in the 1990s, to which regulatory reforms directly contributed, increased GDP by 2.5 percent.
- It has been estimated that regulatory reform in 15 areas between 2005 and 2008 created consumer benefits equivalent to 1 percent of national income. The largest consumer benefit was recorded in the mobile communications sector, followed by petroleum products and electricity.
- The Rapid Business Start-up System (SARE) scheme which was introduced in 2002 with an aim to allow creation of businesses within 72 hours, has fostered the creation of 160,982 new businesses, 449,713 new jobs and investment of around US\$1.9 billion between 2002 and 2009. This is estimated to have boosted 4 percent on new firm start-ups.
- Liberalisation of cross-border movement of capital, goods, personnel and services would have contributed to boosting inward FDI, which more than tripled between 2003 and 2005.
- High economic growth rate was recorded even in the midst of the global financial crisis thanks to the fact that small enterprises were flexible in their production and activities, including frequent rotation of workers.

### 4.2 The PSU Study also revealed benefits of structural reforms

The *PSU Study* sought to catalogue many of the substantial, tangible benefits for consumers and for small and medium businesses arising from APEC members' structural reform efforts in recent years, focussing on the transport, energy and telecommunications sectors. As well, economic modelling was undertaken to provide empirical estimates of reform impacts in those sectors (see Attachment 3).

The *PSU Study* has identified that in many cases reforms in the member economies in regulatory framework such as liberalisation of entry and privatisation have resulted in lower prices, differentiation of services and other service improvements (Box 7).

In addition, the *PSU Study* has estimated that the introduction of more competition in these sectors through a package of reforms could generate additional real income (in 2004 prices) of

US\$175 billion a year across the whole APEC region relative to what would have accrued had no reforms occurred. This gain, which is a snapshot after a 10-year adjustment period, is almost twice as big as the gains from complete liberalisation of all remaining trade barriers in agriculture and food, other primary products and manufacturing by all APEC economies.

The *PSU Study* has shown the value of the adoption of an agenda to implement structural reform by APEC and has also revealed the importance of structural reform as providing strong bridges behind the border to capture the full benefits of improving regional economic integration.

#### **Box 7. Examples of estimated impact of structural reform presented in the PSU Study**

##### *Air transport*

- Fares fell by 20-30 percent as a result of the entry of low cost carriers (LCC) in 2006. The LCC share of the domestic market has increased to 25 percent and close to 30 percent on some routes.
- A more liberalised agreement for routes between two member economies resulted in a fall in fares by an average of more than 8 percent on these routes and traffic grew much faster (by a factor of 2) compared to other routes between the two economies.

##### *Rail transport*

- Tenders to operate an urban rail system were called in 2002 while the track was owned and managed by a government enterprise. Services more than doubled between 2005 and 2009 and traffic doubled between 2005 and 2010 under this competitive model. Reliability also improved significantly while many of the stations were upgraded.
- Fares declined by 40 percent after the government-owned rail corporation divested part of its operations.

##### *Road transport*

- Freight rates fell by 20 to 30 percent when quotes on cross-border freight licences were removed between two economies in 2004.

##### *Electricity*

- Retail competition reduced prices by 5 to 10 percent for residential customers and by 5 percent for industrial customers.
- The first stage of electricity reforms including the separation of generators from the distribution company resulted in an increase in utilisation of capacity and higher productivity.

##### *Telecommunications*

- Monthly subscription charges for mobile services had fallen from US\$17 in 1999 to zero by 2004. Structural reform efforts contributed to this outcome.
- The introduction of competition into the mobile sector has led to universal coverage, following a rise of 700 percent in the number of mobile subscribers since mid 2007. Charges have fallen by 11 percent in the peak times for domestic calls and 51 percent in the off-peak.

### **4.3 Structural reform and trade and investment liberalisation complement with each other**

The two main pillars of the APEC's economic agenda, namely, trade and investment liberalisation and facilitation and "behind-the-border" structural reform, both aim at facilitating economic growth and improving our living standard both quantitatively and qualitatively. Various studies indicate that removing barriers to trade and investment and structural impediments to domestic economic activity both strengthen competition, leading to static and dynamic gains.<sup>8</sup> Static gains arise from better allocation of resources across and within

<sup>8</sup> They include OECD (2005a), "The Benefits of Liberalising Product Markets and Reducing Barriers to International Trade and Investment in the OECD", *OECD Economics Department Working Papers*, No. 463, OECD (2005b), *Trade and Structural Adjustment*, and OECD (2006), *OECD Economic Survey of Japan*.

economies. Dynamic gains result from greater efforts to innovate and optimise production, and from more rapid diffusion of new technology (OECD 2006).

While trade liberalisation generally contributes to economic growth and creates new opportunities, its adverse impacts are often highlighted as it can lead to firm closures and job losses in some sectors. Providing temporary support to these sectors is a way to help alleviate pain and reduce short-term adjustment costs. However, the overall benefits of liberalisation for society will be larger if adjustment is taken place swiftly by a shift of resources across sectors, which can be facilitated by removing domestic barriers to competition. In this sense, undertaking reforms across different policy areas in a complementary way can help achieve swift adjustment, since those adversely affected by one reform might benefit from another. Broad-based reforms can also reduce resistance to change and make it harder for individual industries to argue for exemption (OECD, 2005b).

In terms of the magnitude of reforms, the *PSU Study* has indicated that the impact of structural reform is estimated to be almost twice as big as the gains from further liberalisation of trade. Such a result is in line with the outcome of a study by the OECD (OECD, 2005a), which estimated that GDP per capita in its member countries would increase by between 2 and 5 percent if all external and internal barriers including product market regulations, tariff barriers and restrictions on foreign direct investment (FDI) were reduced to the level in the least restrictive member country. Since these are permanent increases, individuals would be able to reap the gains each year once adjustments to the reforms are complete, and the cumulated addition to earnings over an average 40-year working life of an individual would be between one to two full-year earnings. Product market reforms were estimated to have the largest impact, increasing GDP per capita by 1.75 to 3.0 percent, with another 0.25 to 1.0 percent from cutting tariff rates and 0.75 percent from lowering restrictions to FDI. In addition to these static gains, there would also be significant size of dynamic gains on a sustained basis.

Although the above arguments and empirical evidence suggest that trade and investment liberalisation and domestic structural reform both contribute to raising growth potential, the exact interrelationship may depend on sectors, nature of growth constraints, development stage, and so on. Thus, it would be useful to continue to study the relationship between trade and investment liberalisation and facilitation and domestic structural reform further in the APEC context.

## Section 5: Further Strengthening APEC's Structural Reform Agenda

As explained above, the LAISR initiative has evolved over time since its inception, including the establishment of the FWP and the introduction of various new approaches. A large number of activities have been conducted under each of the LAISR themes, which has been regularly welcomed by APEC Ministers and Leaders in subsequent years.

Attempts have already been made to further improve and strengthen the structural reform programmes, which would have implications for the future agenda of APEC. This section reviews recent efforts and discussions by the EC to strengthen structural reform activities and their implications for the next phase of APEC's structural reform agenda.

### 5.1 Further strengthening capacity building activities

At the SRMM held in August in 2008, Ministers requested the EC to develop and report back to APEC Leaders through Senior Officials on strengthening capacity building initiatives in its FWP. Responding to this task, an extensive survey was conducted among the EC members in early 2009 to obtain a better picture of their needs as well as gather their suggestions on capacity building programmes for the purposes of developing a programme that would deliver "Right contents to the right people through the right modes".

According to the survey results, the EC members perceive that the attendees in capacity building programmes and activities are mostly appropriate.<sup>9</sup> Nonetheless, there are still many cases where time and budget constraints prevent the right people from attending these programmes. Responses to the question on information dissemination suggest that this occurs on a rather ad-hoc basis, pointing to the need for improvement. The necessity of involving high ranking officials was suggested by many respondents, though it was pointed out that they are extremely busy people.

Based on the survey results, the EC Chair reported the following points to the CSOM in November 2009.<sup>10</sup>

#### *Developing methods for better dissemination*

There is some room for improving the dissemination of information about the contents of capacity building programmes. One solution would be creating an easy-to-access and user-friendly archive of resources on capacity building on the APEC website.

#### *Collaboration with other fora*

It is necessary to explore ways in which the EC can further improve collaboration with other APEC fora as well as other international organisations such as the OECD, World Bank, United Nations, and International Competition Network. A mechanism for this purpose should be developed. One option for consideration would be to identify initial contact point(s) among

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<sup>9</sup> See *Prioritising Capacity Building Programmes Within the APEC Economic Committee* (2009/SOM2/EC/009), *Highlights of the Economic Committee Capacity Building Survey Preliminary Results* (2009/SOM2/EC/009a), and *Economic Committee Capacity Building Questionnaire Results* (2009/SOM2/EC/009b).

<sup>10</sup> See *Economic Committee Chair's Report* (2009/CSOM/004).

various EC members (depending on the subject matter) that could liaise with other fora/international organisations.

## 5.2 Promoting the EoDB initiative

Recognising the gains that could be made from removing “behind the border” impediments to doing business, a new “Ease of Doing Business” (EoDB) initiative was launched at SOM1 in 2009. Responding to SOM’s instruction to identify a preliminary list of priority areas for regulatory reform, the EC set up a small group to lead work on the Prioritisation of Regulatory Reform for Improving the Business Environment (PRIBE). Based on a study prepared by the PRIBE small group, which drew on a survey of the needs of member economies, an ABAC survey and the World Bank’s study on the Ease of Doing Business in APEC, the EC identified five out of the ten World Bank’s Doing Business factors as priority areas.

Subsequently, Leaders agreed in November 2009 on an APEC-wide aspirational target to make it 25 percent cheaper, faster and easier to do business within APEC economies by 2015 in the five priority areas. An interim target which aims at achieving a 5 percent improvement by 2011 has also been established. Ministers tasked officials to monitor and regularly review progress towards these targets, and urged officials to work closely with ABAC to identify ways in which the private sector can contribute towards the achievement of these aspirational targets.

In order to develop multi-year work programmes designed to assist APEC in achieving the targets collectively, “Champion Economies” for each priority area have been identified (see Table 3).

Capacity building work programmes for the five areas will be carried out in two phases. Phase 1 consists of comprehensive seminars and workshops hosted by the champion economy to share information and experiences in reform. Phase 2 consists of (a) in-depth diagnostics by each participating economy to understand the concerns and constraints of their line agencies, as well as identify the opportunities for regulatory reform in the priority areas, (b) a customised action plan to implement the regulatory reforms, and (c) follow-up by the champion economies and the sharing of progress reports by the participating economies.

**Table 3. The EoDB priority areas**

Priority areas	Champion economies
Starting a business	New Zealand; The United States
Getting credit	Japan
Enforcing contracts	Korea
Trading across borders	Hong Kong, China; Singapore
Dealing with permits	Singapore

A number of workshops have been held through 2010 as part of Phase 1 programme, while some Phase 2 activities have already started such as sending technical experts to identify the range of issues that were faced by some volunteering economies. These Phase 2 activities represent a tailor-made approach and have been providing effective capacity building to officials in relevant areas.

Responding to a request at the SOM1 meeting in 2010, the EC is playing a caretaking role for the EoDB Action Plan. Singapore, as the coordinator of the PRIBE group, has been monitoring the progress in implementing the Action Plan (see Attachment 4). At the EC2 meeting in 2010, EC members also agreed to establish a FotC dedicated to the EoDB and the United States assumed the role of the Coordinator.

The EoDB initiative is a new approach which attempts to facilitate structural reforms by setting a collective target with a specific target year and carrying out capacity building activities for economies in need of assistance in implementing reforms towards achieving the goal. The success of this approach would depend on a number of factors, including active contribution by the champion economies, close cooperation between relevant groups and businesses, and high-level leadership. Although it was thought relatively easy to agree on the broad direction of reforms and to find good indicators to measure progress in the current five priority areas, some flexibility would be needed in implementing the initiative to allow for the diverse nature of economies, while maintaining sufficient momentum of the initiative.

### 5.3 Taking a combined approach will be important in addressing new challenges

Structural reform is one of the five work elements of the Action Plan of the APEC Leaders' Growth Strategy to be agreed in November 2010.<sup>11</sup> Given its centrality to the Growth Strategy, it is likely that structural reform will remain as a key priority agenda for APEC beyond 2010. Along with the discussion on the Growth Strategy, the *APEC New Strategy for Structural Reform* (ANSSR) has been developed by SOMs. The ANSSR considers that the priority areas for structural reform work in APEC need to extend beyond the five LAISR priorities in order to consolidate recovery from the crisis, promote regional economic integration, and achieve higher quality growth that is both balanced and inclusive. Under this strategy, structural reform would be expanded to become a shared APEC-wide objective, with all relevant fora taking part.

**Table 4. The new priority areas and coordinating economies**

Areas/group	FotC Coordinators/CPLG Convenor
Competition policy	Australia
Corporate law and governance	TBD
EoDB	The United States
Public sector governance	Chinese Taipei
Regulatory reform	Japan
Competition Policy and Law Group (CPLG)	Japan

Meanwhile, there has been a strong consensus among the EC members that the existing five LAISR priority areas are still relevant as a whole and need to be further strengthened beyond 2010. SOMs shared this view at the Extraordinary SOM meeting that took place in April 2010. The EC continued its discussion and agreed at the EC2 meeting in 2010 to reformulate the five areas to better facilitate structural reform in the current context, with the new set of FotC groups and new coordinators to lead the work in the priority areas as indicated in Table 4. The EC has also agreed to retain the Competition Policy and Law Group (CPLG) as a group of experts (see also Attachment 5).

This implies that the next phase of APEC's structural reform agenda will likely be a combination of continuation of the cross-cutting themes pursued under the LAISR initiative, with some new extended priority areas.

While the SOMs will take primary responsibility for monitoring and reviewing the implementation of the overall structural reform programme, and leave the exact implementation mechanism to relevant committees and fora, the EC's past experience in structural reform activities can provide some insights in creating effective implementation mechanisms, which

<sup>11</sup> The five work elements are: (a) structural reform, (b) human resource and entrepreneurship development, (c) green growth, (d) knowledge-based economy and (e) human security.

would be all the more important if APEC goes further into tackling the behind-the-border issues.

At the EC1 in 2010, the EC members discussed possible new mechanisms including (i) OECD-type peer reviews, (ii) peer review with economy-wise action plans, (iii) issue-specific seminars and (iv) tailor made approaches. Among them, there was a wide support for the developing of new approaches which aim to introduce horizontal viewpoints to sector-specific issues building on the experience of the LAISR initiative. For example, the EC may hold a number of joint seminars/workshops with relevant committees and fora, taking advantage of its cross-cutting viewpoints. The EC could also look to develop a so-called tailor-made approach, which aims to enhance effectiveness of structural reform activities based on APEC's tradition of non-binding approaches. This approach can be applied not only to the reformulated LAISR areas but also to the new priority areas, which may require collaborating with relevant committees and fora.

Meanwhile, the OECD-type peer review mechanism was less welcomed by the EC members. This perhaps reflected the EC members' concern that "peer pressures" with policy recommendations by colleagues from economies of different development stages, historical and cultural background, etc. may make officials of the "examined economy" defensive and feel obliged to justify their current policies. The key for the success of such a peer review approach would therefore depend not only on the knowledge of so-called best practices but also good discussion as to why and under what conditions they perform well. Such discussion would make it clear whether or not some modification is needed in view of economy-specific factors.

#### **5.4 More research on quantitative assessment of structural reform may be useful**

In the *Quick Survey*, a number of EC members commented that the EC should/can contribute to APEC's possible new priorities for structural reform by conducting research and analyses on economic impacts of structural reforms. Building on the *PSU Study*, which provided a good foundation for APEC's research in this area, it may be worthwhile conducting more such research in the future.

For example, as the *PSU Study* has identified, structural reform may have adverse employment effects in certain sectors, while it makes a contribution to economic growth and overall employment growth since it adds to productivity, stimulates activity and increases the resilience of the economy. A more comprehensive research on the employment consequence of structural reforms, including shifts of labour force across sectors over time, would be useful.

In addition, more efforts would be needed to develop indicators which measures progress in structural reform. The above mentioned draft ANSSR encourages the use of qualitative and quantitative indicators for benchmarks, as appropriate and as selected by the individual economies, to make progress in policies and measures. Nevertheless, development of indicators which measure the progress in structural reforms is not a well-established area. Creating an indicator similar to the Product Market Regulation indicator developed by the OECD but tailored to APEC economies is a potential area of work, although such indicators should mainly be used for measuring progress in domestic reforms rather than for international comparison, given the diversity in APEC economies.

## Section 6: Conclusion

This report reviewed progress in the LAISR initiative and structural policies in APEC economies based on various works conducted as part of the stocktaking exercise.

The LAISR initiative provided APEC with a focus on the behind-the-border policy reforms, and a wide range of activities have been conducted. This strong momentum has certainly affected domestic policy reforms in member economies. The LAISR initiative has made significant progress and the choice of the five areas of focus seems to have been appropriate.

Structural reforms take time to produce concrete results while new challenges have been added to the APEC's structural reform agenda. Under such circumstances, APEC's work on structural reform should be reenergised building on the success of LAISR. The five LAISR priority areas continue to remain relevant in the current context and should be continued with necessary modifications to the scope of the topics to build on lessons learned and reflect the priorities of members. As a forerunner in inter-regional cooperation on structural reform, APEC, in particular the EC, is well-placed to further pursue this policy agenda, while collaborating with other international fora as appropriate.<sup>12</sup>

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<sup>12</sup> *Toward Higher Quality Growth for APEC* (The APEC Growth Strategy High-Level Policy Round Table held in Beppu, Japan in August 2010) noted "APEC could contribute to balanced growth by re-energizing its work on structural reforms, building on ongoing efforts under the Leaders' Agenda to Implement Structural Reform. APEC should also complement the G20's efforts in pursuing balanced growth in the region."

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## PART II

# Economy and FotC Responses to the LAISR Stock-Take Survey

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# Collated Responses to Questions for the FotC Coordinators and the CPLG Convenor

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# Regulatory Reform

**1. What do you think are the key findings from structural reform initiatives undertaken by APEC (e.g. AEPR, seminars, training courses, surveys, checklists) and by APEC economies in your FotC area? Please discuss their actual or anticipated implications, if immediately apparent, for the improvement of the economic environment and the flow of trade and investment in the APEC region.**

The key findings of the initiatives undertaken by the FotC group on Regulatory Reform include learning and recognition by the APEC economies that:

- Regulation is one of the key tools available to government to intervene and improve the well being of citizens.
- Regulatory reform is at the heart of structural reform.
- Regulatory reform carried out badly is worse than not reforming at all.
- Regulatory reform is an ongoing process.
- Regulatory frameworks and processes matter.

The actual or anticipated implications of these findings include better regulation or regulatory reforms in the APEC region. These reforms will help to reduce and eliminate regulatory barriers (whether behind or across the border), increase economic efficiency and productivity, and ultimately improve the wellbeing of APEC citizens.

In particular, these findings have been reflected in a key, lasting initiative in the *Good Practice Guide on Regulatory Reform*. This guide embodies an agreed set of good practices in reforming regulatory framework within APEC economies. This Guide will contribute in a meaningful way to an ongoing improvement in the structural arrangements and regulatory mechanisms in place.

As set out in the answers below, regulatory reform initiatives in Australia designed to reduce barriers to competition, eliminate inefficient regulatory restrictions and harmonise regulatory arrangements have contributed to a significant and permanent uplift in Australia's wellbeing. Current and future reform efforts can be expected to contribute even further in this regard. Continual improvement in structural arrangements and the performance of regulatory institutions within APEC member economies can confidently be expected to underpin comparable long-run benefits, with flow-on implications for the entire APEC region.

**2. Please give your recommendations on the possible future courses of the APEC structural reform initiatives in your FotC area.**

As the Chair of the FotC group on Regulatory Reform, Australia is strongly supportive of the APEC Voluntary Reviews of Institutional Frameworks and Processes for Structural Reform. These reviews will examine how reforms are initiated, how decisions are made and the institutions and process in place to promote and drive structural reform. These reviews have the potential to deliver targeted assistance and capacity building to APEC economies to suit their unique political and structural frameworks. Other economies may also learn from these reviews and take forward the recommendations even if they do not participate in a review themselves.

These reviews will also have the potential to reveal common underlying themes about the strengths and weaknesses of APEC economies and result in the establishment of capacity building initiatives based on empirically identified priorities.

# Competition Policy

1. **What do you think are the key findings from structural reform initiatives undertaken by APEC (e.g. AEPR, seminars, training courses, surveys, checklists) and by APEC economies in your FotC area? Please discuss their actual or anticipated implications, if immediately apparent, for the improvement of the economic environment and the flow of trade and investment in the APEC region.**

Competition policy helps the economy as a whole which benefits from a more efficient allocation of resources, while increased competition also encourages innovation and productivity gains. In 2004, The LAISR set five priority areas to stimulate policy-oriented discussions on structural reform, and competition policy is one of the key areas. The “APEC Work Plan on LAISR toward 2010” was established by the EC in this context, and the LAISR 2010 set out a roadmap to address structural reform issues across APEC over the next five years. In 2007, APEC Leaders endorsed “Forward Work Program for LAISR,” which detailed action items in five policy areas including competition policy from 2007 to 2010 was planned. The aim of the Forward Work Program for competition policy includes (i) **increasing awareness of the importance of competition policy to economic growth**, (ii) **instilling knowledge on the practical elements of introducing a sound competition regime**, and (iii) **exploring practical guidance on how governments can facilitate competitive markets in key infrastructure sectors**. Over the years, APEC has undertaken various initiatives to promote the development of competition policy in member economies:

**The theme of 2008 AEPR was competition policy.** The report provided a detail analysis on the importance of competition policy in structural reform and also a revision on member economies’ domestic competition policies. Furthermore, it identified key priorities and challenges in future years.

The **APEC Seminar on the Role of Competition Policy in Structural Reform (June 2007)**, provided a platform for member economies to share knowledge, experiences and lessons on competition policy, and raise awareness about the economic importance of competition policy and emphasize the role that competition policy plays in achieving structural reform. One of the major conclusion of the seminar was that economies often face similar challenges in setting up competition regimes; for instance, insufficient expertise, the need to build a competition culture, a lack of coordination across agencies on competition issues and limited resources. It provided an important direction for planning of future activities.

The **Roundtable Discussion on “How to Create a Competition Culture” (June 2007)** focused on the importance of the creation of a competition culture. It concluded that it is necessary to handle three issues in order to develop competition culture. They are (i) factors that can impede competition, (ii) how governments can increase public awareness of the role of competition policy, and (iii) public support for a competition policy regime.

In the **APEC Seminar on Utilizing the “APEC-OECD Integrated Checklist on Regulatory Reform” in the Competition Policy and Deregulation Aspects (June 2007)**, participants confirmed that continuous information and experience sharing would be crucial on issues such as undertaking regulatory impact analysis or promotion of regulatory reform and competition. This indicated that capacity-building activities aimed at assisting APEC member economies to

undertake and implement competition policy would be a future direction for activities planning on competition policy.

APEC has conducted a range of **training courses** to enhance member economies' capabilities with respect to the development of robust competition policy and laws, and subsequent enforcement activities. The existing training program has been largely based on areas of particular interest to member economies identified at and between meetings. To know the needs and preference of member economies more, CPLG has sent out survey questionnaires to member economies to identify key common training priorities earlier this year. As reflected by the results of the survey, the following four areas are of the highest priorities:

- Competition advocacy
- Cartels and Bid Rigging
- Abuse of Dominance and Monopolisation
- Mergers

In the past few years, APEC has made great efforts to improve the market competition under the agenda of LAISR. In view of the diversity in growth and income among the APEC economies, it will be important to continue to strengthen fundamentals and institutions for market competition to sustain economic growth after global financial crisis.

**2. Please give your recommendations on the possible future courses of the APEC structural reform initiatives in your FotC area.**

As mentioned above, CPLG has sent out survey questionnaires to member economies to identify key common training priorities. We suggest APEC to follow member economies' views as far as practicable.

To relate competition policy to the new theme of inclusive growth in post- LAISR program, it is also suggested to develop new programme in this context, such as the impact of competition policy on SME as well as start-up enterprises; the interaction of regional economic integration and competition policy, etc.

# Corporate Governance

**1. What do you think are the key findings from structural reform initiatives undertaken by APEC (e.g. AEPR, seminars, training courses, surveys, checklists) and by APEC economies in your FotC area? Please discuss their actual or anticipated implications, if immediately apparent, for the improvement of the economic environment and the flow of trade and investment in the APEC region.**

On November 11 2009 the United States implemented a workshop directly responsive to the Leaders' Agenda to Implement Structural Reform (LAISR), which includes corporate governance among its five priority work streams. In addition to advancing LAISR, the workshop also responded directly to the Joint Statement issued at the 20th APEC Ministerial Meeting in Lima, Peru, where Ministers directed work take place on a plan to ensure APEC's continued implementation of the OECD Principles of Corporate Governance in the Asia-Pacific context. The theme of the November 11 workshop was, "Implementing OECD Principles of Corporate Governance in an Asia-Pacific Context." Around 45 participants attended the workshop, which was opened by EC Chair, Dr. Takashi Omori. The keynote speaker was the Head of OECD's Corporate Affairs Division, Mats Isakkson, who provided extensive insights to workshop participants on the terms of, necessary conditions for, and benefits of implementing the OECD Principles of Corporate Governance.

What emerged during the workshop was a clear recognition that differing levels of development and differing economic structures (e.g. state owned enterprises vs. fully private corporations) necessitate a flexible approach to implementing the OECD Principles that takes into account the conditions in each APEC economy. Member economy representatives also noted that effective implementation of the OECD Principles as called for by Ministers and in a manner consistent with LAISR requires participation by a number of key players in each economy, including: sectoral (e.g. financial, manufacturing) regulatory authorities; stock exchanges; enforcement agencies; state owned and/or linked enterprises; public corporations; and family owned businesses. Consequently, there was general agreement that effective implementation of the OECD Principles will require sustained effort supported by the most senior levels in each economy to ensure broad-based adoption and enforcement in a manner consistent with LAISR.

**2. Please give your recommendations on the possible future courses of the APEC structural reform initiatives in your FotC area.**

Much work has been done in APEC over the last few years to explain the terms and value of good corporate governance, including the OECD Principles of Corporate Governance. This work was instrumental in ensuring that corporate governance was included as one of the five priority work streams under LAISR and in the decision to include endorsement of the OECD Principles in the Ministerial Joint Statement in Lima in 2008.

Looking into 2010, APEC member economies, especially developing member economies, would benefit from a renewed focus on challenges to overcome and steps needed to implement the OECD Principles of Corporate Governance. The United States urges EC members to

consider steps we can all take to advance implementation of the OECD Principles, thereby making important progress under the corporate governance work stream of LAISR. In this context, a possible collaboration with the OECD Asian Roundtable could also be explored. The United States is exploring possible approaches to strengthening goal setting and quantifying progress in improving corporate governance and would welcome discussion within the EC on this point during 2010.

The United States further notes that the *2010 APEC Economic Policy Report (AEPR)*, for which it is co-lead along with Japan, will focus on corporate governance. The United State anticipates that the economy-level reports in the 2010 AEPR will provide APEC member economies the opportunity to identify progress made and capacity building needed to promote implementation of more robust standards of corporate governance.

# Public Sector Governance

- 1. What do you think are the key findings from structural reform initiatives undertaken by APEC (e.g. AEPR, seminars, training courses, surveys, checklists) and by APEC economies in your FotC area? Please discuss their actual or anticipated implications, if immediately apparent, for the improvement of the economic environment and the flow of trade and investment in the APEC region.**

## Key Findings of Initiatives Undertaken by APEC and by APEC Economies

The Economic Committee and its Public Sector Governance Friends of the Chair Group have undertaken a series of initiatives to demonstrate the role that good public sector governance plays in structural reform. The key findings from these initiatives are summarized below.

- The *2007 APEC Economic Policy Report* (AEPR), in Chapter 1, identified nine generalised and high-level principles for good public sector governance based on the key findings of a seminar that was held alongside the 2006 ECII meeting in Da Nang, Viet Nam:
  - rule of law
  - transparency
  - accountability
  - managing the performance of public sector agencies
  - public sector ethics and probity
  - responsiveness to stakeholders
  - political and bureaucratic structures
  - good policy and institutions
  - risk management.
- Chapter 1 of the 2007 AEPR also briefly examined several key issues in public sector governance.
  - The principal-agent problem of asymmetrical information between agents (i.e., those carrying out tasks) and principals (i.e., those initiating the tasks) leading to poor performance can be overcome by creating environments that (i) contain the proper incentives, (ii) establish clear targets that are monitored, and (iii) communicate the objectives and performance in a transparent manner to all stakeholders, including the general public. .
  - Being faced with multiple and diverse objectives in the public sector is a reality so the challenge is to ensure that problems of diverse objectives do not become acute so as to create conflicting incentives for agents.
  - Encouraging performance while managing risk involves balancing managerial discretion over the use of inputs with rules and procedures.

- Clearly communicated and defined outcomes that are relevant to the responsibilities of agencies can act as a unifying force, orienting them to the wider goals of the government.
- Chapter 1 of the 2007 AEPR concluded that performance management is increasingly recognized as a core component of an effective public sector, involving the setting of targets and the measuring of progress, although there are limitations associated with this. Additionally, professional ethics of public service are seen as increasingly important alongside performance measurement and accountability.
- Chapter 2 of the 2007 AEPR discussed how public sector institutions may be used to support any type of structural reform. Structural reforms often require a better set of rules governing the operations of markets, and these rules require institutions to implement and enforce them. It is helpful if these institutions can mediate among the diverse range of economic interests involved and build a coalition for reform. Examples of effective policy review institutions include Japan's Council on Economic and Fiscal Policy and the Australian Productivity Commission, among others.
- At the 2008 ECI meeting, Canada led a policy discussion on public sector governance. It was underpinned by a discussion paper entitled "Balancing Accountability and Innovation: Practical Measures to Strengthen Public Sector Governance", which focused on practical measures used by APEC economies to improve and strengthen public sector governance, drawing from the unique and best practices identified in the Individual Economy Reports in the 2007 AEPR. It was also underpinned by the results of a questionnaire that APEC economies were asked to prepare, focusing on the cross-cutting challenge of using results-based management (RBM) to balance accountability and innovation in the public sector. Economies essentially viewed RBM as a tool to balance accountability and innovation. While public sectors are inherently risk averse, which can thwart innovation, RBM can help overcome this. RBM also allows clear reporting, emphasis on outcomes, continual assessment and course correction, intelligent assessment of risks, and, at its base, allows managers to manage. Some of the elements to follow up on included: how to measure qualitative and quantitative elements of government priorities; measuring productivity; performance pay; encouraging sub-national governments to pursue RBM, and sharing results with the public. Economies outlining their experiences with RBM included Australia; Canada; Indonesia; Japan; Mexico; New Zealand; Peru; Thailand and the US.
- A *Workshop on e-Governance*, sponsored by Chinese Taipei, was held alongside the 2008 ECI meeting. Its goal was to: raise awareness among APEC economies of the role of Information and Communications Technologies (ICT) as an enabler for good public sector governance; and share the relevant knowledge, experiences and lessons learned from different perspectives on the better use of technology to drive good public sector governance. The program focused on: (i) e-administration to make government (e.g., procurement activities) more accountable, transparent and effective; (ii) e-services for more efficient service delivery; and (iii) e-participation to allow stakeholders and citizens to contribute to better policy making. In respect of (i), the majority of APEC economies have implemented e-administration, however some have yet to create a legal framework. E-administration has engendered more competition in respect of procurement activities. Regarding (ii), the success of e-services is directly dependent on Internet penetration, which varies considerably within APEC (from 71 percent in

North America to 14 percent in Asia), and the ability of public sectors to digitize records (e.g., moving from forms to e-forms). Most APEC economies are well on their way to digitizing their records. As for (iii), the success of e-participation again depends on Internet penetration; hence, where e-participation has the potential for increasing social inclusion, the direct opposite can occur if Internet penetration is low. The ICT transformations in Chinese Taipei – ranked among the top three in the global e-government rankings – have been considerable, with e-Tax Service, e-Procurement Service, e-Job Service, e-Village Voice (to bridge the digital divide between urban and rural areas), e-Motor Vehicle Service, e-Government Portal (to facilitate e-Democracy), among other e-services provided.

- Chinese Taipei hosted a *Workshop on Government Performance and Results Management*, 26-28 March 2008. The workshop delved into the main conclusion of Chapter 1 of the 2007 AEPR, namely that performance management is increasingly recognized as a core component of an effective public sector. All international organizations recognize it as a key structural reform. It has been a work in progress in many economies over the past two decades or so, and still the performance management regimes still had room for improvement. The key is to be able to convert performance measurement to performance management system. Doing so yields positive benefits: more informed decision making based on previous performance; and the achievement of better results as the government engages in valid and accurate performance measurement that can be communicated to stakeholders. Yet, performance measurement systems need to be monitored to ensure there is not a disproportionate cost of compliance compared to expected benefits, which is the main problem of such systems. The challenge is to find the optimal balance between minimizing the cost of compliance and maximizing the net public value of public services. The main challenges of such systems include: quality of performance information; specification of outputs and outcomes (with outputs easier to specify than outcomes); and the extent of alignment and integration in the policy decision-making process. High-performing systems are comprehensive (i.e., system-wide), vertically integrated (i.e., hierarchial), balance top-down and bottom-up approaches, provide guidance to agencies, process the information through a central agency, and have political oversight and commitment. Australia; Canada; New Zealand and the US are considered to have performance management regimes.
- At the 2009 ECI meeting, New Zealand led a policy discussion on Recent Public Sector Changes and Principles of Good Public Sector Governance. Underpinning the discussion were the results from a survey of member economies to determine: the public sector reforms recently made; their motivation; the challenges encountered in making them; if they aligned with the APEC's nine good public sector governance principles; and implications of these changes for other APEC economies. The reforms varied widely across economies, often reflecting their various stages of development and thereby requiring anywhere from fundamental reforms to fine tuning. Some of the recent reforms are included below.
  - China's newly constituted National Development and Reform Commission (NDRC) to bring about more efficient macroeconomic management.
  - Canada's efforts to develop its performance and risk management system, including its Management Accountability Framework; its action plan to

- address the “Web of Rules”; and its Public Sector Renewal human resources plan.
- Indonesia’s tax reform and customs reform.
  - Chinese Taipei’s use of ICT to promote good governance, and establishment of indicators to benchmark good governance.
  - New Zealand’s efforts to measure outcomes and streamline reporting to Ministers.
  - Mexico’s fiscal reforms of September 2007, including results-based budgeting, the Performance Evaluation System, and the Management Improvement Program.
  - Korea’s downsizing of its public service and its wider use of sunset clauses on programs.
- At the 2009 ECII meeting, Chinese Taipei led a policy discussion on Improving Public Sector Governance Quality – Practice and Measurement. Underpinning the discussion were the results from a survey of member economies to determine: innovative approaches, initiatives, instruments or tools have economies recently implemented to measure good public governance; their motivation; the benefits or risks from implementing them; the challenges; and the lessons learned from economies’ experiences. Some of the recent approaches, initiatives, instruments or tools reforms are included below.
    - Canada’s required periodic reports to Parliament on its 2009 budget implementation; Strategic Reviews that use evidence-based techniques to improve the efficiency and effectiveness of direct program spending; the Web of Rules initiative’s attempt to measure the burden of the totality of rules and regulations on the government; the use of tools to make the system of grants and contributions more fair, cost-effective and efficient; the strengthening of the Management Accountability Framework methodologies; and the use of government-wide Medium Term Planning using an evidence-based approach.
    - Japan’s “Reform of Quality” initiative, which aims to raise the productivity of government service and citizen’s satisfaction.
    - New Zealand’s performance improvement framework, using indicators of good management practices, a cycle of formal performance assessments, and an improved central agency approach to assessment.
    - Chinese Taipei’s Public Governance Indicator, which consists of seven indicators under seven different public sector governance principles.
    - Mexico’s strengthening of its public sector governance indicators in respect of public management, results-based budgeting, and its National Program of Accountability, Transparency and Fight Against Corruption.
    - Indonesia’s development of a Good Governance Index that focuses on four good public sector governance principles.

### Implications of Good Governance for the Economic Environment

Good public sector governance leads to the more efficient use of resources, thereby freeing up fiscal room to lower taxes or increase program spending (e.g., on infrastructure, government services for citizens, etc). Good public sector governance also leads to the effective design and implementation of policies (e.g., tax, competition policy) that directly impacts on the economic environment. Global investors consider factors such as relative tax burdens, quality of infrastructure, low corruption, and quality government services (if they intend to relocate) in respect of foreign direct investment decisions. In these ways, economic growth and living standards are enhanced.

**2. Please give your recommendations on the possible future courses of the APEC structural reform initiatives in your FotC area.**

The post-LAISR agenda should include public sector governance as a FotC theme due to the large role the public sector plays in our economies, the strong link between good public sector governance and the economic environment, the differences in development among APEC economies, and the continually evolving reforms from which each economy can learn a great deal.

# Strengthening Economic and Legal Infrastructure (SELI)

**1. What do you think are the key findings from structural reform initiatives undertaken by APEC (e.g. AEPR, seminars, training courses, surveys, checklists) and by APEC economies in your FotC area? Please discuss their actual or anticipated implications, if immediately apparent, for the improvement of the economic environment and the flow of trade and investment in the APEC region.**

Good economic and legal infrastructure promote flow of trade and investment because companies can have confidence in doing business including trade and investment if economic and legal infrastructure are solid and stable.

SELI's past activities contributed to:

- increase awareness of the importance of economic and legal infrastructure to the efficient operation of markets;
- promote a better understanding of practical measures to strengthen economic and legal infrastructure, including mechanisms for reviewing existing and proposed laws, regulations and policies, fighting corruption and ensuring transparency; and
- build capacity to enhance laws, regulations and procedures related to economic and legal infrastructure, including corporate restructuring, mergers and acquisitions and corporate accounting systems.

## Past activities

APEC Symposium on Economic Legal Infrastructure (2000, 2002) focused on how the economies would support developing members to strengthen their fragile economic systems that helped deepen the impact of the 1997-1998 Asian Crisis.

APEC Academic Conference on Competition Policy and Economic Development (2002) reviewed the development at that time of the draft competition law in China, to share experiences of various economies in competition law and its enforcement, and to identify issues and problems in further developing institutions and enforcement of competition law.

Seminars on Intensive Training on Commercial Laws (2002-2003) were held in Viet Nam, the Philippines, China, Indonesia and Thailand as a contribution to the Capacity and Institutional Building work program.

Study on Debt Collection Litigation/ Arbitration in APEC Economies (2003) identified how debt collection procedures are functioning as part of the economic legal infrastructure in APEC member economies.

Workshops on Fighting Corruption and Ensuring Transparency, and Strengthening Private Commercial Arbitration and Dispute Resolution (2006) were aimed at improving the technical expertise of officials, and at officials with specific technical expertise, and covered issues such

as effective dispute avoidance and best practices in solving international commercial disputes through mediation and arbitration.

Seminar for Sharing Experiences in APEC Economies on Strengthening the Economic Legal Infrastructure (2007), we confirmed that APEC has played an important role in strengthening the economic legal infrastructure in the Asia-Pacific Region since this region was faced with the Asian Economic Crisis at the end of the 1990s. Viet Nam has been one of the major beneficiary economies of capacity-building in the economic legal infrastructure to move forward to market-oriented economic reform and to tackle the economic crisis.

Capacity-Building Workshop on Combating Corruption Related to Money Laundering (2007) with topics including International Mechanisms and Legal Obligations, Preventive Measures, Institutional and Other Measures to Combat Corruption, then shared Experiences and Case Studies within economies.

Seminar on International Alternative Dispute Resolution (ADR) Mechanisms (2007) included discussions on several international instruments, such as (1) the 1958 United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards, (2) The United Nations Commission International Trade Law (UNCITRAL) Model Law on International Commercial Conciliation, (3) The International Centre for Settlement of Investment Disputes (ICSID) Convention on the Settlement of Investment Disputes, as well as sessions on the ADR and Capital Markets, and recognition and enforcement of ADR awards.

Free Access to the law of APEC developing economies in Asia, and Cambodia (2007-) Asian Legal Information Institute (AsianLII) has 202 databases from 28 Asian economies and territories via the “Free Access to Law Movement (<http://www.worldlii.org/worldlii/declaration/>)”

Study of Cross-border Mergers and Acquisitions in APEC and their Implications for Exports, foreign direct investment (FDI) and growth (2008) was conducted to achieve four objectives: (i) examine the pattern of cross-border M&As within APEC, (ii) analyze how cross-border M&As affect international trade and FDI, (iii) analyze how cross-border M&As affect economic growth, and (iv) discuss the possible policy implications.

<p><b>2. Please give your recommendations on the possible future courses of the APEC structural reform initiatives in your FotC area.</b></p>
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Based on the SELI’s 2009 survey result, Bankruptcy Law and Insolvency Law appears to be getting attention from most of the developing economies in terms of addressing financial turmoil and “Getting credit”; and developing economies are interested in dispute settlement mechanisms such as Alternative Dispute Resolution (ADR).

Commercial and Corporate Law and Competition Law and Policy seem to remain the principal areas with a desire for a greater focus on facilitating corporate restructuring and “Starting a business”; the activities of these fields could be interacted with other FotCs’.

Relating to the comprehensive long-term growth strategy to be formulated in 2010, structural reform is supposed to be one of the main policy approaches/methodologies in materializing the strategy. As one of the structural reform areas, SELI can contribute to the growth agenda.

# Competition Policy and Law Group (CPLG)

**1. What do you think are the key findings from structural reform initiatives undertaken by APEC (e.g. AEPR, seminars, training courses, surveys, checklists) and by APEC economies in your FotC area? Please discuss their actual or anticipated implications, if immediately apparent, for the improvement of the economic environment and the flow of trade and investment in the APEC region.**

The key findings from structural reform initiatives undertaken by APEC include:

- Promoting competition policy and enactment/reinforcement of competition law are one of the key elements of structural reform.
- Establishment of appropriate, comprehensive competition law and vigorous enforcement of the law are critically important for competition policy.
- Enactment or enhancement of competition law and active law-enforcement are facing challenges especially in developing economies.
- Competition policy and regulatory reform are complementary to each other.
- Promoting competition policy in APEC region is an ongoing process.

**2. Please give your recommendations on the possible future courses of the APEC structural reform initiatives in your FotC area.**

As is described in A-1 above, competition policy is an essential element of structural reform, so it is very important to enhance competition policy in order to accomplish structural reform in the APEC region. While establishment of competition law and vigorous enforcement of the law are critically important for competition policy, enactment or enhancement of competition law and active law-enforcement are facing challenges especially in developing economies.

Among twenty-one APEC economies, several economies do not have comprehensive competition law. Although some of them have been under a process of enacting a competition law for a long time, they are facing challenges and it is not sure whether they can realize the enactment.

Among the remaining economies which have comprehensive competition law, many economies are still in the process of accumulating necessary experiences of enforcing competition law.

Therefore, the APEC structural reform initiatives should furnish member economies, especially economies mentioned above, with appropriate support on establishment and/or enforcement of competition law in the future.

As a training program on competition law/policy, CPLG held a series of five training courses in the past five years (2005-2009). Since the series had been concluded in 2009, the next training

courses as a successor of the series should be launched, and they have already been planned by CPLG as three training courses for the next three year (2010-2012).

As for themes of the training courses, CPLG conducted a survey by sending questionnaires to member economies to identify training priorities. As a result of the survey, competition advocacy, M&A, cartel/bid-rigging and abuse of dominant position are most supported as themes for the training courses by member economies.

We consider that APEC should continue to furnish training programs on competition law/policy in full respect of the views of member economies shown by the survey.

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# Australia

- 1. In which areas of structural reforms have the most significant progress been made in your economy in the past five years? Please describe in what way you think the progress has been significant? Any structural reform activity can be included here, and does not necessarily need to be restricted to the five LAISR themes.**

## Deregulation agenda

The Australian government is committed to reducing the regulatory burden on Australian businesses, non-profit organisations and consumers. As part of this commitment, upon its election in 2007, the government created a new Cabinet portfolio position for Deregulation, the first time that the Australian government has had a dedicated cabinet position for regulatory reform. Responsibility for regulatory reform was also transferred to a central agency of government, the newly named Department of Finance and Deregulation. The government also introduced a number of changes to Regulatory Impact Analysis requirements, including increased scrutiny of new regulatory proposals, a process to remove redundant Acts and regulations and the introduction of Better Regulation Ministerial Partnerships, where the Minister for Finance and Deregulation works with his counterparts to address areas of particular regulatory concern.

The Australian government's Regulation Impact Statement requirements have been extended to agreements or decisions of the Council of Australia Governments (COAG), other Commonwealth-State Ministerial Councils and national standard setting bodies.

The Australian government continues to task the Productivity Commission to conduct reviews to examine the scope for future regulatory reform, to benchmark regulatory compliance across jurisdictions and to measure and report on the regulatory burden on business. The Productivity Commission is the Australian government's independent research and advisory body on a range of economic, social and environmental issues affecting the welfare of Australians. The Productivity Commission has recently conducted reviews on *Chemicals and Plastics Regulation*, the *Regulatory Burden in the Upstream Petroleum (Oil and Gas) Sector* and the *Regulatory Burdens on Business*, with a focus on social and economic infrastructure services.

Australia's regulatory reform agenda has been ambitious. It has provided Australia with a solid foundation in terms of the quality of its institutional frameworks and the level of political commitment to better regulation. However, Australia continues to face challenges in effectively managing the growth in regulation, including by finding methods to better measure both the costs of regulatory burdens and quantifying the benefits of regulation. Removing regulatory costs and barriers to doing business across jurisdictions will remain a high priority for Australia.

## Structural and microeconomic reform

Different rules, laws and regulations by different levels of government in Australia create administrative costs and complexity for business and inhibit the movement of goods, labour and services within the national market.

The Australian government is pursuing a number of structural and microeconomic reforms through COAG. COAG comprises the Prime Minister, State Premiers, Territory Chief Ministers and the President of the Australian Local Government Association. The role of COAG is to initiate, develop and monitor the implementation of policy reforms that are of national significance and which require cooperative action by Australian governments.

COAG's has five priority work streams, including the competition and regulation stream which aims to facilitate a "National Seamless Economy" through the elimination of internal regulatory barriers to the transfer of goods, labour and services within the economy market.

The change in government at Australian government level in 2007 led to a reinvigorated COAG process, the COAG Reform Agenda. COAG identified seven priority areas for its work agenda, one of which is business regulation and competition. The objectives of this work agenda include accelerating and broadening regulation reduction to reduce the regulatory burden on business, further improving processes for regulation making and review and significantly improving Australia's competition, productivity and international competitiveness.

In 2008, COAG agreed to the National Partnership Agreement to deliver a National Seamless Economy agenda, with the Commonwealth committing to fund a National Partnership Payment of \$550 million over the five years from 2008-2009 to facilitate reform priorities. The funding model of the National Partnership Agreement allocates \$100 million in 'facilitation' payments, which recognise net set-up costs and revenue forgone by the States and Territories, and \$450 million in 'reward' payments which are contingent upon completion of key milestones in the Agreement's Implementation Plan.

The Implementation Plan comprises three streams: reducing inconsistent and unnecessary regulation in 27 separate areas; including nationally uniform occupational health and safety laws, a national consumer policy framework, a national trade licensing system, a national system for registering business names, and a national system of consumer credit; eight priority areas of competition reform; and reform of regulation-making and review processes.

Key milestones from the Implementation Plan are already being achieved. In April 2009, an Intergovernmental Agreement was signed on the development of a national licensing system for specified occupations. In July 2009, an Intergovernmental Agreement was signed on the establishment of a national Australian Consumer Law, as well as a further Intergovernmental Agreement covering national business names registration, which will result in lower costs for registering a business. Progress has been made on the development of a National Construction Code and reform of legal professional regulation.

### **Federal financial relations**

Australia's federal relations are characterised by the large expenditure responsibilities of the States and Territories relative to their revenue capacities, so they rely on transfers from the Australian government to finance their activities. As a result, the Australian government makes a number of payments to the States and Territories, including in the areas of health, education, housing infrastructure and community services.

In 2008, COAG agreed to a new financial framework under the *Intergovernmental Agreement on Federal Financial Relations*. The framework commenced on 1 January 2009 and involves significant reforms to the payment structures and conditions of a number of Australian government payments to the States and Territories. The new framework involves a significant rationalisation of the number of payments made, while increasing the overall quantum of payments.

The framework provides clearer specification of the roles and responsibilities of each level of government, so that the appropriate government is accountable to the community. This new model emphasises arrangements which are focused on outputs and outcomes, with an increased emphasis on flexible and innovative service delivery, together with a commitment from the Commonwealth to provide incentive payments to drive reforms through a series of new National Partnership Payments. The framework will also enhance public accountability through simpler, standardised and more transparent performance reporting and reduced administration and compliance overheads through centralised payment administration.

### **Public sector administration**

On 3 September 2009, the Prime Minister of Australia announced the formation of an Advisory Group on Reform of Australian Government Administration. The Advisory Group has been tasked with delivering a blueprint for reform of Australian Government Administration by early 2010. The blueprint will outline steps needed to rejuvenate the Australian public service and enable it to serve the government of the day in addressing the challenges facing Australia in the 21st century.

In developing the blueprint, the Advisory Group will consider reforms to improve the performance of the public service in creating a values-driven culture that retains public trust, generates high quality forward-looking and creative policy advice, delivers effective services focused on the needs of citizens, and does so in a way that is flexible and efficient.

**2. Describe examples of successful reforms and lessons learned in your economy in implementing structural reforms in the five LAISR areas. Please indicate relevant websites or other reference material, preferably those written in English.**

### **Regulatory reform**

As outlined above, Australia is progressing a structural and microeconomic reform program through COAG. One of the reform streams under the National Partnership Agreement to Deliver a Seamless National Economy is to reduce inconsistent and unnecessary regulation in 27 separate areas.

While achieving agreement on reforms between the Commonwealth and the States and Territories has been difficult in the past, it has been successful as a whole under the COAG Reform Agenda. The COAG working groups established to support the seven priority areas for its work agenda are composed of a Minister or Ministers from the Australian government and officials from State and Territory governments. This structure was created to ensure the agenda had sufficient political carriage and support.

State and Territory officials are from central policy agencies, such as the Departments of Premier and Cabinet and Treasuries, which ensures coordinated and centralised support and involvement.

### **Strengthening Economic and Legal Infrastructure**

Australia's competition and consumer policy laws are contained in the *Trade Practices Act 1974 (TPA)*. On 10 November 2008, Parliament passed the *Trade Practices Legislation Amendment Act* which strengthened and further clarified the misuse of market power provisions under section 46 of the TPA. Amongst other things, this Act clarified the term 'take advantage'

used in section 46; provided additional guidance in relation to the concept of recoupment in predatory pricing cases; and extended the Federal Magistrates Court's jurisdiction to hear section 46 cases.

On 15 June 2009, Parliament passed the *Trade Practices Amendment (Cartel Conduct and Other Measures) Act* (the Cartels Act) to criminalise serious cartel conduct. The Cartels Act came into effect on 26 June 2009. It prohibits a person from making, or giving effect to, an agreement between competitors that contains a provision to fix prices, restrict outputs, divide markets or rig bids. The Cartels Act established criminal penalties for individuals of a 10-year jail term and/or a fine of \$220,000; and for corporations, the greater of \$10 million, three times the benefit obtained from the prohibited behaviour, or 10 percent of annual turnover.

Further information about COAG can be found at <http://www.coag.gov.au>

Further information about the Australian government's regulatory reform agenda can be found at <http://www.finance.gov.au>

Further information about the *Trade Practices Act 1974* can be found at <http://www.accc.gov.au>

The Trade Practices Legislation Amendment Act can be found at <http://www.comlaw.gov.au/ComLaw/Legislation/Act1.nsf/0/D89FE1186E8F9CA8CA25750B0076CFBB?OpenDocument>

The Cartels Act can be found at <http://www.comlaw.gov.au/ComLaw/Legislation/Act1.nsf/0/02684FF95442BF72CA2575EC0017387D?OpenDocument>

**3. What in your economy's experience are the keys to the success of reform? (e.g. leadership, institutional framework, communication strategy, consultation process) What are the factors, if any, that impeded reform? What lessons can we learn from your experience?**

In order to be successful, the creation of the COAG Reform Agenda required support from the highest levels of government. The reform agenda was agreed jointly between the Australian Government and the States and Territories, which allowed for national coordination and agreement on the nominated reforms and buy-in and support from all parties.

Through its previous experience with the National Competition Policy reforms which began in 1995, the Australian government recognised the importance of creating incentives for reforms. The 1995 National Competition Policy payments were the means by which gains from reform were distributed throughout the community. The payments recognised that, although the States and Territories were responsible for significant elements of the National Competition Policy, much of the direct financial return accrued to the Australian government via increases in taxation revenue that flow from greater economic activity, which the reforms helped generate.

As a result of Australia's success with the 1995 reforms, the COAG Reform Agenda created a new series of payments, the National Partnership Payments, as a mechanism to drive reforms and improve service delivery standards. The National Partnership Payments will be made either *ex ante* to support the delivery of specified outputs and projects and facilitate reforms, or *ex post* to reward those jurisdictions that deliver on economy significant reforms.

The reward payments are intended to be structured in a way that encourages the achievement of ambitious performance benchmarks. For example, if timely implementation of a service or project is paramount, then a reducing scale of payments may be made for performance benchmarks met after the specified delivery date. Graduated performance benchmarks could also be provided so that a State may receive some proportion of total available funding for an activity where it has not fully achieved the reform or project delivery performance benchmarks but has partially attained the agreed benchmarks. Eligibility for reward payments will be assessed by the independent COAG Reform Council to ensure transparency and enhance accountability in performance assessment. These principles will encourage timely and ambitious achievement of reforms and ensure all parties are accountable. The achievement of the performance benchmarks is to be assessed annually for the Commonwealth and each State and Territory, with the Commonwealth providing the reward payments based on the COAG Reform Council's advice.

**4. What are the impacts, both positive and negative, of the reform on the economy and the flow of trade and investment? Please provide data or statistics where available.**

Australia remains committed to 'across the border' trade and investment liberalisation both multilaterally, through the Doha round of WTO negotiations, and bilaterally through free trade agreements (FTAs). FTAs promote stronger trade and commercial ties between participating economies and open up opportunities for Australian exporters and investors to expand their business into key markets. Australia is also pursuing the informal removal of trade barriers through the 'behind the border' structural reforms of the COAG reform agenda. These reforms will increase the competitiveness of Australian exporters in global markets and make Australia a more attractive place to invest.

The Productivity Commission, as the Australian government's independent research and advisory body is tasked with examining performance of microeconomic reform. The Productivity Commission's work covers all levels of government and all sectors of the economy, as well as social and environmental issues. Its role, expressed simply, is to help governments make better policies in the long term interest of the Australian community. The Productivity Commission conducts public inquiries on key policy or regulatory issues bearing on Australia's economic performance and community wellbeing and undertakes a variety of research at the request of government.

The Commission has estimated in its review of National Competition Policy that the observed productivity and price changes in key infrastructure sectors (electricity, gas, urban water, telecommunications, urban transport, ports and rail freight) in the 1990s, to which National Competition Policy and related regulatory reforms directly contributed, increased Australia's GDP by 2.5 percent or \$20 billion.

The Commission has further estimated that the National Reform Agenda competition and regulation reforms had the potential to deliver an increase in GDP by around 1.75 percent after 10 years, and in the human capital stream, could add almost 9 percent to GDP after 25 years.

The current COAG reform agenda is aimed at achieving 'behind the border' reforms to boost productivity, workforce participation, geographic mobility, and support wider objectives including better services for the community, social inclusion, closing the gap on Indigenous disadvantage and environmental sustainability.

The Productivity Commission is to report to COAG on the economic impacts and benefits of COAG's agreed reform agenda every two to three years. The benefits from COAG's reform agenda are yet to be realised as the reforms are only partially completed and the benefits from the reforms will play out over a number of years. In addition, the global economic downturn is likely to postpone the full realisation of these benefits until the economy recovers.

Once the Australian economy returns to a normal economic operating environment, it is anticipated that these reforms will reduce the regulatory burden on business, increase the efficiency and allocation of resources in the economy, reduce administrative waste in government policy, improve government accountability and increase the effectiveness of government service delivery to Australian citizens. The result of these outcomes is expected to be a sustained increase in Australia's productivity growth over the long term.

To the extent the reforms dismantle barriers to entry from international markets, investment and trade in Australia will increase, both as demand for internationally competitive Australian goods and services increases, and increased demand from Australians in a growing economy accessing goods and services internationally.

**5. In what ways can APEC better promote structural reform in the region? What would be some possible next steps beyond 2010 based on the achievement of the LAISR process?**

Because the LAISR agenda is broad based, there is a risk that APEC's enthusiasm to nominate new ideas and expand its agenda will lead to too many objectives and reforms being pursued simultaneously, resulting in a dilution in focus, reform fatigue, stretched economy resources, and an inefficient allocation of resources away from the highest reform priority areas.

The nature of structural reform is that the benefits take a substantial period of time, resources and political support to implement, and there is an even longer time horizon until the benefits are realised. As a result, sustained commitment to APEC's structural reform agenda will be required, matched with sufficient resources to assist economies through the process. While there needs to be sufficient flexibility to change the priority areas as economic circumstances change, the continual addition of new projects and priorities risks diluting the focus of the Economic Committee. This could be addressed by an annual reaffirmation of the high priority reform areas, and a commitment for any additional projects/working groups to sunset one year after commencement. The high priority areas should then be agreed on a three to five year basis, with projects, surveys and capacity building flowing from these high level priorities.

The LAISR's five streams proved to be successful in framing the 2010 agenda, and new APEC structural reform priorities should be similarly limited to no more than five. Each priority areas should be accompanied by a descriptive statement on the policy area it intends to cover, and be distributed widely throughout APEC to ensure uniform understanding. A cohesive understanding and approach throughout APEC to the structural reform priority areas will improve potential outcomes.

Similar to the LAISR agenda, many of the structural reforms occur 'behind the border'. In this regard, efficient, open and competitive markets are a logical objective of behind the border reforms. This will be particularly timely as economies unwind their efforts to provide stability and support for domestic industries under the global economic crisis, and return, or develop towards, viable and prosperous private markets.

# Brunei Darussalam

**1. In which areas of structural reforms have the most significant progress been made in your economy in the past five years? Please describe in what way you think the progress has been significant? Any structural reform activity can be included here, and does not necessarily need to be restricted to the five LAISR themes.**

The government of Brunei Darussalam views good governance as essential to achieving prosperity, harmony and stability as well as sustainable progress and economic development. It aspires to continuously improve its governance in order to be at par with other economies and to remain competitive.

In ensuring good governance, modernising the civil service has always been the top agenda of His Majesty's government. His Majesty always stresses that the civil service should always be efficient, effective, innovative, competitive, productive and proactive as well as customer focused and friendly.

For this purpose, the government has launched its Civil Service Vision of the 21st century which is to make the Civil Service of Brunei Darussalam as an organisation that promotes continuous development and continuously striving for excellence in its own way and in a healthy environment.

The vision provides a platform to shape the future of the civil service as well as to give direction and focus in order to strengthen as well as to consolidate all efforts to improve and to reform the Civil Service for the well-being and prosperity of the people of Brunei Darussalam. It also provides guidance for Ministries and Departments in planning their activities which in the long run is hoped to create an excellent Civil Service.

The vision has emphasized several goals such as on commitment, quality, effectiveness, excellence, and moral ethics in the Civil Service of the economy. Besides continuing its traditional role to maintain peace, enforce law and order, as regulator and service provider, the civil service itself has to focus on a more strategic role such as facilitator, developer, innovator and thinker.

The vision focuses on three areas namely policy, organisational structure and organisational behaviour. Good policies are very crucial in the nation's development; the civil service should reassess them from time to time to meet the aspiration of the nation while human resources should be efficient, innovative, skilled, qualified as well as motivated in performing their tasks and responsibilities. In ensuring its effectiveness, the right infrastructure should be in place. This will enhance the capacity of the organisation in meeting the challenging demand of its customers.

**2. Describe examples of successful reforms and lessons learned in your economy in implementing structural reforms in the five LAISR areas. Please indicate relevant websites or other reference material, preferably those written in English.**

E-Government has emerged as a key element in any policy of modernising government and other institutions of public governance and service provision. The government has launched the e-Government strategic plan 2009-2014 that addresses the needs of its three major stakeholders namely the citizen, industry and the government. It is aligned with the national vision of “Wawasan 2035” and harmonised with the agenda of the proposed Ministry of Communication’s E-Strategy of Brunei Darussalam as well as the Civil Service 21st Century Vision. The government seeks to deliver and follow the “EG21 Governance and Services Online” with its vision of the public sector services being “an e-smart government in line with the 21st century Service vision.

The implementation of the e-Government aims to promote more efficient government by allowing better delivery of public services, improved access to information and increased accountability of government to its citizens.

The e-Government Program Executive Committee (EGPEC) is the advisory and consultative body to the Brunei Information Technology (BIT) Council for the development and implementation of the e-Government programs listed in the e-Government Strategic Framework for Action 2001-2005.

In the e-Government framework, a number of strategic IT projects have been identified for consideration and implementation by the relevant ministries. These include the integrated government wide Treasury Accounting and Financial Information System (TAFIS), Human Resource Management (HRM), Labour Exchange, Common Office Environment (COE) and Multipurpose Smart Card (MSC).

In addition, other flagship applications under consideration also include e-Health, e-Education and MukimNet with the aim to provide convenient and online services to the citizen. Besides providing ICT facilities to the ordinary citizens in the villages, MukimNet will also serve business development functions offering opportunities for the unemployed graduates to be engaged for its operations. MukimNet has been proposed to be funded partly by the government and the private sector especially in the infrastructure aspect.

Please visit <http://www.e-government.gov.bn> for more information.

**3. What in your economy’s experience are the keys to the success of reform? (e.g. leadership, institutional framework, communication strategy, consultation process) What are the factors, if any, that impeded reform? What lessons can we learn from your experience?**

Promotion of awareness is an important factor in achieving a particular reform vision. Beside this, as to sustain the success of reform, it requires initiatives from various parties and supportive policies which include leadership, institutional framework, communication strategy, consultation process. Furthermore, advocacy mechanism is also imperative to the success of any new reform to ensure the acceptance of any changes and cooperation by all stakeholders.

**4. What are the impacts, both positive and negative, of the reform on the economy and the flow of trade and investment? Please provide data or statistics where available.**

The impacts of the current initiatives on the flow of trade and investment are still being observed and studied.

**5. In what ways can APEC better promote structural reform in the region? What would be some possible next steps beyond 2010 based on the achievement of the LAISR process?**

APEC continues to be a platform for promoting structural reform in the region. Among the initiatives that can be considered by APEC may include the support for more capacity building activities and fostering collaborations with other APEC and non-APEC fora.

In developing the future work programmes for future capacity building activities, it will be beneficial for APEC to provide diverse contents taking into account the different levels of economic development of APEC economies.

# Canada

**1. In which areas of structural reforms have the most significant progress been made in your economy in the past five years? Please describe in what way you think the progress has been significant? Any structural reform activity can be included here, and does not necessarily need to be restricted to the five LAISR themes.**

Since putting its macroeconomic fundamentals in order in the 1990s, the government of Canada has been able to better concentrate on structural reforms designed to make Canada's economy more competitive. The current framework for this process is *Advantage Canada* – Canada's economic plan, introduced in November 2006. *Advantage Canada* has the following five components:

- (i) Tax Advantage – Reducing taxes for all Canadians and establishing the lowest tax rate on new business investment in the G7.
- (ii) Fiscal Advantage – Eliminating Canada's total government net debt by 2021.
- (iii) Entrepreneurial Advantage – Reducing unnecessary regulation and red tape and increasing competition in the Canadian marketplace.
- (iv) Knowledge Advantage – Creating the best-educated, most-skilled and most flexible workforce in the world.
- (v) Infrastructure Advantage – Building the modern infrastructure it requires.

As mentioned in the 2009 Federal Budget, over the previous three years, the government has implemented significant elements of *Advantage Canada*, including:

- reducing taxes on individuals, families and businesses by an estimated total of \$220 billion over the period of 2006 to 2014
- reducing corporate income taxes so that Canada will have the lowest statutory corporate tax rate in the G7 by 2012 and the lowest overall tax rate on new business investment in the G7 by 2010
- reducing the federal debt by \$37 billion
- introducing a federal science and technology strategy and new investments in people, equipment and research
- investing in education and training, including long-term support of postsecondary education and a modernized Canada Student Loans Program
- streamlining Canada's immigration system to better respond to the needs of the Canadian labour market
- enhancing and expediting infrastructure funding.

**2. Describe examples of successful reforms and lessons learned in your economy in implementing structural reforms in the five LAISR areas. Please indicate relevant websites or other reference material, preferably those written in English.**

The LAISR priorities interface with two components of *Advantage Canada*: Entrepreneurial Advantage (i.e., regulatory reform, competition policy, corporate governance) and Fiscal Advantage (i.e., public sector governance). The most significant structural reforms in recent years in Canada in the areas of regulatory reform, competition policy, corporate governance and public sector governance are indicated below.

### **Regulatory Reform**

The 2007 Federal Budget moved to create a performance-based regulatory system based on three elements. First was the Cabinet Directive on Streamlining Regulation (CDSR), which came into effect on 1 April 2007, introducing new requirements for regulatory departments and agencies regarding the preparation of regulatory proposals, including enhanced international regulatory cooperation, performance measurement and evaluation, service standards, and more robust cost-benefit analysis (see: <http://www.reglementation.gc.ca/directive/directive00-eng.asp>). Second was the creation of the Major Projects Management Office to provide a single point of entry into the federal regulatory process for large natural resource projects (see: <http://www.mpmo-bggp.gc.ca/index-eng.php>). Third was the Paper Burden Reduction Initiative, designed to reduce the administrative and paper burden on small business resulting from government rules and regulations by 20 percent by November 2008 (see: <http://reducingpaperburden.gc.ca/epic/site/pbri-iafp.nsf/en/Home>).

### **Competition Policy**

The 2009 Federal Budget introduced significant amendments to the *Competition Act*, which were designed to modernize it and bring it more closely in line with the competition laws of Canada's major trading partners (see [http://www.cb-bc.gc.ca/eic/site/cb-bc.nsf/eng/h\\_03036.html](http://www.cb-bc.gc.ca/eic/site/cb-bc.nsf/eng/h_03036.html)). The amendments responded to recommendations made by the independent Competition Policy Review Panel, which the government set up in July 2007 to review Canada's competition and foreign investment laws and policies with a view to improving Canada's productivity and competitiveness. The Panel's final report of June 2008 had recommended that the *Competition Act* be amended to include: reforms to the merger review process; amendments to the conspiracy provisions; the introduction of financial penalties for abuse of dominance; and the repeal of various industry-specific and pricing practices provisions. The amendments came into force on 12 March 2009 (with the exception of reforms to the conspiracy provisions, which come into force on 12 March 2010).

### **Corporate Governance**

In 2005, the Canadian Securities Administrators (CSA), an umbrella organization of provincial and territorial securities regulators in Canada, established national policies and instruments that provide guidelines and disclosure requirements for publicly traded companies with the intent of improving corporate governance using a "comply or explain" regime (see: <http://www.osc.gov.on.ca/en/14206.htm>). The process responded to a series of corporate and accounting scandals in the early part of the decade and was informed by a thorough and transparent consultation process. In 2009, the CSA published proposed policies and instruments that would replace the current ones, with a particular focus on enhancing the standard of corporate governance and confidence in Canadian capital markets. The proposed regime would move away from the "comply or explain" requirements to a principles-based approach.

Publicly-traded companies would be required to disclose the practices they use to achieve nine core principles. The CSA is in the process of analysing the comments received during the consultation period (see <http://www.osc.gov.on.ca/en/24538.htm>). No decision has yet been made with respect to the proposed changes.

### Public Sector Governance

The government of Canada has introduced a variety of initiatives over the past five years in order to improve its principles-based, risk-sensitive, results-focused management regime. These include: Expenditure Management System (EMS) Renewal (2006) (see: <http://www.tbs-sct.gc.ca/media/nr-cp/2009/0206a-eng.asp>), systematically subjecting all government programs to ongoing Strategic Reviews to ensure they remain focused on results, provide value for money and are aligned with current priorities; the Federal Accountability Act (2006), designed to put greater accountability and transparency in government operations (see <http://www.faa-lfi.gc.ca/index-eng.asp>); Public Service Renewal (2007), aimed at improving human resource management (see: <http://www.tbs-sct.gc.ca/chro-dprh/ren-eng.asp>); the Web of Rules Initiative (2008), intended to eliminate ineffective and unnecessary rules and reducing the reporting burden (see: <http://www.tbs-sct.gc.ca/reports-rapports/wr-lr/index-eng.asp>); and Grants and Contributions Reform (2008) to make grants and contributions programs more fair, cost-effective and efficient (see: <http://www.tbs-sct.gc.ca/gcr-esc/docs/2008/ragcp-rapsc-eng.asp>).

**3. What in your economy's experience are the keys to the success of reform? (e.g. leadership, institutional framework, communication strategy, consultation process) What are the factors, if any, that impeded reform? What lessons can we learn from your experience?**

The success of a structural reform initiative is often owing to the fact that recommendations underpinning the reform are made by an independent organization of experts appointed by the government – esteemed individuals in whom the population in general can place their trust. For example, in formulating its new regulatory policy (i.e., the CDSR), the government drew from the recommendations made by the External Advisory Committee on Smart Regulation. As another example, in establishing its March 2009 amendments to the *Competition Act*, the government was guided by the recommendations made by the Competition Policy Review Panel.

Another key aspect to the success of a structural reform initiative is a thorough, transparent and wide-ranging consultation process that includes all stakeholders and interested members of the Canadian public. Consultations provide legitimacy, buy-in and ownership to the reform process. They should typically be an integral part of the work carried out by the independent organization of experts appointed by the government, with the views obtained to be used to inform its recommendations along with rigorous evidence-based research.

Once the independent organization of experts has consulted widely and has established and conveyed its recommendations to the government, leadership at senior bureaucratic and political levels becomes instrumental in ensuring that the recommendations inform a set of official policy proposals that will eventually come into force.

In implementing a new policy, guidance and outreach provided by the government to stakeholders and the public is critical to ensure that they understand it and the obligations associated with it. For example, the March 2009 amendments to the *Competition Act*, were accompanied by guideline documents, including: *A Guide to Amendments of the Competition*

*Act*, draft *Competitor Collaboration Guidelines* (for public consultation), and *Merger Review Process Guidelines*. Additionally, the Bureau organized an economy-wide outreach program to educate consumers, business people and other stakeholders about the new amendments.

Finally, the government must also ensure that it has built the necessary internal capacity, as required, to properly implement the new policy. For example, the new regulatory policy (i.e., the CDSR) has included the establishment of the Centre of Regulatory Expertise (CORE) to provide expert advice and services to regulatory departments and agencies in order to enable them build their internal capacity. Specific expertise is provided in the areas of cost-benefit analysis, performance measurement, risk assessment, and regulatory impact assessment in general. This advice has been provided at a much lower cost than if each department and agency were to have contracted with the private sector.

**4. What are the impacts, both positive and negative, of the reform on the economy and the flow of trade and investment? Please provide data or statistics where available.**

Generally the aforementioned structural reforms are sufficiently new that it is too early to assess their economic impacts, if indeed it is possible to assess them in a measurable way. An exception within public sector governance reform is the Strategic Reviews. The first two rounds of Strategic Reviews, which covered 38 federal organizations and approximately 45 percent of direct program spending, identified aggregate ongoing savings from low-priority existing programming of almost \$1 billion (US\$950 million) that were reallocated to higher priority programming. The results were reported in the 2008 and 2009 Federal Budgets.

**5. In what ways can APEC better promote structural reform in the region? What would be some possible next steps beyond 2010 based on the achievement of the LAISR process?**

### **Regulatory Reform**

One of the key challenges of assessing the success of regulatory reform is determining its overall impact on the economy and the environment. Hence the development of indicators of regulatory quality can help economies learn from the past and advance new regulatory reform strategies. Canada is encouraged by ongoing work at the OECD in this area, and views APEC as a forum that can also play an important role.

### **Competition Policy**

Next steps beyond 2010 could include:

- promoting the convergence of competition laws in APEC economies in order to minimize costs to business and provide increased stability and certainty;
- supporting the adoption in APEC economies of the International Competition Network's recommended practices; and
- promoting ongoing cooperation between competition enforcement agencies to ensure effective cross-border enforcement and assisting newer agencies in capacity building in order to support enforcement convergence.

# Chile

**1. In which areas of structural reforms have the most significant progress been made in your economy in the past five years? Please describe in what way you think the progress has been significant? Any structural reform activity can be included here, and does not necessarily need to be restricted to the five LAISR themes.**

Capital market reforms have made overarching progress over a number of LAISR themes, including Regulatory Reform, Competition Policy, and Strengthening Economic Legal Infrastructure. A continual process of legislative and administrative reforms has allowed the Chilean capital market to develop and have left the economy in a privileged position to confront the challenges of increasingly complex and dynamic global markets.

**2. Describe examples of successful reforms and lessons learned in your economy in implementing structural reforms in the five LAISR areas. Please indicate relevant websites or other reference material, preferably those written in English.**

## Capital Market Reforms

Since 1994 and through to the recent reforms known as MKII and MKB, Chile has achieved important progress in the management of investments, market discipline, savings incentives for individuals, and competition in the financial system.

In June 2007, the Second Capital Market Reform (MKII) entered into force. This reform was structured based on three main objectives: first, to encourage the development of venture capital industry; second, to strengthen safety standards in the financial market; and third, to promote financial market development.

As for promoting venture capital industry, MKII established, among other measures, a tax exemption on capital gains from the sale of shares of venture capital, thus benefiting all those entrepreneurs, angel and seed investors willing to enter into that kind of firm.

Regarding the objective of providing better safety standards in the financial market, MKII set higher demands on custody of securities, established the need for executives of brokerage to certify sufficient knowledge, and strengthened the auditing power of the Superintendency of Securities and Insurance (SVS) over cases of insolvency or financial weakness of the institutions under its supervision. Similarly, MKII legally established the principle of immunity from seizure for debt securities in custody of the intermediary and established, for the latter, the obligation to keep separate accounts of self-owned securities and of securities held for others.

Finally, in terms of financial market development, the reform empowered the SVS to authorize the issuance of insurance policies in Chilean pesos and extended the range of investments representing technical reserves and risk capital for insurance companies. Perhaps one of the most notable measures of the MKII reforms is the demutualization of stock exchanges, which constitutes the foundation of a strong policy of innovation, integration and stock market development.

Finally, MKII introduced a number of changes to the legal statute that regulates the supply of foreign securities in Chile, commonly known as off-shore. These changes ease the requirements and conditions required for registration and subsequent public offering of such securities, and allow them to be registered not only by their issuers, but now also by brokers, securities dealers or stock exchanges themselves.

MK Bicentenario (MKB), a major Capital Market Reform put forth under the current administration, of President Sebastian Piñera, defines four strategic objectives: The International integration of Chile's financial market; a regulatory framework that fosters innovation and entrepreneurship; the adoption of best international practices on competition, supervision and transparency; and to advance the financial system both in terms of depth and liquidity. To achieve this, the Reform defines seven distinct pillars:

**I. Tax Framework:** In order to promote the development of new products and markets, and to foster the export of financial services and the participation of external agents, MKB will create a clear, simple and competitive regulatory framework for the fixed-income, derivatives, and financial services markets.

**II. Consumer Protection:** In order to allow more people to access the financial market and on better terms, the Reform will create a National Financial Consumer Service that will: Extend consumer protection from lending to other financial services; reduce regulatory disputes and focus regulation on the products and services supplied rather than the supplier; and reduce asymmetry in access to information.

**III. Financial System Solvency and Risk:** In view of the recent international financial crisis, the reform will make improvements to the General Bank Law and the regulation of insurance companies. These will seek to reduce cyclical variations in credit supply (through the use of provisions) and make the system more secure in terms of solvency and liquidity.

**IV. Information and Transparency:** In order to have a market that is integrated, competitive and provides proper consumer protection, MKB will seek to foster transparency and correct price formation. To this end, the reform proposes to integrate of local stock exchanges with others of the region; to increase price information in the foreign exchange market; to certify financial professionals; and to prevent the use of market-sensitive information.

**V. Institutional Development:** The market's institutional framework requires modernization in several areas. In particular: Strengthening the governance of the stock market regulator (SVS), moving towards a Securities Commission; increasing the autonomy for the bank regulator (SBIF); and reforming the Bankruptcy Law.

**VI: Capital Markets at the Service of the Middle Class and SMEs:** The reform seeks to improve the access to a wider range of saving and financing options for individuals and SMEs. To this end, MKB will implement measures to increase bank penetration and encourage families to save; reduce the cost of public offering; and create new incentives for innovation and venture capital, eventually introducing a new Investment Fund Law.

**VII: New Markets and Cheaper Financing:** The Reform aims to see the development of new markets and products that create cheaper financing alternatives. In particular, MKB will develop the market for high-yield instruments; analyze possible incentives for this industry's incorporation into the stock market; identify ways to improve the access of small businesses to exchange-rate hedging; and study a new legal framework for micro-credit institutions and, eventually, niche banks.

## Public Sector Governance

On April 20, 2009, the Law of Transparency came into force. Its purpose is to regulate (1) the principle of transparency in the public sector, (2) the right of access to information of Public offices, (3) the procedures for the practice of law, and (4) exceptions to the disclosure of information.

With this Law, the various departments of the State will not only have to publish on paper or on their websites all the information regarding their composition and activities, but will also have to timely respond to requests for specific information made by any citizen.

In case of failure to comply with reporting requirements, citizens may report public services before the Council for Transparency, an entity created by this Law as an autonomous body with supervisory and sanctioning powers, which will ensure compliance with the standard and apply the corresponding sanctions.

**3. What in your economy's experience are the keys to the success of reform? (e.g. leadership, institutional framework, communication strategy, consultation process) What are the factors, if any, that impeded reform? What lessons can we learn from your experience?**

There is no one sufficient condition to the success of reform and surely all the cited examples of leadership, institutional framework, communication strategy, consultation process are important. However, our recent experience points to the additional importance of international norms and benchmarks. Take two examples:

First, as part of the accession process to the OECD, Chile had to make substantive improvements in Corporate Governance in order to comply with best international practices in this field. In fact, as from 1 January 2010, a new law on corporate governance was enacted drawing on the guidelines of the OECD and other standards. Thanks to this law, important regulatory changes have taken place: companies must now disclose greater information both to their own shareholders and to the auditing regulators; oversight of markets is now more adequate; and minority shareholders are better protected.

Secondly, international benchmarks such as those defined by the Doing Business Report have helped identify areas where burdensome administrative procedures are currently undermining Chile's international competitiveness and have thus helped trigger important reforms. For instance, the Sistema Integrado de Comercio Exterior (SICEX) is a new project that will implement the Single Window for International Trade, and thereby reduce barriers to "Trading Across Borders." Also, the government has recently announced a project to decrease costs for "Starting a Business" to US\$20, and the time required to one day.

**4. What are the impacts, both positive and negative, of the reform on the economy and the flow of trade and investment? Please provide data or statistics where available.**

The "Estado de la Hacienda Pública" is a comprehensive yearly report that presents the economic performance, reviews implemented structural changes, and further draws the roadmap for future economic policy. The 2010 publication defines the roadmap for Chile to growth at an average annual rate of 6 percent in future years; to create an average 200,000 new

jobs each year (2010-2014); to elimination extreme poverty by 2014; and sets the foundations for totally defeating poverty and become a developed economy by 2018.

The “Estado de la Hacienda Pública” publications from 2006 through 2010 can be found at: [http://www.minhda.cl/documentos/estado\\_de\\_la\\_hacienda\\_publica.php](http://www.minhda.cl/documentos/estado_de_la_hacienda_publica.php)

**5. In what ways can APEC better promote structural reform in the region? What would be some possible next steps beyond 2010 based on the achievement of the LAISR process?**

One way in which APEC could better promote structural reform in the region is by facilitating a work dynamic of collaboration through which civil servants from economies committed to undertaking particular structural reforms could visit and learn from their peers in economies with a leading experience in the field.

This “field trip” work dynamic would complement the traditional APEC workshops as it would cater to civil servants that need in-depth and customized information that cannot be typically shared on workshops intended for a broader audience.

The “field trip” work dynamic has been useful for Chile in the design of its Single Window for International Trade (see above), whereby Chilean authorities have visited and learned from leading economies in the field, and acquired an understanding that compliments that gained through EoDB Phase 1 and 2 initiatives.

We envision the possibility that APEC economies with particular expertise on given areas could offer to host customized and well-designed visits for interested economies on an individual basis. Such field trips could include meetings with top officials, visits to relevant governmental organizations and academia. Chile, for instance, could potentially host visits for sharing our worldwide recognized expertise on pension reforms, amongst others.

# People's Republic of China

**1. In which areas of structural reforms have the most significant progress been made in your economy in the past five years? Please describe in what way you think the progress has been significant? Any structural reform activity can be included here, and does not necessarily need to be restricted to the five LAISR themes.**

In the past five years, aiming to improve the socialist market economic system, the Chinese government has actively pushed forward structural reforms and made breakthrough in quite a number of key areas, especially in taxation system reform, which can be mainly summarized as follows:

**1. Unification of Corporate Income Tax (CIT) Treatment for Domestic and Foreign-invested Enterprises.** “Unification” has been achieved in four aspects since 1 January 2008 when the new CIT law took effect : a unified CIT law applicable to both domestic and foreign-invested enterprises; a unified and reduced statutory CIT rate (33 percent to 25 percent); unified and standardized pre-tax deduction measures and criteria; unified tax preferential policies.

**2. Accomplishment of Value Added Tax (VAT) Reform.** Since 1 July 2004, a pilot program of VAT reform has been carried out in the northeast area on equipment manufacturing and other seven industries, where the input VAT of the newly purchased equipment can be deducted from the output VAT. Since 1 July 2007, this program has been expanded to the 8 industries of 26 old industrial cities of 6 provinces in central China. Since 1 January 2009, VAT reform has been implemented all over China.

**3. Adjustment of Consumption Taxation Policy.** Since 1 April 2006, the consumption taxation policy has been significantly adjusted in terms of taxable items and tax rates. The items of the consumption tax have been increased from 11 to 14.

**4. Adjustment of Individual Income Tax (IIT).** The IIT law has been revised twice and relevant policies have been adjusted. The threshold of taxable monthly income for wages and salaries earners has been raised from RMB 800 per person to RMB 2000 per person. In addition, the IIT policies on the interest of residents’ savings have been adjusted to lower the interest tax to meet the needs of economic and social development.

**5. Overall Abolition of Agricultural Tax.** In 2003, Anhui Province took the lead to launch the pilot program of agriculture tax exemption. Along with the expansion of this program, the abolition of agricultural tax has been implemented all over China since 2006. Agricultural tax with a history of more than 2600 years in China ultimately came to an end.

The above taxation reforms over the past five years are of great significance to China: the unification of CIT treatment for domestic and foreign-invested enterprises can promote fair competition between market entities; the overall abolition of agricultural tax facilitates the unification of urban and rural tax system; reforms on VAT can help ease enterprises’ burdens and facilitate technological progress and energy saving; the adjustment of IIT and consumption tax policy brings into full play the function of tax system in directing market consumption and regulating income distribution. Generally speaking, through reforms, a tax system has taken shape to better promote scientific development and social harmony. Therefore, the progress in tax system reform is the most significant in the past five years.

**2. Describe examples of successful reforms and lessons learned in your economy in implementing structural reforms in the five LAISR areas. Please indicate relevant websites or other reference material, preferably those written in English.**

Over the past five years, China has carried out structural reforms, in particular regulatory reform, corporate governance, public sector governance, competition policy and strengthening economic and legal infrastructure. Progress and achievements are made in many areas, for example:

- Since 2003, China has successively launched reforms on six state-owned banks, including the Bank of China (BOC), the China Construction Bank (CCB), the Bank of Communications (BCM), the Industrial and Commercial Bank of China (ICBC), the China Development Bank (CDB) and the Agricultural Bank of China (ABC). By adopting joint-venture shareholding system, involving strategic and financial investors and listing in both domestic and overseas stock markets, all the banks have achieved their goals in improving corporate governance, transforming operational mechanisms, strengthening internal risk control, developing financial products, and improving financial services. BOC, CCB, BCM and ICBC have successfully got listed in Hong Kong Stock Market or Shanghai Stock Market. CDB has been transformed from a policy bank to a commercialized joint-venture, commercial one. Through shareholding transformation, ABC has accomplished its financial restructuring and became a joint-stock company.
- Since 2001, Chinese government has initiated reforms on the administrative examination and approval system. In August 2003, the *Administrative Permission Law of the People's Republic of China* was reviewed and approved by the NPC Standing Committee with purpose to restrain the discretion of government, standardize the establishment and implementation of administrative permission, as well as to define guidelines for administrative examination and approval system reforms. By October 2007, the central government had cancelled or modified 1992 items of administrative examination and approval in four batches while over 22,000 such items had been cancelled or modified by provincial governments. More than 50 percent of original items had been cut down nationwide respectively. The provincial governments and 58 central government departments had totally re-examined 25554 bases for the granting of administrative permission, among which 3981 were abolished and 2493 revised; 2389 executive bodies of administrative permission had been re-examined, among which 1932 were retained, 302 cancelled and 71 adjusted. After a series of reforms, the items subject to administrative examination and approval have been greatly reduced in governments at all levels and administrative procedures have been strictly standardized.
- Relevant materials in can be found in the following websites:  
The Central People's Government: <http://english.gov.cn>  
National Development and Reform Commission: <http://en.ndrc.gov.cn>  
Ministry of Commerce: <http://english.mofcom.gov.cn>  
The People's Bank of China: <http://pbc.gov.cn/english>

**3. What in your economy's experience are the keys to the success of reform? (e.g. leadership, institutional framework, communication strategy, consultation process) What are the factors, if any, that impeded reform? What lessons can we learn from your experience?**

Reform is a complicated and systematic task. In China, the keys to the success of reform include: taking a market-oriented direction and pushing forward reform in a gradual and orderly manner, making breakthrough in key areas, properly handling the relationship between reform, development and stability, and the relationship between efficiency and equity, top leaders and governments high attention, setting up dedicated institutions, launching extensive investigations and research to and soliciting opinions from all sectors of the society, making decisions scientifically, issuing supportive measures, providing financial resources, carrying out pilot programs, making reform-related explanation and publicity where necessary, etc.

Take the health care system reform which is now underway for an example. In June 2006, the Chinese government decided to deepen the reform of medical and health care system and then set up a working group. The working group and its entrusted institutions such as the World Health Organization and Peking University launched extensive study and research. It also opened online call for proposals. On this basis, the *Opinions on Deepening the Reform of the Medical and Health Care System* (hereinafter referred to as the *Opinions*) was drafted and then reviewed at the executive meetings of the State Council twice respectively in February and September of 2008. Premier Wen Jiabao, Vice Premier Li Keqiang and other state leaders personally went down to grass-root units and convened symposiums to solicit opinions and suggestion. Upon the request of the State Council, in September 2009, the *Opinions (draft for discussion)* was open to the public for comments and suggestions again and the full text was publicized from 14 October to 14 November. After that, the working group carefully collected and re-examined all feedbacks and suggestions, and then formulated the *Plan on Recent Priorities in Carrying out the Reform of Health Care System (2009-2011)*. In early 2009, the *Opinions* and the *Implementation Plan* were finally adopted and officially issued by the government. In order to push forward this reform, the Central government and local governments at all levels have set up leading groups and offices accordingly and planned to issue 14 supplementary documents and invest of RMB 850 billion from 2009 to 2011. The priority of reform such as public hospital reform will be first piloted in some selected areas.

**4. What are the impacts, both positive and negative, of the reform on the economy and the flow of trade and investment? Please provide data or statistics where available.**

The structural reform, a way to encourage innovation and investment of market players, will surely have a positive impact on the economy. For instance, through banking system reform, the stability and security of China's banking system of China have been constantly improved. In 2003, there were only eight banks throughout China whose capital adequacy ratio can meet the international standards, whereas by the end of June 2009, the number of such banks reached 219, with their combined assets accounting for 99.9 percent of total assets of all commercial banks. Up to the end of 2008, ICBC, CCB and BOC were listed among the top 15 banks in the world in terms of Tier 1 capital. China's banking industry topped the world in terms of total profits, profit growth rate and rate of capital return.

**5. In what ways can APEC better promote structural reform in the region? What would be some possible next steps beyond 2010 based on the achievement of the LAISR process?**

Due to their different stages of development, APEC economies differ greatly in terms of the goals, contents and key areas of structural reform. Based on this reality, APEC should promote its member economies to strengthen capability building and information sharing in a voluntary, flexible and pragmatic way. Based on the achievement of the LAISR process, the possible further tasks beyond 2010 would be: focusing on the further transformation of government functions, promoting the independent innovation of enterprises, improving the provision of public services, etc. In particular, to actively push forward the structural reform, it is vital to reinforce exchange on experience and lessons learned.

# Hong Kong, China

**1. In which areas of structural reforms have the most significant progress been made in your economy in the past five years? Please describe in what way you think the progress has been significant? Any structural reform activity can be included here, and does not necessarily need to be restricted to the five LAISR themes.**

Among the five themes of LAISR structural reform, HKC has made the most significant progress in regulatory reform. Over the years, the government put in substantial efforts to cut red tape, simplify regulations, eliminate outdated or unnecessary regulatory requirements, and reduce compliance cost and administrative burden to business so as to facilitate their operation and development. HKC has moved up four places from 7th to 3rd in the World Bank's Doing Business 2010 Report. HKC was complimented by the World Bank as one of the "most consistent reformers".

A Business Facilitation Advisory Committee (BFAC) has been established to advise and report the development and implementation of programmes and measures to facilitate business, and review government regulations and procedures impacting on business. With the support of the BFAC, the government has been conducting sector-specific regulatory reviews in the real estate development, retail, food business and entertainment sectors. Through these regulatory reviews, the government has come up with various measures to streamline licensing processes and remove unnecessary regulatory controls. The BFAC has also provided an effective forum for the government to consult the business sector on regulatory proposals and thrash out their implementation details with a view to minimizing the regulatory impact on business.

As a new government regulatory reform initiative, the government has also been taking forward the "Be the Smart Regulator" Programme since early 2007 to further enhance HKC's business environment and competitiveness. The Programme aimed at improving efficiency, transparency and customer-friendliness of our business regulatory and licensing arrangements while safeguarding public interest. Through introduction of new measures such as business liaison groups, business impact assessment, business consultation e-platform, business process re-engineering and wider use of IT and e-Government, good progress has been made to improve the overall licensing environment for doing business in Hong Kong, China particularly the food business and the hospitality business.

Besides regulatory reforms, notable progress has also been made in the area of corporate governance. Since 2003, the government, together with the relevant financial regulators, has implemented a number of corporate governance initiatives. They include –

- rolled out the Securities and Futures Ordinance in 2003, modernising the regulatory regime for listed companies and the securities and futures markets and providing for effective enforcement against market misconduct;
- introduced statutory derivative actions in 2004 to enhance protection of minority shareholders' interests;
- amended the Listing Rules to require listed companies to have a minimum of three independent non-executive directors from 2004;

- upgraded the regulatory system of intermediaries (including sponsors) in initial public offerings;
- promulgated the Code on Corporate Governance Practices for listed corporations in January 2005; and
- established a new independent statutory body, the Financial Reporting Council, to investigate accounting and auditing irregularities of listed companies. The Council came into full operation in 2007.

For corporate governance of SMEs, the recent development in HKC include the issuance of the *Guidelines on Corporate Governance for SMEs in Hong Kong (2nd edition)* (<http://www.hkiod.com/sme-guidelines.html>).

For competition policy, HKC is on the way of putting in place a cross-sector competition law. In order to ensure that our competition policy keeps pace with times and continues both to serve the public interest and to facilitate a business-friendly environment, the Competition Policy Advisory Group (COMPAG) appointed the Competition Policy Review Committee (CPRC) in 2005 to review and to make recommendations on the future direction for competition policy in Hong Kong, China. The CPRC recommended the government to introduce a cross-sector competition law to be enforced by an independent Competition Commission. Since 2006, two rounds of extensive public consultation about the direction and detailed proposals for the competition law have been launched. On 14 July 2010, the government introduced a draft law (the Competition Bill), which takes into account the circumstances of HKC, into the Legislative Council for scrutiny.

**2. Describe examples of successful reforms and lessons learned in your economy in implementing structural reforms in the five LAISR areas. Please indicate relevant websites or other reference material, preferably those written in English.**

Regarding corporate governance, the launch of the Code on Corporate Governance Practices (Code) and the Corporate Governance Report in 2005 represented a significant move towards adoption of international benchmarks of corporate governance, best practice and disclosure. The Code sets out the Hong Kong Exchanges and Clearing Limited (HKEx)'s views on the principles of good corporate governance and two levels of recommendations, namely Code Provisions and Recommended Best Practices. The Code required issuers to include a Corporate Governance Report in their annual reports containing prescribed information on their corporate governance practices. In the review conducted by HKEx on corporate governance practices disclosures in listed companies' annual reports for 2005, 2006 and 2007, a high level of compliance was noted in general. (for details of the 2007 review, please refer to the following link: [http://www.hkexnews.hk/reports/corpgovpract/rpt\\_cgpd.htm](http://www.hkexnews.hk/reports/corpgovpract/rpt_cgpd.htm))

HKEx is currently reviewing whether to update the Code, and is also considering how to introduce a Corporate Social Responsibility (CSR) Code for Hong Kong listed companies. It is aiming to publish consultation papers on these proposals by the end of 2010.

On the side of regulatory reform, significant progress has been made through the government and business partnership model. Some notable achievements include:

- the replacement of multiple licensing requirements for different types of ready-to-eat food with a composite food shop licence that will provide more flexibility to the food retail trade and reduce the processing time;
- the shortening of application time for cinema licences by 50 percent;
- the decrease in registration time for new drugs by 35 percent;
- the reduction in processing time of straight-forward liquor licence applications by 50 percent;
- the simplification of lease conditions and streamlining of lease modification procedures to facilitate earlier commencement of real estate development and reduce the cost of development; and
- the relaxation of food room requirements for licensed restaurants and factory canteens to keep up with the changes in the operation of food business.

Under the “Be the Smart Regulator” programme, we have enhanced business licensing efficiency and communication with business and devised measures to simplify regulations. For example:

- Nine Business Liaison Groups (BLGs) for major business sectors to facilitate communication and resolution of regulatory and licensing issues between the business sectors and government bureaux/departments have been established. So far, over 400 issues raised at the BLG meetings have been clarified or resolved.
- A Business Impact Assessment (BIA) framework has been developed to help bureaux and departments assess the implications of their regulatory proposals and explore ways to minimise the regulatory impact on business. Through conducting BIAs, unreasonable regulatory or licensing requirements can be avoided and the compliance costs and administrative burden to business can be minimised.
- A business consultation e-platform (<http://www.gov.hk/en/theme/bf/consultation/calendar.htm>) has been established under the GovHK portal to provide an additional channel for the business community to access to relevant business consultation information on new regulations, administrative measures and procedures that would impact on business and to provide their comments on the proposals direct to the government bureaux/departments concerned.
- The government has set up application tracking systems in three licensing authorities to facilitate the applicants in tracking their application status and provide useful management information for process reviews. The government will continue to improve regulatory efficiency through wider use of IT and e-Government.
- The government has stepped up efforts to promote business facilitation and customer-centric culture within the civil service.
- Details of the work of the BFAC and its Task Force and the “Be the Smart Regulator” Programme can be accessed through the following links –  
<http://www.gov.hk/en/business/supportenterprises/bf/advisory/index.htm>  
<http://www.gov.hk/en/theme/bf/smart/>

**3. What in your economy's experience are the keys to the success of reform? (e.g. leadership, institutional framework, communication strategy, consultation process) What are the factors, if any, that impeded reform? What lessons can we learn from your experience?**

Political will, high level involvement and effective communication with the business sectors are the major factors for the success of regulatory reform. Our business facilitation and regulatory review programmes under the leadership of the Financial Secretary helps to coordinate the business facilitation efforts of all government bureaux and departments. Our Chief Executive has also given his support to our business facilitation work. In particular, he steers the "Be the Smart Regulator" Programme. The government has proactively reached out and worked in partnership with the business community in resolving regulatory and licensing issues through the BFAC, its Task Forces and the BLGs.

For policy with wider impact on the society as a whole, like competition policy, public engagement and public consensus for reform are essential for its successful implementation. The government launched two public consultations in 2006 and 2008 with the objective of gauging the views of the community. The government conducted briefings for the Legislative Council Panel on Economic Development, political parties, chambers of commerce and other interested parties, and took part in public forums and programmes organised by the electronic media to explain the proposed competition law framework and to listen to the views of stakeholders.

On the other hand, the process of regulatory and legislative changes is complex and time-consuming. Building public consensus for reform is essential for its successful implementation. The general public tends to be less receptive to legislative changes that have an impact on their level of economic well-being and issues related to public health and safety. The government also has to either wait for a right climate to implement changes or proactively engage the public to formulate the reform programmes.

**4. What are the impacts, both positive and negative, of the reform on the economy and the flow of trade and investment? Please provide data or statistics where available.**

The introduction of a cross-sector competition law will establish a statutory framework for regulating anti-competitive conduct, with the objective of promoting free and healthy competition to the benefit of the economy and consumers, and enhance HKC's overall economic efficiency. Experience from other jurisdictions suggests that small businesses would not face a significant increase in compliance costs, given that they would unlikely be targeted by competition regulation. Large businesses might look to engage additional resources to help ensure compliance, especially at the initial stage. Multi-nationals, which already have to comply with competition regulatory regime elsewhere, should be able to adapt to the new legal regime. For the economy as a whole, any additional cost to businesses should be more than offset by the longer-term benefits of a more effective and credible competition regime.

As for regulatory reforms, improvement in licensing efficiency would also save time and money, and facilitate the flow of trade and investment.

The strengthening of corporate governance would, on the other hand, have underpinned Hong Kong's position as an international financial centre. Such impact is demonstrated by the recognition of HKC as a regional leader in corporate governance by Asian Corporate

Governance Association (Hong Kong ranked first in the 2007 Survey of Corporate Governance in Asia conducted by the Association in conjunction with the CLSA).

**5. In what ways can APEC better promote structural reform in the region? What would be some possible next steps beyond 2010 based on the achievement of the LAISR process?**

Given the diversity of growth among APEC economies, there is no single correct strategy for all the economies concerned. Member economies are encouraged to work together and share experience with each other, which facilitates each economy to develop its policy framework.

It is also proposed to further explore collaboration opportunities with the World Bank and deploy the World Bank's Doing Business indicators to further assess the impact of regulatory reforms.

# Indonesia

**1. In which areas of structural reforms have the most significant progress been made in your economy in the past five years? Please describe in what way you think the progress has been significant? Any structural reform activity can be included here, and does not necessarily need to be restricted to the five LAISR themes.**

Among the five LAISR areas, Public Sector Management is considered to be the sector that has significant progress in Indonesia. The reforms cover a variety of areas in public sector management such as bureaucracy reform, governance reform and public service reform.

The pioneer in the bureaucracy reform is the reform under the Ministry of Finance (MoF). This reform has been conducting in line with the reform of the National Budgeting System that calls for a more efficient, transparent and accountable service under the Ministry of Finance's jurisdiction. To achieve this objective, reward and punishment are enforced accordingly to all levels of bureaucracy under the Ministry of Finance.

Another public governance reform that has been proved to have a very significant impact to the accountability of the public sector is Performance-based Budgeting System. In this system, every government agency is required to have a Strategic Plan (RENSTRA) and a Work Plan (RENJA). At the end of the Fiscal Year, all of government agencies are obliged to submit Performance Accountability Reports (LAKIP) to the President. The performance of the current year will be used as a reference in approving the proposed funding of the respective agency. The reform of the financial management also covers some important measures in establishing good governance in local governments.

The massive implementation of corruption eradication as it is stipulated in the Presidential Instruction No. 5 of 2004 and the National Action Plan for Eradication of Corruption (RAN-PK) of 2005 have contributed enormously on redesigning and improving public services, strengthening transparency, supervision and sanctions on government activities and empowering people in preventing corruption. In this case, the role of the Corruption Eradication Commission (KPK) is outstanding. KPK has recovered a large amount of state funds as a result of its operations: from 2005 to June 2009, the amount of state funds recovered or prevented from potential loss mounted to some IDR 3.7 trillion. In conducting its mission, KPK works in close relationship with the Ministry of Justice and Human Rights, the National Police Office, the Supreme Court, the National Ombudsman Commission and the Audit Board of the Republic of Indonesia and other agencies. The latest agency is empowered by Law No. 15/2004 on Audit Board to expand its jurisdictions to cover audits of central and local governments, SOEs and the judicial system.

Decentralization, which was restructured by Law No. 32/2004 and Law No. 33/2004, results in increasing the competition of local governments to provide better services, which brings more innovation. Many local governments currently provide excellent services such as in issuing the citizen identity card and any kind of local licenses for businesses. Some local governments also are able to provide free education up to high-school level.

Tax Reform and Customs Reform, which include reforms in tax offices and Custom Offices, also contribute significantly to the improvement of public service especially to the tax payers, exporters and importers.

The latest reform is the issuance of Law No. 25 year 2009 on Public Service. This is the law which regulates how people conduct their rights and obligations in getting the service. Combined with the Law on Ombudsman No. 37 of 2008, which regulates how public raises complaints on a government office's conduct and its service, the law on Public Service is expected to be a very powerful law.

**2. Describe examples of successful reforms and lessons learned in your economy in implementing structural reforms in the five LAISR areas. Please indicate relevant websites or other reference material, preferably those written in English.**

### **Regulatory reform**

Major economic reforms in Indonesia were generally a result of external shocks and pressures which compelled the government to introduce regulatory changes. With the aim of encouraging investment in export sectors, government reforms mostly focused on liberalizing investment and trade policies and simplifying administrative procedures for investment.

Under President Yudhoyono's administration since 2004, regulatory reforms have remained on the government's agenda. The president introduced three economic packages in 2006 aimed at improving the investment climate, reforming the financial sector, and encouraging infrastructure development, followed by two additional packages in 2007 and 2008.

Regulatory reform has had a prominent place in the governments' development's strategy. The Plan for 2004-2009 listed priority reform areas which included (1) legal reform to establish a mechanism for review and reform of laws and regulations and improve transparency in legal enforcement and (2) better public services delivery by enhancing transparency, openness and accountability of civil service. Regulatory reform for improving the investment climate is also one of the important focuses in the Plan and is supervised by the Vice President's Office.

The implementation of regulatory reform takes strong commitment and political will, sufficient capacity to implement and coordination among different ministries and at different levels of government. Most reform initiatives have been taken up at an institutional level, led by a highly reform-oriented head of institution. For example, the introduction of a performance-based budgeting system has been conducted based on the initiatives of Ministry of Finance.

Many regulatory reforms have been introduced via presidential instructions (INPRES) since 2003. They have been limited in scope, applying to specific sectors or objectives, and were assigned to respective government ministries/departments.

Currently, Bappenas and related agencies are taking the initiative to inventory and to review laws and regulations and both central and local government level.

### **Public Sector Governance**

As it is mentioned above, Public Sector Governance reform is considered to be the most significant reform in Indonesia in the last five years. The success and the lesson learned from this reform can be summarized as follows:

- In some regions (Kabupaten/Kota) decentralizations has led to innovations in public services provision, the result is a very positive improvement in the public services of local governments.

- Decentralization of functions and budget to local governments, brings greater authority to local government officials that make local politicians and citizens interested in good governance.
- The fight against corruption has been progressing; the legal framework to fight corruption has been strengthened and stronger efforts are being made to pursue legal cases against corruption.
- The accountability and the effectiveness of government activities are increasing, due to the effort to implement the Performance-based budgeting and the close supervision of the internal system as well as the external supervision bodies.
- Public awareness for good governance is increasing. The involvement of civil society participation as well as the media helped people in monitoring the performance of agencies, the process of stipulating the laws and regulations and how public service is delivered.

The websites that could be visited are all government agencies website, especially <http://www.depkeu.go.id>, <http://www.menpan.go.id>, <http://www.bappenas.go.id>, <http://www.kpk.go.id>, <http://www.depdagri.go.id>.

## **Competition Policy**

Indonesia started its reform in the Competition Policy with the enactment of Law No. 5/1999 on Competition and the establishment of the Commission for the Supervision of Business Competition (KKPU) in 2000. The main task of KPPU is as an independent body to enforce the Competition Law. The law is in line with international norms and practices in competition policy. The implementation of the law is to put in place the good and sound competitive process which is expected to attract more investment.

The competition policy reform is accompanied by reforms in other related areas including investment policy reform, sectoral reforms and reforms of state-owned enterprises (SOEs).

Various guidelines have been developed and disseminated by KPPU which also plays an active role in building a competition culture among enterprises, government agencies and the general public. The guidelines include guidelines on tender conspiracy, determination of the relevant market, application of administrative sanctions, mergers and issues related to Intellectual Property Rights (IPR), franchises and SOEs.

Policy advocacy and recommendations made by KPPU have reformed government policies and regulations into the policies and regulations which accommodate competition.

One latest product of KPPU is a regulation on voluntary pre-merger notification, issued in 2009, which allows enterprises to obtain an advance binding clearance from KPPU. This regulation contributes to a better legal framework for investment.

The government has also implemented sectoral reforms to promote competition and productivity, such is in infrastructure and utility sectors; which result in the termination of monopoly and monopsony of SOEs. These reforms have opened important sectors to private sector participation.

Experience and knowledge in competition policy have been steadily accumulating in a wider area such as in the universities and law schools, research centers, also in the courts.

The reports received and the cases handled by KPPU are increasing. The number of reports received by KKP increased to 232 in 2008 and reached a total of 1,019 over 9 years (200-2008) of KPPU's operation. KPPU has handled 204 cases and has issued more than 50 judgments; and the total amount of fines and compensation imposed by KPPU reached IDR 1,001 trillion by end-2008.

The examples of successful implementation of Competition Policy is in the mobile telecommunication, fuel retailing and airline industries where originally were dominated by State-Owned Enterprises. At the end, consumers are the ones who enjoy the benefit of competition.

The website of KPPU is <http://www.kppu.go.id>. KPPU has also published a textbook on the Competition Law as the main reference in competition law study.

### **Corporate Governance**

Indonesia has made significant progress in developing a corporate governance framework based on its concept of Good Corporate Governance (GCG). GCG principles were first introduced into law in Law No. 1 of 1995.

Corporate governance problems were a major contributor to Indonesia's economic collapse in 1997-1998. In 1999, the Indonesian government signed a Letter of Intent with the IMF that encouraged the establishment of an institutional framework to ensure the implementation of the GCG Principles. It then established a National Committee on Corporate Governance Policy (KNKCG) to formulate and propose national policy recommendations on GCG principles. Following that, the government set out a programme that includes adopting a new code of corporate governance, strengthening capital market regulation and improving the oversight of non-bank financial institutions,

The main regulatory measure to ensure good corporate governance is the Company Law enacted in 2007 that replaced the previous Law of 1995. The 2007 Law stipulates a two board system consisting of a Board of Directors and a Board of Commissioners and the General Shareholders meeting (GSM). These three bodies share equivalent and proportional roles and functions in the company. There is no one of these three bodies higher than another. GCG principles of transparency, accountability and fairness also feature in the Capital Market Law and in regulations governing state-owned enterprises (SOEs) and banking.

The role of the National Committee on Corporate Governance Policy (KNKCG) is to create a general code and sectoral codes and to publish best practices of corporate governance and technical guidelines for a whistle-blowing system (issued in 2008). The KNKCG published General Guidelines on Good Corporate Governance in 2001 and Corporate Governance Guidelines for the Banking Industry and for insurance and reinsurance companies in 2004. The government renamed KNKCG the National Committee on Governance Policy (KNKG) in 2004 with the intention to include public sector.

In its 2004 report on the Observance of Standards and Codes (ROSC) in Corporate Governance in Indonesia, the World Bank recognized that Indonesia had put its place an "elaborate system of formal corporate governance rules". Since then, there has been major development of corporate governance in Indonesia. For example, there have been some revisions to several regulations concerning internal audits and annual reports which require companies to report on GCG implementation. In 2009, this programme was continued through ROSC Financial Services Assessment Programme (FSAP), which covers corporate governance practices in Indonesia.

Improvement on corporate governance issues helps creating a better climate for investment and develops more active capital markets, contributing to its economic growth and financial stability.

The website of KNKG is <http://www.knkg-indonesia.com>.

### **Strengthening Economic and Legal Infrastructure**

The economic crisis that hit Indonesia in mid-1997 triggered the government to reform the business law and enacted Law No. 4 of 1998 on Bankruptcy which then was reformed by Law No. 37 of 2004 on Bankruptcy and the Suspension of Obligation for Payment of Debt. Indonesian bankruptcy law is pro-creditor and provides a wide range of creditor remedies.

The law regulates that a debtor that has two or more creditors can be declared bankrupt if it is failed to pay at least one of its matured debt, either by its own petition or by one or more of its creditors.

From a debtor's standpoint, this law helps prevent an instant asset's execution requested by the creditor. It also avoids an arbitrary action of creditor in relation to a debt payment.

The law sets up two mechanisms to deal with insolvency: (i) the first mechanism includes the provision of the petition to declare a debtor bankrupt with the aim to liquidate the debtor's assets, (ii) the second mechanism is the suspension of payment, with the aim is to encourage debtors and creditors to restructure their debts and payments schedules.

Another important element of the law is the establishment of special court (commercial court) to handle commercial cases especially corporate bankruptcy cases.

The availability of this law reduces the uncertainty of legal procedures for the investors in the case of bankruptcy. This is one important measure in improving the investment climate in Indonesia.

**3. What in your economy's experience are the keys to the success of reform? (e.g. leadership, institutional framework, communication strategy, consultation process) What are the factors, if any, that impeded reform? What lessons can we learn from your experience?**

The key success for the reform in Indonesia depends to each reform. Reforms in the competition policy, public sector governance and corporate governance are formulated and implemented successfully mostly due to two factors, institutional framework and the consultation process. On the other hand, bureaucracy reform under the Ministry of Finance is considered to be succeeded because of the leadership and the good institutional framework.

The factors that might be considered as the impediment of reforms are the problem of coordination among related agencies and between central government and local governments. In addition, the abundant numbers of regulations which might be conflicting one and another are also a kind of obstacle in reforms. The difference in awareness and understanding of reforms among executives, legislatives and judicative agencies also may discourage the reforms.

**4. What are the impacts, both positive and negative, of the reform on the economy and the flow of trade and investment? Please provide data or statistics where available.**

The impact of the reform is very positive to the economy. The economic growth in the last quarter of 2010 was 5 percent compared to 4.5 percent in the 2009, with the inflation rate of 2.85. Foreign debts are declining. Both domestic and foreign investments have been increasing in the last five years. There are also increased in exports; exports are returning to the level before crisis.

**5. In what ways can APEC better promote structural reform in the region? What would be some possible next steps beyond 2010 based on the achievement of the LAISR process?**

The Forward Work Program (FWP) on LAISR 2010, which is mostly in the forms of capacity building activities such as seminars, roundtable discussions, workshops, has been really raising the awareness on how important structural reform is for improving trade and investment of economies, especially for developing economies like Indonesia. The APEC-agenda of structural reform also brings the attention of the high-levels of government to this issue, which is not always easy.

On some possible next steps beyond 2010, one thing is to continue with the capacity building activities on some issues of the structural reform. Regulatory reform and public sector governance are the two issues that should be continued to work on. Following that, Strengthening Economic and Legal Infrastructure is also one area of reforms that need to be pushed.

Since Growth Strategy is one of the APEC 2010's agenda mandated by APEC Leaders, structural reform which supports growth strategy should also be explored.

# Japan

**1. In which areas of structural reforms have the most significant progress been made in your economy in the past five years? Please describe in what way you think the progress has been significant? Any structural reform activity can be included here, and does not necessarily need to be restricted to the five LAISR themes.**

Among five LAISR themes, Regulatory reform and Competition policy have been making significant progress in Japan.

## **Regulatory Reform**

Regulatory reform has been making significant progress in Japan, particularly in the non-manufacturing sector in recent years. The underlying concept of regulatory reform is to shift the society and economy from a government-led system to one based on the market mechanism and social discipline.

For this purpose, the government promoted regulatory reform aiming at: promoting innovation to improve productivity; increasing openness of the economy; promoting reform in the labour market and social services to ensure flexibility and security of living; encouraging the efforts of regions to build attractive and vibrant communities; and providing more efficient and better public services through encouraging public and private partnerships, and so on. Current areas of reform cover various areas such as environment and energy, medical and elderly care services, agriculture, and so on.

The progress in regulatory reform has been significant in various ways. First, the discussion between the central reform agencies and the line ministries has become much more intense and transparent in recent years. Second, initiatives by the local government and private sector have come to play an important role. Third, new horizontal schemes, such as Special Zones for Structural Reform and No-Action Letters, have been introduced.

## **Competition Policy**

There were significant amendments of “Act on Prohibition of Private Monopolization and Maintenance of Fair Trade” (Antimonopoly Act) twice in the past five years in Japan. First one was 2005 amendment (enacted in April 2005, came into force in January 2006), and the second one was 2009 amendment (enacted in June 2009, came into force in January 2010).

2005 amendment formed an important part of structural reform and greatly contributed to efficiency and effectiveness in the Japanese economic society based on market mechanism, and 2009 amendment is expected to greatly contribute to a vigorous implementation of competition policy in order to realize fair and free economic society.

The main features of these amendments include introduction of a leniency program, introduction of compulsory measures for criminal investigation, revision of the surcharge system, etc.

More details on the 2009 amendment are available at: <http://www.jftc.go.jp/e-page/pressreleases/2009/June/090603-2.pdf>

**2. Describe examples of successful reforms and lessons learned in your economy in implementing structural reforms in the five LAISR areas. Please indicate relevant websites or other reference material, preferably those written in English.**

### **Regulatory Reform**

The Special Zones for Structural Reform initiative, the idea of allowing specific geographical areas to act as a testing ground for regulatory changes, was first proposed by advisory councils comprised of private sector members representing businesses and academia. Under this initiative, all the interested parties, such as local governments, private firms and citizens, are invited to submit regulatory reform proposals, which are then reviewed by a committee of cabinet ministers. Many of such proposals have been accepted, while others have been rejected. Examples of successful reforms include:

- Kita-kyushu international physical distribution special zone: special measures including relaxed land use regulation has attracted new businesses with 190 billion yen of new investment and 4,800 new employments.
- Shodoshima • UchinomiTown olive promotion special zone: special measures to allow leasing of agricultural land to corporations have vitalised agricultural activity and tourism.
- Kobe advanced medical industry special zone: special measures to accept foreign researchers have attracted new businesses including university-launched venture businesses.
- Ota foreign language special zone: establishment of an integrated elementary and secondary school where most of the curriculums are taught in English has proved to be very popular.

Examples of relevant websites include:

<http://www5.cao.go.jp/keizai/index-e.html>

<http://www.cao.go.jp/en/reform/reform.html>

[http://www.meti.go.jp/english/report/data/Startups\\_Finalreport.pdf](http://www.meti.go.jp/english/report/data/Startups_Finalreport.pdf)

### **Competition Policy**

Leniency program<sup>13</sup> was introduced in 2005 amendment. Since violations such as cartel, bid-rigging, etc. are committed behind closed doors and it is difficult to detect and investigate them, leniency program has been greatly contributing to Japan Fair Trade Commission (JFTC)'s investigation activities.

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<sup>13</sup> Leniency program is a system whereby surcharges are immunized or reduced on condition that the entrepreneurs involved in cartels and bid-riggings voluntarily report to the Japan Fair Trade Commission (JFTC). Besides, leniency program not only helps detecting the violations but also gives violators a great incentive to terminate their violation.

Based on this program, 349 applications were received since its inception in January 2006 (as of the end of FY2009). For more effective implementation of leniency program, it was amended to permit joint application by violators within the same company group and expand number of leniency applicant in 2009 amendment.

More details on the 2009 amendment regarding the leniency program are available at (slide 8): <http://www.jftc.go.jp/e-page/pressreleases/2009/June/090603-2.pdf>

**3. What in your economy's experience are the keys to the success of reform? (e.g. leadership, institutional framework, communication strategy, consultation process) What are the factors, if any, that impeded reform? What lessons can we learn from your experience?**

Main key factors of success for reform in the field of competition policy are the following.

- Active promotion of amendment of Antimonopoly Act by the JFTC
- Independence of competition authority (it makes the JFTC possible to demonstrate its active initiative in the promotion of competition.)

**4. What are the impacts, both positive and negative, of the reform on the economy and the flow of trade and investment? Please provide data or statistics where available.**

A study by the Cabinet Office indicates that regulatory and institutional reforms in 15 areas between 2005 and 2008 created 5.4 trillion yen of consumer benefits.

According to this study, the consumer benefits have been substantially increased in the following sectors as their markets are relatively large and the price decline brought about by regulatory and institutional reforms is also significant. The largest consumer benefit was recorded in mobile communications sector (1.4 trillion yen, as a result of the relaxation of entry regulations, etc.), followed by petroleum products (1.2 trillion yen, as a result of the full liberalisation of the petroleum industry, etc.) and electricity (1.0 trillion yen, as a result of the introduction of competition in the retail market, etc.).

Reference (in Japanese):

<http://www5.cao.go.jp/keizai3/2010/10seisakukadai06-3.pdf>

<http://www5.cao.go.jp/keizai3/2010/10seisakukadai06-4.pdf>

### **Competition Policy**

Introduction of leniency program leads to good compliance of Antimonopoly Act by businesses. Now, JFTC is able to enforce Antimonopoly Act more efficiently and more effectively than ever.

**5. In what ways can APEC better promote structural reform in the region? What would be some possible next steps beyond 2010 based on the achievement of the LAISR process?**

Considering the diversity of APEC economies, many economies can share good practices from other economies.

For example, in the field of the Competition policy, current situation is that some economies do not have comprehensive competition law. Besides, many economies which have competition law have little experiences in enforcing the law. In order to achieve further developments and the proper and steady implementation of competition law and policy, APEC should hold meetings or training programs regularly, thereby accumulating knowledge and expertise on competition laws and policies. Every competition authority should enhance their domestic competition law and policy by utilizing knowledge and expertise acquired through such meetings or training programs. These contribute to improvement of fair and free economic society based on market mechanism in whole APEC region.

Although APEC member economies have made a significant progress in structural reform through the LAISR process, there remains room for further reform. This LAISR stock-take exercise would provide a good insight into which areas APEC has made good progresses in, and which of the five LAISR priority areas should be of relatively higher importance in the future activities.

As for beyond LAISR process, we should note that structural reform can be a main policy approach for the APEC comprehensive long-term growth strategy which has been developed in 2010.

Also, it would be important to strengthen collaboration with other APEC fora/groups to further promote structural reform in key areas.

Besides, involvement of businesses and academia as well as collaboration with other international organizations will bring fresh insights and perspectives beyond LAISR process.

# Republic of Korea

**1. In which areas of structural reforms have the most significant progress been made in your economy in the past five years? Please describe in what way you think the progress has been significant? Any structural reform activity can be included here, and does not necessarily need to be restricted to the five LAISR themes.**

Korea has exerted great efforts and achieved much progress so far in the regulatory reform. The most outstanding reform activities are as follows: to expand the application of the **Sunset (Review) Clause** from newly enforced regulations to existing regulations, to launch a **Temporary Regulatory Relief Mechanism** and to adopt the **Regulatory Information System**. The Korean government decided that the Sunset Clause would be applied not only to newly enforced regulations, but also to existing ones. Within the sunset mechanism, regulations shall terminate their effect after a certain period of time (“Sunset Clause”) or be reviewed regularly on their sustainability (“Sunset Review Clause”) for the improved effectiveness of regulations. It is likely that this mechanism will enhance the transparency and effectiveness of regulations and reduce the effects of unnecessary burdensome ones.

The recent global economic crisis provided a renewed impetus to implement reform activities within Korea. The Korean government made an active response to the economic crisis by introducing new types of regulatory reform such as the **Temporary Regulatory Relief (TRR)** and the **Regulatory Reform for New Growth Engine Industries**. With the leadership and the coordinated efforts of the government, Korea could take quick action and help many companies and individuals, especially SMEs, in weathering through the economic crisis.

**Temporary Regulatory Relief (TRR)** is a mechanism to waiver or to mitigate the implementation of burdensome regulations for a certain period of time. The TRR mechanism is expected to expedite business activities and increase private investments even in the current post-crisis era. Unlike the Sunset (Review) Clause, which takes time to show effects, the TRR will have an immediate effect on the regulatory reform. Also, **Regulatory Reform for New Growth Engine Industries** cleared various stumbling blocks that hindered the development of future growth industries such as new and renewable energy and green technology.

In addition, more systematic support has been provided with the adoption of the **Regulatory Information System** in all parts of the regulatory process from the review and registration to the management of reform projects. This new system, the entire process of a regulatory review - from the initial review request by each ministry to the preparation of the review report for notification of results by the Regulatory Reform Council (RRC) - has been moved onto the internet. Since it is an integrated and comprehensive management of regulations, from their introduction to termination, it has definitely contributed to the enhancement of transparency and quality of regulatory information with increased user satisfaction, effective reviews on regulation, and the implementation of the regulatory reform projects.

**2. Describe examples of successful reforms and lessons learned in your economy in implementing structural reforms in the five LAISR areas. Please indicate relevant websites or other reference material, preferably those written in English.**

First of all, in terms of regulatory reform, Korea launched the TRR and decided to broaden the application of the Sunset (Review) Clause. Also, Korea reduced relevant regulations on starting businesses, which helped many people to establish their own companies with ease. Through the website (<http://www.startbiz.go.kr>), individuals can build their own companies in about seven days, without having to visit all the institutions, banks, etc. This is expected to lower the barriers for both domestic and foreign investors to start businesses in Korea.

With regard to public sector governance, Korea has made great achievements in installing an E-government system. Koreans can now solve their civil affairs on the internet (<http://www.egov.go.kr>). This helped to improve people's access to public services and enhanced the transparency and effectiveness of public governance. Recently, Korea ranked first in the UN E-Government Survey. Korea's E-governance system comprises of three categories: Government for Business (G4B), Government for Citizens (G4C), and Government to Government (G2G). Among these three, the G4C has been most helpful to the daily lives of the general public.

**3. What in your economy's experience are the keys to the success of reform? (e.g. leadership, institutional framework, communication strategy, consultation process) What are the factors, if any, that impeded reform? What lessons can we learn from your experience?**

In Korea's case, the institutional framework and its accompanying leadership played key roles in driving structural reform activities. The Lee Myung-bak administration established an advisory institution, the 'Presidential Council on National Competitiveness (PCNC)', that serves as a driving force in carrying out government-wide regulatory reform activities. There is also a Regulatory Reform Council (RRC), a control center for regulatory reform. With the help of these institutions, the coordination among different ministries and agencies has become much easier.

In addition, the high-level leadership is significant in carrying out preemptive reform activities. President Lee Myung-bak considers regulatory reform (structural reform) as a key to improving national competitiveness, especially from the business point of view. Such interest from the Economic Leader has made possible the nation-wide regulatory reform efforts.

Another significance of the recent reform activities is that they have tried to incorporate the actual needs of businesses. While diagnosing, identifying and designing the reform policies, the government has carried out public consultations that significantly contributed to increasing the suitability of the reform and the customized approach towards the reform.

**4. What are the impacts, both positive and negative, of the reform on the economy and the flow of trade and investment? Please provide data or statistics where available.**

Since the policies were introduced and went into effect recently, information on their numerical effects have not yet cumulated. However, the recent survey undertaken by the Federation of Korean Industries of businessmen and relevant experts on User/Business Satisfaction indicates that businesses are content with the overall regulatory reform activities, with a considerable improvement from 8.9 percent (2008) to 49 percent (2010).

**5. In what ways can APEC better promote structural reform in the region? What would be some possible next steps beyond 2010 based on the achievement of the LAISR process?**

In order to sustain the initiative on structural reform within APEC beyond 2011, APEC should develop a post-LAISR framework that reflects the current situation and encompasses various issues on relevant structural reform. The EC can contribute to the development of the APEC Growth Strategy by giving comments on the significance of structural reform in the backdrop of the current economic crisis and its recovery. It will enhance the relevance of structural reform in the changed environment.

Furthermore, organizing the second SRMM would show the continuous commitment to the structural reform within APEC. In the post-LAISR, APEC should focus on 'bringing about change and action.' Under the LAISR framework, APEC contributed greatly to raising awareness among APEC economies on the significance of the structural reform by sharing best-practices. The framework beyond the LAISR, however, should go a step forward to include ways such as introducing a 'peer-review' mechanism, which will enhance the involvement of the APEC economies and their following efforts within each economy.

# Malaysia

**1. In which areas of structural reforms have the most significant progress been made in your economy in the past five years? Please describe in what way you think the progress has been significant? Any structural reform activity can be included here, and does not necessarily need to be restricted to the five LAISR themes.**

Regulatory reform initiatives in Malaysia have always focused on maintaining the economic growth and stability as well as protecting consumers' interest. Malaysia has been consistent in continuously improving its business environment to be predictable and conducive in encouraging foreign direct investment and facilitating businesses. The government is also determined to upgrade public delivery system and significantly reduce bureaucracy in government dealings.

Public consultations are routinely used by government agencies to gauge feedback from the public on issues of public policy. Formal Dialogues are held with the relevant associations to obtain feedback and proposals to undertake necessary improvements measures so as to ease raise the impediments faced by the business community.

The government has also established a Special Task Force to Facilitate Business, PEMUDAH. This task force was formed through a public-private sector partnership and assumes advisory and advocacy roles as it cooperates with Ministries/Agencies, states and local governments in recommending, implementing and overseeing any reforms initiatives to enhance Malaysia's business environment. Under PEMUDAH, various task forces and focus groups are also established to help identify areas of improvements and undertake reforms process more effectively.

Among notable achievements include improvements in local government by creating one stop centre for processing of development proposals, greater utilisation of ICT in applications for licenses and payments, reduction of the processing time for various government procedures, and deregulation of equity requirements for foreign investors.

Improvements implemented will continuously be monitored by respective Ministries and government agencies to ensure the effectiveness of public delivery system.

**2. Describe examples of successful reforms and lessons learned in your economy in implementing structural reforms in the five LAISR areas. Please indicate relevant websites or other reference material, preferably those written in English.**

## Regulatory Reform

Among the successful reforms that have taken place are:

(i) Reduction in time taken to register standard property from 41 days to 2 days at a cost of between 1-3 percent of the value of the property, (ii) improvement made in the time taken to start a business from 11 days to 3 days and consolidation of nine procedures identified by the World Bank into three procedures; (iii) establishment of a Single Corporate Identity Card

(MyCoID) to facilitate Business-to-Government and Business-to-Business transactions; (iv) improvement in income tax system where tax refunds are now made within 14 to 30 days compared with 1 year previously; (v) and establishment of a single gateway called myBayar to assist users to be routed to other government Agencies for payment.

Establishment of Business Licensing Electronic Support System (BLESS) to facilitate on-line application for licenses in manufacturing, construction and services. The system will show the time taken by the various departments to process the applications, thus ensuring government departments and agencies adhere to their respective client's charter. It provides on-line feedback between the government departments and the applicants it enables on-line tracking and monitoring of applications and on-line payment of fees;

Establishment of One Stop Centre (OSC) in local government to expedite and streamline development and construction approvals process. This system enables all applications to concurrently submit for processing. Prior to 2007, the rules and regulations for processing development proposals are under the purview of the respective local government. With the inception of OSC, the procedures and regulations that govern the processing of development proposals have been streamlined. This reform has ultimately reduced the time taken to process development proposals to less than 180 days, from 261 days previously;

Establishment of New Commercial Courts to speed up in resolving commercial disputes. The court will utilise more IT applications and appoint judicial commissioners who specialised in commercial matters. The Courts are expected to reduce the time taken to resolve commercial disputes to only 270 days from 600 days previously;

Various tax administration improvements such as on-line services for companies to file tax return and provide clear guidelines for tax payment requirement for better transparency; and

Repeal of Foreign Investment Committee (FIC) guidelines on acquisition of equity stake, mergers and takeovers. The functions of FIC on equity matters will be done by sector regulators i.e., the respective Ministries and Agencies.

Examples of relevant websites include:

<http://www.pemudah.gov.my>

<http://www.epu.gov.my>

<http://www.lhdn.gov.my>

<http://www.bless.gov.my>

**3. What in your economy's experience are the keys to the success of reform? (e.g. leadership, institutional framework, communication strategy, consultation process) What are the factors, if any, that impeded reform? What lessons can we learn from your experience?**

Engagement of the relevant stakeholders is necessary to garner the necessary support for the successful implementation of reforms. Most government agencies practice consultations with relevant stakeholders as and when necessary during the planning stage for important public policies. Many ministries adopt an open policy and encourage feedback from the private sector or public with regards to problems faced on a daily basis. Issues raised by them are brought forth by members to be discussed in forums such as the PEMUDAH meeting in attendance of various ministries and agencies with the authority to make decisions pertaining to those issues. Subsequent to the discussion of the issues raised at length, the relevant Ministry or Agency will carefully undertake a study and evaluate the suggestions raised during the meeting to determine the cost and benefit of such a proposal.

One of the biggest obstacles of the government is to change the mindset of the public service from playing the role of just implementer, to pacesetter and facilitator. It is important to be sensitive and responsive to demand of the private sector as the economic engine of growth. In addition, the government will need to continue promoting a conducive environment for doing business through continuous and systematic monitoring to ensure effectiveness of the reform initiatives implemented and can be replicated across the public sector.

**4. What are the impacts, both positive and negative, of the reform on the economy and the flow of trade and investment? Please provide data or statistics where available.**

So far, there is no direct analysis on the impact of regulatory reforms implemented. However, feedbacks from the private sector are generally supportive of the reforms. The reforms have managed to improve many areas of doing business i.e. reducing time taken, processes and cost in starting a business, closing a business, dealing with permits and etc. The government understands the need to increase the pace of reforms in order to stay competitive. In addition, the current global economic crisis has also made it difficult for the government to gauge the impact of regulatory reforms implemented as lower external demands is the bigger factor in the flow of trade and investment.

**5. In what ways can APEC better promote structural reform in the region? What would be some possible next steps beyond 2010 based on the achievement of the LAISR process?**

Capacity building programmes encourage the sharing of best practices to educate and assist other APEC members to strengthen their economy and competitiveness. It is a necessity to prioritise and define steps to encourage the members' participation in developing, conduct analysis, provide financial support, planning and monitoring the programmes.

APEC needs to identify the necessary Key Result Areas (KRAs) for the region to ensure that the required structural reforms are implemented and well achieved. KRAs could be used as a guiding tool for APEC economies to work toward the KRA deliverables with intensive

progress monitoring. The set up of pilot project or “labs” are new ways of working towards the deliverables by experimenting and identifying the issues of implementation. This way would reduce problems in implementation and ensure a more effective, transparent and faster way of achieving result as solutions are already formulated for issues identified.

APEC Business Advisory Council (ABAC) could also play a more substantive role in facilitating respective governments in their reform efforts as there are many areas on reforms particularly those involving cost reduction requires action from the private sector. ABAC must advise its members look into process and procedures that are out of governments control so that a more holistic reform is achieved.

# Mexico

**1. In which areas of structural reforms have the most significant progress been made in your economy in the past five years? Please describe in what way you think the progress has been significant? Any structural reform activity can be included here, and does not necessarily need to be restricted to the five LAISR themes.**

In the last five years, Mexico has achieved progress in regulatory reform through:

- The implementation of mechanisms to hinder the issuance of unnecessary or high-cost new regulation;
- The use of public-consultation mechanisms to identify priority areas for reform;
- The reduction of administrative burdens imposed by regulation in starting up a business;
- The institutionalizing of regulatory reform in the States;
- The identification of specific needs for regulatory reform and actions to address them; and
- The promotion of transparency in the relationship between the public and private sector.

Other example of recent efforts by the Mexican government to improve the regulatory framework:

In September 2007, Mexico and the OECD signed an agreement to conduct a special project called “Process for the Strengthening of the Regulatory Framework for Competitiveness”, known as “Proceso Marco”.

Proceso Marco entails an assessment of existing laws, regulations and policies in key sectors and areas, as well as the crafting of specific proposals aimed at reducing the administrative burden to firms by improving the regulatory framework, fostering economic competition, and thereby enhancing productivity and economic activity. In order to separate political considerations from the technical analysis, the project includes a High Level Consultative Group (HLCG) and a Technical Group.

Proceso Marco plays a catalytic role in stimulating discussion on reform proposals and accelerating reform by all actors. In order to take bigger steps to improve the sectoral regulatory framework, coordination with the Ministry of the Economy and sectoral regulators has been critical.

Also, in the design of Proceso Marco, international best practices have been taken into account, in particular the experience of other economies that have already implemented similar exercises such as Australia, New Zealand, the Netherlands, and the United Kingdom, among others.

These actions represent a step towards achieving Mexico’s vision to have an integral, transparent and inclusive regulatory management system.

**2. Describe examples of successful reforms and lessons learned in your economy in implementing structural reforms in the five LAISR areas. Please indicate relevant websites or other reference material, preferably those written in English.**

Some examples of success in regulatory reform might be the following:

- On February 2007, President Felipe Calderón issued the Presidential Regulatory Quality Order (RQO)<sup>14</sup>, aiming at: (i) guaranteeing that regulations do not affect citizens or productive activities; and (ii) inhibiting overregulation that hinders investment, employment and, in general, competitiveness.

According to the RQO, Federal Governmental Bodies (FGB) may issue new regulation only when the latter complies at least with one of the following criteria:

- (i) The draft regulation derives from an emergency situation.
- (ii) The FGB is complying with either an obligation established in law or with regulations issued by the President;
- (iii) The draft regulation is complying with an international obligation;
- (iv) The regulation has to be updated periodically because of its nature; or
- (v) The benefits of the proposed regulation are higher than its compliance costs.

FGB produced 431 draft regulations with compliance costs in the first year of application of the Order (i.e. 2007). However, 33 of these draft regulations were rejected because they did not fulfill the criteria for the issuance of new regulations. In 2008, only 370 draft regulations with compliance costs were produced, of which five were rejected on the basis of non-compliance with the RQO criteria<sup>15</sup>.

The lesson learned from this experience is that regulatory reform and, in particular, quality regulation standards establish a set of principles to follow in order to make good regulation. It does not hinder the governmental ability to regulate.

- Since the opening of the first office of the Rapid Business Start-up System (SARE) on May 2002, Mexico got itself involved in a continuous, intensive effort to improve the business environment and, thus, its competitiveness, through the reduction, simplification and standardization of the times and procedures, at the Federal and local levels of government, to start up low risk businesses. The SARE's goal is to facilitate the creation of businesses in a maximum of 72 hours.

In 2008, a number of elements of the original SARE were revised in order to guarantee the quality of its services. Nowadays, the SARE operates in 149 municipalities<sup>16</sup>. Moreover, from May 2002, to June 2009, this scheme fostered the creation of 160,982 new enterprises which, in turn, generated 449,713 new jobs and an investment of approximately US\$1.9 billion<sup>17</sup>.

<sup>14</sup> Acuerdo de Calidad Regulatoria.

<sup>15</sup> 6<sup>th</sup> and 7<sup>th</sup> COFEMER's annual reports, available for download in: [http://www.cofemer.gob.mx/index.asp?tipo\\_nav\\_bar=2&contenido=2&content\\_id=26&menu\\_id=20&submenu\\_id=12](http://www.cofemer.gob.mx/index.asp?tipo_nav_bar=2&contenido=2&content_id=26&menu_id=20&submenu_id=12)

<sup>16</sup> Pertaining to 30 of 32 Federal Entities (states) in Mexico.

<sup>17</sup> The President of Mexico's third government report available at the following website: <http://www.informe.gob.mx/informe/>

With regard to competition policy, in May 2008, the Federal Commission for Competitiveness (CFC) presented to the Ministry of the Economy its opinion on foreign trade which included the following recommendations that were enacted by the Ministry in December 2008: an ambitious unilateral reduction of tariffs; simplification of customs procedures; simplification of administrative procedures for foreign trade and customs operations; and the reduction of barriers to entry for the provision of customs clearance services.

Other recommendations adopted of the CFC have already shown pro-competitive results. For example, reforms to the banking activity legal framework have succeeded in reducing obstacles to entry and expanding market penetration. New players have entered the market focusing on providing services to consumers segments unattended by the traditional banks. The CFC has also encouraged competition and free access in the air transportation sector through the promotion of the reduction of barriers of entry for low cost carriers. Consequently, several low-cost airlines have entered the market over the past years. Hence there has been an important increase of passengers using this kind of transport.

**3. What in your economy's experience are the keys to the success of reform? (e.g. leadership, institutional framework, communication strategy, consultation process) What are the factors, if any, that impeded reform? What lessons can we learn from your experience?**

Success in reform requires the commitment and willingness of both government and private sector. In order to achieve this, the institutional and legal frameworks should establish appropriate and transparent communication tools which facilitate the involvement of all relevant actors in the decision making processes and, in particular, in the prioritization and implementation of structural reforms.

Mexico's last five years experience in the area of regulatory reform shows that joint efforts with relevant actors may help to foster competitiveness, as it is an efficient way of sharing ideas, conveying concerns and designing strategies to properly address those concerns.

In this context, regulatory reform in Mexico has developed important tools to make the participation of the public sector more efficient (e.g. through SAREs or biennial regulatory improvement programs<sup>18</sup>); the civil society has also had a meaningful role (e.g. through the establishment of legal mechanisms to allow their participation in the decision making processes), in the creation of quality regulation and in the implementation of specific regulatory reforms.

Furthermore, Proceso Marco guarantees the independence of the experts groups' analysis by avoiding interference from interest groups, while providing the high level political commitment to carry out necessary actions.

To accomplish the objectives of Proceso Marco we've had to:

- Achieve a collaboration environment among all actors involved (the executive, legislative, judiciary, private sector, states and municipalities) to be able to achieve substantive agreements.

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<sup>18</sup>The Federal Administrative Procedures Law bounds each Federal Ministry and governmental agency to prepare and submit to COFEMER, at least every two years, a biennial regulatory improvement program in order to: (i) assess and report on regulatory reform progress and, accordingly, (ii) plan in advance the new regulatory reform measures to be taken.

- Defeat the resistance of privileged sectors and industries with particular interests. The benefits of the pending reforms to society and consumers (the majority) are overwhelmingly greater than the private cost of conducting such reforms.
- To involve all governmental entities in a review and reform dynamic, strengthening competition and reducing the administrative burdens to firms.

**4. What are the impacts, both positive and negative, of the reform on the economy and the flow of trade and investment? Please provide data or statistics where available.**

From May 2002 to June 2009, SARE scheme fostered the creation of 160,982 new enterprises which, in turn, generated 449,713 new jobs and an investment of approximately US\$1.9 billion. An estimation of Kaplan, Piedra and Seira in 2007 also suggests that the SARE generated a 4 percent increase on new firm start-ups<sup>19</sup>. This, in turn, may be linked to the World Bank's appreciation that the presence of new competitors in the market lead to an increase of 6 percent of the registered enterprises, 2.6 percent of employment and a decrease of 1 percent in prizes<sup>20</sup>.

Proposals emerging from Proceso Marco will assist to set the basis for fair competition and better regulation, attracting investment, fostering growth and employment. For example, with respect to the foreign trade opinion, the results in the reduction of tariffs, for the highest tariff rate applicable to industrial products, will go from 10.4 percent to 4.3 percent (over 4,300 tariff will be reduced to zero).

**5. In what ways can APEC better promote structural reform in the region? What would be some possible next steps beyond 2010 based on the achievement of the LAISR process?**

APEC could take advantage of its leadership in the promotion of dialogue in order to elaborate an inventory of good practices of structural reform, identify which elements are necessary in order to follow them, and to assess which practices might have the better results in the short, medium and long terms.

An example is the 5th APEC Training Course on Competition Policy, which will be an important contribution to the APEC Principles to Enhance Competition and Regulatory Reform by measures such as providing technical cooperation and assistance on competition policy and sharing legislation as well as enforcement experiences concerning competition policy and law.

<sup>19</sup> Kaplan, David, Eduardo Piedra y Enrique Seira, (2007)/ Entry Regulation and Business Start-Ups: Evidence from Mexico, Enterprise Analysis Unit, WPS 4322, World Bank, Washington, DC.

<sup>20</sup> *Doing Business in Mexico 2009*, World Bank, Washington, D.C.

# New Zealand

**1. In which areas of structural reforms have the most significant progress been made in your economy in the past five years? Please describe in what way you think the progress has been significant? Any structural reform activity can be included here, and does not necessarily need to be restricted to the five LAISR themes.**

## Regulatory Reform

Although New Zealand rates well on some international measures of regulatory quality and the ease of doing business<sup>21</sup>, the combination of a significant amount of new regulation in recent years and improvements in other economies means that many economies are catching up to, or surpassing, us in international indices of regulatory impact and competitiveness. The pace of new legislation and regulation has increased, and the quality, pace and implementation of some of this new regulation has been uneven.

There is also an ongoing need to improve existing regulation, including assessing whether it is still required and in what form, in the light of experience of how it is working in practice, new evidence and knowledge of the impact of regulation on economic performance, and the development of new approaches to regulating which achieve societal outcomes at least cost.

With this in mind, in June 2008 the previous government took several decisions to strengthen New Zealand's regulatory quality management system, and to put in place a more strategic approach to managing the impact of regulation on economic performance. This included assigning responsibility for New Zealand's regulatory quality management system to the Treasury, and expanding its role into three areas:

- Regulatory impact analysis (previously undertaken by the Ministry of Economic Development)
- Responsibility for setting a prioritised regulatory review work programme and coordinating across government agencies to deliver on this programme
- Strategic co-ordination of the regulatory quality management system.

Part of the rationale for assigning these roles to Treasury was the view that its role as one of the three "central agencies" in the New Zealand state sector provides it with a broad and strategic perspective, enabling it to make connections across policy areas and facilitating early engagement in the policy development process.

In November 2008 there was a change in government and this has resulted in a renewed focus on regulatory reform (encompassing improvements to the regulatory quality management system, the overall regulatory environment, and specific regulatory frameworks). Regulatory reform is one of six policy drivers that form the core of the current government's economic programme. Amongst other things the new government has:

- Established a new Ministerial portfolio for Regulatory Reform

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<sup>21</sup> See, for example, the World Bank's *Doing Business 2010: Reforming through Difficult Times*.

- Commenced reviews of major regulatory regimes (Air Quality Standards, Building Act, Consumer Law, Electricity institutional arrangements, Employment Relations Act, Food Act, Foreshore and Seabed Act, Holidays Act, Overseas Investment Act, Resource Management, Securities Act, Telecommunications Act, Weathertight Homes Resolution Services Act, Climate Change Response Act and Dairy Restructuring (Raw Milk) Regulations) and a programme of work to cut unnecessary red tape on business
- Established an annual Regulatory Reform Bill, which will provide a regular opportunity to reduce unnecessary red tape for business.

New Zealand has recently made several further enhancements to already existing policies, rules and institutions to help ensure effective and efficient regulation. These include the release on 17 August 2009 by the Minister of Finance and Minister for Regulatory Reform of a Government Statement on Regulation: Better Regulation, Less Regulation. The Statement is backed up by a number of supporting measures, including:

- systematic and ongoing regulatory scanning by departments to identify regulation that is, or may be, unnecessary, ineffective, or excessively costly
- annual regulatory plans of all known and anticipated proposals to introduce, amend, repeal or review legislation
- enhancements to the regulatory impact analysis (RIA) regime
- regular reporting on how the government is meeting the commitments in the Statement.

Further structural and other reforms are underway, or are under consideration include:

- the possible enactment of Regulatory Responsibility Act aimed at increasing accountability and transparency around law making by putting principles of responsible law making into legislation
- legislation has been introduced to establish a New Zealand Productivity Commission.

Further information on New Zealand's regulatory quality management system, and its regulatory reform agenda, can be found on the Treasury's website: <http://www.treasury.govt.nz/economy/regulation>.

## **Public Sector Governance**

New Zealand has made significant progress toward improving the accountability and transparency of the public sector regime over the last five years. New Zealand, at the request of Ministers and the Parliament, reviewed the accountability documents that underpin its public sector regime. The Review of Accountability Documents (RoADS) was about focusing accountability documents better on the needs of Ministers and Parliament.

Ministers and the Parliament felt the existing arrangements were burdensome and did not provide adequate information to allow informed judgement on the performance of the public sector. Parliament and Ministers in particular felt they were not getting the right information in the right forms, and performance documents were not helping the situation. Some problems identified by key users included: that the documents were seen as too long and difficult to engage with; there was duplication between documents; poor reporting of non-financial performance information; and the documents often focused on style rather than content.

Under RoADs the structural changes to accountability documents were implemented as part of the Budget 2008. The focus now is on improving the quality of the material in the accountability documents. One direct benefit of the review has been to reduce the amount of reporting material needed by Parliament.

Since then, the public sector has made a number of other complementary changes that increase the focus on supporting delivering better, smarter frontline public services funded primarily from within public agencies' existing operating baselines as part of the government's commitment to rebalance and strengthen the economy.

- Central agencies have implemented a Performance Improvement Framework (PIF) where agencies are reviewed against predetermined criteria, with the results and action plans coming out of the process being published. The first reviews will be published in September. Early evidence suggests PIF is likely to be an effective tool for lifting agency performance. <http://www.ssc.govt.nz/pif>
- The Better Administrative and Support Services (BASS) programme has completed an initial investigation comparing the cost and quality of administrative and support functions of 14 state sector departments against international benchmarks. The programme is preparing for Phase Two which will involve working on quick wins, the roll out of high level measurement across a broader group of agencies, and the development of a business case to identify and assess options for realising cost saving and quality improvement goals.
- Over the last two years there have been changes in the approach to capital asset management including the application of new standards, gateway assurance and information requirements to inform decision making so Ministers will have early engagement on options, assurance that appropriate business case preparation has been done, and clear, consistent preparation of information. For more information see <http://www.infrastructure.govt.nz/publications/betterbusinesscases> and <http://www.dpmc.govt.nz/cabinet/circulars/co10/2.html>.

## Competition Policy

In September 2008, the regulatory control provisions of the Commerce Act were amended. These amendments significantly improved the law relating to the regulation of monopolies with the aim of improving incentives on regulated firms to invest and innovate while protecting consumers from monopoly pricing and poor service quality.

The changes include generic provisions that enable price and quality control to be imposed where competition is limited. In addition, it provides for the regulation of electricity lines, gas pipeline services and airports and includes transitional provisions for these sectors. Key amendments include:

- the addition of a purpose statement specific to Part 4 clarifying the importance of incentives for regulated businesses to invest;
- the integration of the tests for determining *whether* and *how* to regulate goods or services and measures to streamline the inquiry and implementation processes of regulation;
- a requirement that the Commerce Commission sets 'input methodologies' for the regulatory rules, processes, and requirements that apply to regulated businesses; and

- allowing fit-for-purpose regulation to meet the circumstances of specific suppliers and sectors. The forms of regulation that may be applied are information disclosure, a negotiate/arbitrate regime, or default/customised price-quality regulation;

Proposed amendments to the competition legislation include the Commerce Commission (International Cooperation, and Fees) Bill. The Bill was introduced to Parliament in 2008 and is currently being considered by a Parliamentary select committee. It provides for enhanced cooperation between the Commerce Commission and its overseas counterparts, allowing the Commission to share confidential information or use its statutory powers to assist overseas regulators, subject to certain criteria and safeguards. Also, the Ministry of Economic Development released a discussion document on the penalty regime for cartel conduct in January 2010, considering whether criminalisation of cartels would be appropriate in the New Zealand context.

### **Corporate Governance**

Over the last five years, New Zealand has reformed its insolvency law, implemented a Limited Partnerships Act and commenced reviews of the financial reporting framework and the regulation of auditors. These reforms are making a significant contribution to an efficient and robust corporate regulatory environment that does not unnecessarily impose burdens on business.

**2. Describe examples of successful reforms and lessons learned in your economy in implementing structural reforms in the five LAISR areas. Please indicate relevant websites or other reference material, preferably those written in English.**

The main examples of regulatory reform and public sector governance reform are outlined above.

The lesson that has emerged from New Zealand's experience with both regulatory and public sector reforms is that commitment to reform needs to be continuous - the regulatory quality management system and public sector governance system should be under constant review. It is also important from time to time to step back and revisit and revitalise the respective overall approaches. Without this focus on continuous improvement and periodic "revitalisation" it's entirely possible that systems and practices can become ossified and irrelevant.

This is particularly important in the regulatory area given ongoing pressures for more regulation, especially in times of heightened fiscal constraint.

More information on New Zealand's regulatory management system and public sector can be found on the New Zealand Treasury website at the following links:

<http://www.treasury.govt.nz/economy/regulation>

<http://www.treasury.govt.nz/statesector>

### **Corporate Governance**

*Insolvency Law:* The Insolvency Act 2006, Companies Amendment Act 2006 and Insolvency (Cross-border) Act 2006 were enacted in November 2006. The main features of the reforms were:

- to introduce a business rehabilitation regime based on the Australian voluntary administration provisions;
- to address the phoenix company problem by introducing further criminal penalties and restrictions on the re-use of insolvent company names by company directors;
- to provide a mechanism to enable streamlined procedures to be implemented under the UNCITRAL Model Law for Cross-Border Insolvency;
- to implement an alternative to the current bankruptcy procedure for insolvent individuals with no realisable assets.

New Zealand is currently working with Australia to further streamline the law relating to cross-border insolvency between the two jurisdictions. The effectiveness of New Zealand's insolvency regime will be further enhanced by legislation due to be introduced this year to strengthen the provisions in relation to the appointment and replacement of insolvency practitioners. The amendments will provide a greater level of confidence in the skill of such practitioners.

*Limited Partnerships:* New Zealand introduced a new form of legal structure, the limited partnership, to encourage the development of the New Zealand venture capital industry, and encourage domestic and international investment in New Zealand. The Limited Partnerships Act, which enables New Zealand businesses to compete internationally on a level playing field for venture capital funds, came into force in May 2008.

*Audit regulation:* Following the collapse of a significant number of corporations internationally, many governments concluded that self-regulation of the audit profession was no longer appropriate and introduced government regulation, independent oversight or a combination of the two. New Zealand currently relies on self-regulation, but in light of the risk that New Zealand auditors are de-recognised overseas, decisions have been taken to strengthen auditor regulation. Audit standards will be set by a government regulator, and there will be government oversight of the licensing of auditors. The reforms are due to be implemented in 2011.

*Financial reporting:* The review of the New Zealand financial reporting framework aims to achieve a framework that is appropriate for all types of entities and is enduring. The government has made a decision to consolidate all accounting and auditing standards setting responsibilities within a new government standard setting agency. Further issues being considered are whether to remove preparation requirements for small and medium companies, and how to rationalise the reporting requirements in the non-profit sector. Legislation to implement the review is intended to be introduced into Parliament in 2011.

Further information on these reforms can be found on the New Zealand Ministry of Economic development website: <http://www.med.govt.nz>

**3. What in your economy's experience are the keys to the success of reform? (e.g. leadership, institutional framework, communication strategy, consultation process) What are the factors, if any, that impeded reform? What lessons can we learn from your experience?**

The recent changes to New Zealand's regulatory management system are still bedding in, and it will take time to assess the full extent to which they have been successful in lifting the quality of regulation. However, a key lesson learned to date (in addition to the point made above about the need for a focus of continuous improvement and periodic revitalisation) is that ultimately cultural change is essential to the success of regulatory reform efforts.

Changes where appropriate to regulation-making policies, rules, institutions, and incentives, and efforts to build capability in departments, will support this required cultural change, but strong leadership and advocacy from senior Ministers is vital for driving it through.

New Zealand now has both a Minister responsible for regulatory reform, as well as a senior Minister acting as a champion for regulatory quality within Cabinet (the Minister of Finance). We have found that having this Ministerial advocacy can be very effective in encouraging the development – by Ministers and their departments – of regulatory proposals that meet the government's expectations of regulatory quality.

This Ministerial advocacy is also important for embedding and driving a culture of continuous improvement of existing regulation, and ensuring that all possible opportunities for regulatory reform and review are identified and taken forward.

Leadership from within the public sector is also an important factor in successful reform. In the case of RoADs, leadership from the three central agencies in the New Zealand public sector (The Treasury, the State Services Commission and the Department of Prime Minister and Cabinet) was a key factor because of the breadth, depth, and long-term nature of the project. This was especially important since the project has spanned across the 2008 elections.

There is also a need for specialist "centres of excellence" in the public sector, and New Zealand's Ministry of Economic Development provides this in relation to assessing the impacts of regulation on business.

**4. What are the impacts, both positive and negative, of the reform on the economy and the flow of trade and investment? Please provide data or statistics where available.**

It is difficult to measure the direct impact of reforms on the flows of trade and investment, and as such we are unable to provide reliable data or statistics.

However, the aim of the regulatory reform measures is intended to create a better regulatory environment in order to help attract and retain increasingly mobile talent, skills, capital, technology and entrepreneurship, and close the prosperity gap with other economies to which we compare ourselves.

**5. In what ways can APEC better promote structural reform in the region? What would be some possible next steps beyond 2010 based on the achievement of the LAISR process?**

Beyond 2010 APEC should continue its focus on structural reform given its importance to the economic growth of the region. Some steps that could be explored further are whether we could prioritise different aspects of reform and explore them in more detail (e.g. specific areas of regulatory reform) or explore issues that are cross-cutting in nature (e.g. sharing good practices on how to implement reforms). We would also encourage that APEC ensures its structural reform activities beyond 2010 are focused on the needs of its member economies, and the EC should retain its policy focus.

# Papua New Guinea

- 1. In which areas of structural reforms have the most significant progress been made in your economy in the past five years? Please describe in what way you think the progress has been significant? Any structural reform activity can be included here, and does not necessarily need to be restricted to the five LAISR themes.**

The most significant and notable reform progress has been made in the area of improving competition policy. Through this, regulatory improvements have been made to improve competition law. The obvious economic benefit of this has been the increased competition in the mobile telecommunications and aviation sectors on international routes leading to increased economic activity and growth. Competition in these sectors has increased consumer choices, reduced costs and improved services.

- 2. Describe examples of successful reforms and lessons learned in your economy in implementing structural reforms in the five LAISR areas. Please indicate relevant websites or other reference material, preferably those written in English.**

## Competition policy

The government acknowledges and supports the benefits of increasing competition in key service sectors of the economy because of the positive impact this has on the economy in increasing efficiency, productivity, lowering prices and improving the quality of service delivery and promoting innovation.

The government has made good progress in providing an enabling environment for competition by removing the impediments which affect fair competition in key service sectors. Some of these include removing monopoly powers, reducing burdensome regulation, tackling difficult licensing and cumbersome administrative procedures including various other protective measures. The government will undertake further action to address areas that still require its support. The Independent Consumer and Competition Commission (ICCC) has carried out reviews into the regulatory contracts of the State-owned Enterprises to complement their transition to commercialization in a pro-competitive environment. This is in addition to the past reviews conducted by the Commission into the aviation, coastal shipping, tourism, telecommunications and General Insurance industries including the Wholesale and Retail trading sectors.

The recent industry-specific reviews have been submitted to the Treasurer and the Department of Treasury will assess the recommendations of the reviews, and will be taking them into consideration in its continued efforts to enhance competition and drive productivity in these sectors.

**3. What in your economy's experience are the keys to the success of reform? (e.g. leadership, institutional framework, communication strategy, consultation process) What are the factors, if any, that impeded reform? What lessons can we learn from your experience?**

The keys to the success of reform in Papua New Guinea have been the political will; leadership; and commitment that has been driving the reform agendas with assistance and cooperation from stakeholders. The reform agendas have been incorporated into the previous economic and development policies (Medium Term Development Strategy & the Medium Term Fiscal Strategy) of the government and currently into the PNG Vision 2050 and the Papua New Guinea Development Strategic Plan (PNG DSP) and Medium Term Development Plan (MTDP).

Through reviews and consultation process involving public and private sector stakeholders including NGOs and donors (World Bank, Asian Development Bank, AusAID, JICA, etc), the government through its relevant institutions and agencies were able to identify reform issues including their implementation.

The Public Sector Reform Unit, which is directly under the Department of the Prime Minister, was created to coordinate a number of critical reform activities. The Department of Treasury monitors and evaluates critical reviews to improve service delivery in the districts and to address structural impediments to business including reforms to improve efficiencies of Statutory Authorities.

However, implementation of the reforms has been constrained to some extent due to the lack of capacity of implementing agencies; funding constraints and duplication of functions and resource leading to wastage, confusion and accountability issues.

In order to achieve the desired or best results, reform areas need to be clearly identified, sequenced, costs and benefits determined and its implementation carefully strategized.

**4. What are the impacts, both positive and negative, of the reform on the economy and the flow of trade and investment? Please provide data or statistics where available.**

**Positive impacts**

- Increased competition in the mobile telecommunications and aviation sectors leading to increased economic activity and growth.
- Tariff Reduction Program has reduced costs for businesses.
- Customs modernisation program enables smooth flow of goods.
- Removing cumbersome laws/regulations that serve as unnecessary bottlenecks impeding private sector operations.
- Improvement in patent/copyright laws gives security to innovation ownership.
- Financial sector reform, especially the liberalisation of foreign exchange allows greater flexibility for businesses to conduct their transactions.

**5. In what ways can APEC better promote structural reform in the region? What would be some possible next steps beyond 2010 based on the achievement of the LAISR process?**

Some of the ways that APEC can better promote structural reform in the region include:

- Capacity building initiatives and programmes such as training, conferences, seminars, workshops, etc.
- Consultation, research, surveys, awareness, etc regarding structural reform issues of common interest to APEC economies.

It is important that consideration of some possible next steps beyond 2010 needs to be based on the achievement of the LAISR process. It is very critical to ensure that there is some level of uniformity in the achievement of the LAISR initiatives so that every APEC member is in a better position to undertake the next level of reforms or address some issues that constraint them from achieving the LAISR objectives.

# Peru

**1. In which areas of structural reforms have the most significant progress been made in your economy in the past five years? Please describe in what way you think the progress has been significant? Any structural reform activity can be included here, and does not necessarily need to be restricted to the five LAISR themes.**

Over the last few five years, Peru has made progress in relation to the issue of regulatory reform. This progress has been related to incorporation into the design process of regulations, public consultation mechanism. Among the main examples of the reform are in the customs procedures, in government procurement regulations and the institutionalization of mechanisms to promote private investment through public-private partnership mechanism.

In this case, the mechanism transparent and open consultations have enabled the design regulations and to approximate the real impact of these on the various participants and affected.

Furthermore, this process has been incorporated into the recurrent mechanism design regulations through special administrative regulations. These regulations provide for the consultation mechanism through pre-publication of regulations to collect the views and comments of those involved.

On the other hand, Peru's Congress, joined to the Executive branch efforts, has done extensive debugging existing regulatory framework, purged around 2,000 outdated or unnecessary regulations, which allow greater transparency and predictability of the regulatory framework in Peru.

Alongside the consultation mechanism of the Peruvian government has supplemented these efforts administrative simplification programs implemented at all levels of government. This was done through administrative regulations purification, reorganization of internal processes of public institutions, transparency of administrative procedures. The enactment and design methodologies for the costing of services, reorganization of functions are allowing these efforts will translate into improvements in the Doing Business indicators World Bank.

**2. Describe examples of successful reforms and lessons learned in your economy in implementing structural reforms in the five LAISR areas. Please indicate relevant websites or other reference material, preferably those written in English.**

Some examples of success in regulatory reform might be the following:

## Regulatory Reform

- The government has promoted several reforms to improve the regulatory environment for businesses. One example is the enactment of the Legislative Decree N° 1029 – “Law that modifies the General Administrative Procedure”. The main objectives of this new norm are to simplify requirements, eliminate bureaucratic obstacles and give speed to several procedures between the citizens and the State. In addition, in 2010, the

government enacted the Law N° 29566 – “Law that modifies different requirements to improve the climate of investment and to facilitate the compliance of tax obligations”, which introduced reforms to simplify procedures to start a new business, deal with construction permits, register property and pay taxes.

- In order to promote competitiveness of Peruvian exports, the government enacted the Legislative Decree N° 1053 – “General Customs Law”. It aims to facilitate international trade through the simplification and speed up of different customs procedures. It is expected that this law will help firms to take advantage of all the commercial agreements signed by with different economies such as the United States of America and China.
- In 2008, the government passed the Legislative Decree N° 1012 – “Law of private and public associations”. This norm provides a new framework of public participation in companies originally in the private sector. It is expected that this norm will: increase private investments in areas such as public infrastructure and public services provision, create new job opportunities and increase the competitiveness of firms in different regions of the economy.
- Also, in 2008, the government passed the Legislative Decree N° 1012 – Procurement and government Contract Law. This norm aims to promote competitiveness of private firms that sign public contracts and maximize the value of taxpayers’ money. It is expected that this new framework will help public agencies to buy goods and services under better conditions of price and quality.

## **Competition Policy**

- The Executive Branch has done improvements to the legal framework that regulates market competition. In the 2008, the government passed the Legislative Decree N° 1034 – Repression for Anticompetitive Practices Law, which main goal is to promote economic efficiency as a mechanism to reach consumer’s welfare. This norm constitutes a modern framework to sanction anticompetitive practices and the abuse of dominant position.
- The government has also done important reforms to guarantee consumer’s rights. In 2010, the Congress has enacted the Consumer’s Code (Law N° 29571) that compiles the main regulations on this subject and, at the same time, introduces new regulations to reduce asymmetric information between consumers and producers and remove any practices that can violate consumer’s rights.
- Finally, to guarantee that competition and pro-consumers policies will be respected by producers and consumers, the government has promoted and institutional reform of the National Institute for the Defense of Competition and the Protection of Intellectual Property (INDECOPI). This reform was done with the enactment of the Legislative Decree N° 1033 – “Law on Organization and Functions of the National Institute for the Defense of Competition and Protection of Intellectual Property – INDECOPI”. It is expected that this law will help INDECOPI to improve their capacity to comply its functions in a more efficient way.

**3. What in your economy's experience are the keys to the success of reform? (e.g. leadership, institutional framework, communication strategy, consultation process) What are the factors, if any, that impeded reform? What lessons can we learn from your experience?**

Perú's last five years experience in structural reforms shows that the success in reform requires the commitment and willingness of both government and private sector. The involvement of all relevant actors in the decision making processes depends on the transparent communication tools and the appropriate institutional and legal frameworks should. With those elements permits the balanced and efficient reforms that boost competitiveness of the economy.

Another key aspect to the success of a structural reform initiative is a thorough, transparent and wide-ranging consultation process that includes all stakeholders. In Perú's experience on Customs, Government Procurement and PPP regulations design the consultation of those provide legitimacy, buy-in and ownership to the reform process.

The coordination in design, drafting and implementation of reforms is crucial for the success of the policy. In Perú's experience the Ministerial Commission is a good practice to coordinate policies and reforms, in 2008 the CIIACE, a special commission to implement the recent FTAs, design, coordinate, draft and enact regulations. This mechanism reduces the transaction cost of the policy and reform implementation, and contributes to assess the impact of new regulations.

One challenge that Peruvian government faced in the implementation of structural reform is to change the "culture" of the public service from passive role (implementer) to active role (facilitator, problem-driven implementer). In addition to this new role, Public Sector activities will focus on continue create a good environment for doing business through continuous and systematic monitoring to ensure effectiveness of the reform initiatives. The change of "business as usual" criteria in the public sector is the main challenge for the Peruvian government for next years.

**4. What are the impacts, both positive and negative, of the reform on the economy and the flow of trade and investment? Please provide data or statistics where available.**

The impacts of the current initiatives on the flow of trade and investment are still being observed and studied.

**5. In what ways can APEC better promote structural reform in the region? What would be some possible next steps beyond 2010 based on the achievement of the LAISR process?**

APEC could take advantage of its leadership in the promotion of dialogue between economies and continues to be a platform for promoting structural reform in the region. Among the initiatives that can be considered by APEC may include the elaboration an inventory of good practices of structural reform and the support for more capacity building activities and fostering collaborations with other APEC economies and other foras.

# The Philippines

**1. In which areas of structural reforms have the most significant progress been made in your economy in the past five years? Please describe in what way you think the progress has been significant? Any structural reform activity can be included here, and does not necessarily need to be restricted to the five LAISR themes.**

The potential for rapid growth from successful reform is illustrated by the experience of deregulating telecommunications in the 1990s, which not only transformed the industry from single operator dominance to one of competition dynamism and vastly improved service. It has paved the way for vital investments in telecommunications infrastructure, and facilitated the growth of broadband services; e-commerce; e-business; and, offshoring and outsourcing. The offshoring and outsourcing industry has become a significant contributor to economic growth, in terms of services exports and employment. The growth of the BPO industry also spurred the rise of private construction, as it increased demand for office spaces, and fostered the growth of IT hubs in other major cities.

Meanwhile, airport development and the liberalized air transport environment promoted domestic and international travel, with competition encouraging the growth of budget airlines offering cheaper airfares. This led to the development of regional centers and domestic tourism.

The last five years also saw significant reforms in the transport sector, as the government pushed for the development of the nautical highway system and the Roll-On Roll-Off Terminal System (RRTS), the various domestic and international airports, and the rail transport system. This has resulted in significant reductions of transportation costs and travel time. The RORO, in particular, facilitated trade especially for products from Mindanao and the Visayas to reach Luzon, particularly Metro Manila, increased tourism destination access and also increased access for social services.

Laws increasing excise taxes on tobacco and liquor products and establishing a system of rewards and penalties in revenue collection agencies and the expanded value added tax (which reduced the VAT exemption and increased the VAT rate from 10 percent to 12 percent) has helped to increase revenue generation and restore fiscal stability.

A December 2004 Supreme Court decision upheld the constitutionality by the 1995 Mining Act, thereby allowing up to 100 percent of foreign owned companies to invest in large scale exploration, development and utilization of minerals, oil and gas. Although world metal prices continue to fluctuate, this landmark development is seen to make a reality the tapping of the vast mineral reserves of the Philippines when needed, for the exports market and domestic industries; and bring in the expertise and investments from local and foreign investors.

The government is also pushing for energy independence, with the attainment of energy self-sufficiency level of 60 percent by 2010 and beyond, through the increased use of renewable, alternative, and fuel blends in the energy mix. This includes the development of hydropower, wind power, biomass, solar power, geothermal wave, and tidal energy technologies. In 2007, RA 9367 or the Biofuels Law was enacted, requiring blends of biodiesel and bioethanol in diesel and gasoline, respectively. This is expected to ease the pressure and external shocks due

to petroleum price fluctuations, and fulfil RP's efforts in clean development mechanism (CDM).

**2. Describe examples of successful reforms and lessons learned in your economy in implementing structural reforms in the five LAISR areas. Please indicate relevant websites or other reference material, preferably those written in English.**

Reforms to strengthen the financial infrastructure have been implemented. These include aligning domestic banking standards with international best practices to strengthen regulation and supervision of the banking system prescribed under the General Banking Act of 2002. The implementation of the Special Purpose Vehicle Act of 2003 has improved the asset quality of banks and has reduced the problem of assets of the banking system. A credit information system was likewise established to improve the overall availability of credit especially to micro, small and medium-scale enterprises, and provide mechanisms to make credit more cost-effective and reduce the excessive dependence on collateral to secure credit facilities (Republic Act 9510, 2008).

The Securities Regulation Code, meanwhile, prescribed mandatory tender offers, defined listing rules, provided prohibition on insider trading and separation of broker and dealer functions to prevent the exploitation of investors through the sale of unsound or fraudulent securities. A Pre-Need Code was established (RA 9829) in December 2009 to protect plan holders and ensure the viability of the industry. Moreover, a legal and regulatory framework was created to govern real estate investment trust (Republic Act 9856, 2009).

Together with the government procurement law, which redefined procedures in government purchasing, a government Electronic Procurement System has been implemented to create greater transparency, accountability, efficiency and equal opportunity.

The government has also enacted laws designed to curb corruption such as the Anti-Red Tape Act (enacted in 2007). The law aims to improve efficiency in the delivery of government service to the public by reducing bureaucratic red tape, preventing graft and corruption and providing penalties for those caught violating the law.

The regulatory capacity of the Bureau of Food and Drugs (now known as Food and Drug Administration) has been strengthened and rationalized with the enactment of RA 9711 in August 2009. The law provides among others, the establishment of adequate testing laboratories and field offices and upgrading its resource complement.

Documentation procedures have been simplified and export clearances and fees eliminated (Executive Order 554, 2006). In 2009, RA 9853, amending the Customs Brokers Act of 1994 (RA No. 9280) was signed into law. RA No. 9853 amends sections concerning further reduction of procedures, which could lower transaction costs.

*Sources:* Office of the President website for the specific laws: [http://www.neda.gov.ph/plans and reports/MTPDP/Updated MTPDP%202004%20to%202010.pdf](http://www.neda.gov.ph/plans_and_reports/MTPDP/Updated_MTPDP%202004%20to%202010.pdf)

**3. What in your economy's experience are the keys to the success of reform? (e.g. leadership, institutional framework, communication strategy, consultation process) What are the factors, if any, that impeded reform? What lessons can we learn from your experience?**

Leadership has foremost role in making credible development results that translate to lowering of uncertainties (government, business, consumer confidence) and poverty. Improving confidence in governance is top leadership issue especially in light of recent reports placing the Philippines in a precarious position in its perceived anti-corruption efforts. Such governance means consistent policy stance, improved government procedures, minimized regulatory capture and credible anti-corruption measures. Following the global crisis and apparent recovery, effective fiscal management through careful stimulus package exit strategies, tax revenue improvements and containing deficits are current governance challenges.

The government's communications strategy could complement its notable accomplishments through effective advocacy to make known to stakeholders and beneficiaries, what programs and projects are implemented. Seriously taking stakeholders' needs and suggestions, feedback mechanism, criticism management and proactively doing something to international perceptions surveys (e.g. competitiveness, ease of doing business, corruptions perceptions rankings) are examples of a good communications strategies where RP could do more.

Consultation process to effect reforms should go beyond mere consultation steps but through the higher stage of partnership and cooperation. Clear public-private partnership (PPP) is crucial. A case in point on partnership is the formation of the National Competitiveness Council (NCC)<sup>22</sup> in October 2006 as a Public-Private Task Force on Philippine Competitiveness through Executive Order (EO) No. 571, to address the improvement of the economy's competitiveness from the bottom third of competitiveness rankings to the top third by 2010.

**4. What are the impacts, both positive and negative, of the reform on the economy and the flow of trade and investment? Please provide data or statistics where available.**

The economy performed strongly, reaching a 7.1 percent growth in 2007. However, the global rise in commodity prices in 2008, and the global crisis in 2009 undermined gains in previous years, and the economy posted slower growths. Still, communications and business services showed significant improvement in the performance.

From 2005 to 2007, inflows of direct investments to the Philippines were growing briskly on account of several reforms implemented at the onset of the new administration in 2004. Approved investments for that period grew at an average rate of 22 percent, peaking at 54 percent in 2006. Likewise, foreign direct investments (FDI) and net foreign portfolio investments (FPI), as reported in the balance of payments, posted continuous net inflows during the same period. The economy also sustained the net inflow of FDIs in 2008 and 2009, albeit the steep decline of the global economy.

<sup>22</sup> Available in <http://www.dti.gov.ph/dti/index.php?p=483> (last accessed 23 March 2010).

**Table 5. Foreign direct investments (FDI) and net foreign portfolio investments (FPI) in the Philippines**

Year	Approved FDI (billion PhP)	Net FDI (billion US\$)	Net FPI (billion US\$)
2005	231.2	1.9	3.6
2006	357.0	2.9	4.6
2007	385.8	2.9	3.8
2008	182.7	1.5	-4.4
2009	121.8	1.9	1.8

Sources: Updated MTPDP 2004-2010, NSCB, BSP

Note: Net FPI for 2009 is for January-September only.

The improving trend may be partially attributed to the positive effects of different reforms instituted in the past years. In general, the more robust ability of the economy to attract investments from abroad may be broadly traced to the “relative strength of the economy’s underlying macroeconomic fundamentals and economic growth showing resilience amidst the strength in domestic demand”<sup>23</sup>. Moreover, “the positive performance could be attributed to the favorable investment climate during the period with investors citing improved fiscal performance”<sup>24</sup>.

However, there are still lots of rooms for improvement as the Philippines still ranks low in terms of the ease of doing business. From 2008 to 2009, the economy’s rank based on the World Bank-led study further slid to 144 from 141, with particularly low ranks in such aspects as starting a business, getting credit, protecting investors, and closing a business.

On the other hand, if not for the collapse of world trade in late 2008 up to 2009, the economy’s trade performance would have sustained the robust growth demonstrated in the previous years. Between 2005 and 2007, exports and imports of goods and services, increased at an average growth of 12 percent and 9 percent, respectively. In 2006, after consecutive years of trade-in-services deficit, the economy turned into a net service exporter, on account of the surge in receipts from travel and business services. Against the background of the weak global economy in the past two years, trade in services continued to buoy the economy’s external account position, with exports and imports of services staying relatively resilient compared to cross-border transactions involving merchandises. The relative strength of the services sector may be attributed to the intensified government and industry efforts to promote tourism in the Philippines, policies and programs supporting the business services sector (e.g., contact centers), and the competitiveness of human resources in the outsourcing industry. For merchandise trade, the pre-crisis years witnessed continuous growth of electronic exports. Emerging growth drivers like petroleum and mineral products also helped accelerate the rise of exports. Explicit government policies on promoting electronic exports (e.g., privileges in special economic zones and in customs), and more liberal rules on mining operations in the economy (e.g., the affirmation constitutionality of the Mining Act of 1995) supported the robust growth of said commodities. Continuous efforts to improve customs procedures also contributed to the easier facilitation of trading activities.

<sup>23</sup> <http://www.bsp.gov.ph/publications/media.asp?id=2282>

<sup>24</sup> Updated MTPDP 2004-2010

**Table 6. Exports and imports of goods and services in the Philippines**

Year	Exports of Goods and Services (billion US\$)	Growth	Imports of Goods and Services (billion US\$)	Growth
2005	44.8	4.6	53.9	7.2
2006	53.0	18.3	59.6	10.5
2007	59.3	11.9	65.4	9.8
2008	58.4	-1.4	69.9	6.9
2009	33.8	-26.4	39.5	-29.0

Source: BSP

Note: Exports and imports for 2009 are for January - September only.

Recent moves to improve customs procedure have a positive impact on the competitiveness of the economy's trade logistics system. The Philippines' global ranking based on the World Bank's Logistics Performance Index (LPI) improved from 65 (2007) to 44 (2010). The economy's scores in all aspects, namely customs (efficiency of clearance process), infrastructure (quality of trade and transport related infrastructure), international shipments (ease of arranging competitively-priced shipments), logistic competence (quality of logistic services), tracking and tracing (of consignments), and timeliness (in reaching destination within the scheduled or expected time delivery), improved.

**Table 7. The Philippines' global ranking on Logistics Performance Index (LPI)**

	Gobal LPI Ranking	LPI	Customs	Infrastructure	International shipments	Logistics competence	Tracking and tracing	Timeliness
2010	44	3.14	2.67	2.57	3.4	2.95	3.29	3.83
2011	65	2.69	2.64	2.26	2.77	2.65	2.65	3.14

Source: World Bank

**5. In what ways can APEC better promote structural reform in the region? What would be some possible next steps beyond 2010 based on the achievement of the LAISR process?**

By and large, APEC should continue initiatives it has started on structural reform. Further, it should continue to adopt best practices of other institutions, such as the OECD to achieve the LAISR goals.

APEC could complement the global surveillance work of organizations like the IMF, to anticipate crises, bubbles and other negative externalities. Maintenance of a good APEC information and database infrastructure is key.

# The Russian Federation

**1. In which areas of structural reforms have the most significant progress been made in your economy in the past five years? Please describe in what way you think the progress has been significant? Any structural reform activity can be included here, and does not necessarily need to be restricted to the five LAISR themes.**

There was significant progress in the sphere of competition policy, legislation and enforcement for the last five years. Changes in the competition law provided for the basic trends in competition development.

The Federal Law “On Protection of Competition” (hereinafter referred to as the Law on protection of competition) came into force on 26 October 2006. It incorporated two pre-existed laws: the Law of the RSFSR (1991) “On Competition and Limitation of Monopolistic Activity in Commodities Markets” and the Federal Law (1999) “On Protection of Competition in Financial Services Markets”.

Although the Law on protection of competition introduced some new tools, changed some key notions, judicial and procedure instruments, the necessity to react on the changing situation in competition policy and enforcement in Russia required introduction of further amendments to the Russian competition legislation.

A year-long process of agreeing on the wordings of the amendments resulted in adoption by the President of the so-called “second antimonopoly package” – three Federal Laws amending the Law on protection of competition (2006) and some other Laws and containing about 150 amendments aimed to strengthen the control over competition law observance and at the same time promote steady economic development, transparent mechanisms of public procurement and more successful implementation of anti-corruption measures.

Taking into consideration amendments introduced to the Russian competition legislation from 2006 till 2009 the present competition legislation contains many significant achievements:

- extraterritorial principle of competition enforcement was extended;
- collective dominance was introduced; natural monopolies are *a priori* dominant; companies with market share less than 35 percent can be admitted as dominant provided they significantly impact market;
- administrative burden on economic entities was reduced (now only 10 percent of companies fall under the FAS Russia control compared to 90 percent before that; thresholds of assets merger review were considerably increased from 3 billion rubles to 7 billion rubles);
- antimonopoly control procedures were defined in detail;
- the list of agreements prohibited “per se” was shortened;
- the rule of reason was introduced with regard to certain actions and agreements; block exemptions were introduced;

- powers of the competition authority, including when conducting inspections were detailed;
- requirements to the general rules on non-discriminatory access to the infrastructure of natural monopolies were set, basing on which the sectoral rules are to be elaborated;
- other specific provisions aimed at competition development.

Moreover the administrative and criminal liability for violation of competition law was toughened:

- size of fines was considerably increased;
- turnover fines from 1 to 15 percent were introduced;
- disqualification for officials was introduced;
- imprisonment for up to seven years is now a reality;
- leniency program with detailed procedure was introduced as well.

All these measures, on the one hand, provided the competition authority with more powers to reveal infringement of competition law and to bring the violators to liability, and on the other hand deterred the potential violators to refrain from infringement. Moreover extensive advocacy resulted in gaining much support for competition principles introductions and implementation in various sectors both by the government of the Russian Federation and by the business community, academicians and civil society institutions.

All the above described changes provided for more effective competition enforcement practice. For instance, the number of initiated cases on anti-cartel enforcement raised in 2008 by 52.5 percent compared to 2007 (183 cases in 2008 against 120 cases in 2007). The size of fines on cartel infringement made up about US\$170,000 in 2007, more than US\$54 million in 2008, and already US\$28 million in the first half of 2009.

Moreover the on-going reforms of natural monopolies aim at provision of shift away from the state price-setting regulation and financial policy in this sphere, which became obsolete, to the market mechanisms of ensuring competition and balancing interests of producers and consumers through regulation of access at any point in the integrated process of provision of natural monopoly goods and services where the natural monopoly limits it and where access is necessary to develop competition.

**2. Describe examples of successful reforms and lessons learned in your economy in implementing structural reforms in the five LAISR areas. Please indicate relevant websites or other reference material, preferably those written in English.**

The day to day regulation of natural monopolies and the elaboration of plans for structural reform are an important part of the work of the Russian competition authority. There were conducted a number of pro-competitive reforms of natural monopolies in such sectors, as power energy, telecommunications, railway, public utilities, airport services sectors.

One of the most successful examples of such structural reforms was the reform of power energy sector. Its main idea was to increase the effectiveness of the sector enterprises, to create conditions for its development basing on investment stimulation and to provide reliable and no-break power for consumers.

Therefore the power energy system in Russia faced radical changes, in particular the system of sector state regulation was changed, the competitive market of power energy is being formed, new companies are being created.

The structure of sector is being changed during the reform: a separation of natural monopoly (transmission of power energy, operative-dispatch administration) and potentially competitive (production and sale of power energy, repair and service) functions is being executed, and the new structure specializing on certain types of activity are being formed instead of the vertically-integrated companies that executed all those functions.

The power energy sector reform was completed in 2008 by completing structural modifications and reorganization of the RAO "UES Russia" (United Energy Systems of Russia - the monopolist in power energy sector of Russia). During the next three years wholesale and retail market will operate under the transition rules, envisaging step-by-step market liberalization keeping tariff regulation under power energy transmission to citizens and types of consumers that are considered as citizens.

Presently the structure of generating companies created on the assets of RAO "UES Russia" is fully completed.

All transactions on creation of generating companies and stock sale were executed under the FAS Russia control according to the Law on protection of competition.

The generating companies are formed under the exterritorial sign taking into consideration the necessity to restrict market power of OGK (generating company of wholesale market) and TGK (territorial generating company) so that each of them will not be able to influence wholesale power energy market prices. This configuration of the generating companies had an independent expertise and on the whole is recognized as permissible from the perspective of creating conditions for real competition development on the wholesale market.

Thus the conditions for development of competitive power energy market were created, where the prices are not regulated by the state and are being formed due to the demand and supply and its participants compete reducing their costs.

Moreover the FAS Russia provides the control over observance of prohibition set forth in the Federal Law No.36-FZ of 26 March 2003 to simultaneously have property for transmitting power energy and operative-dispatch administration and property for production and purchase and sale of power energy.

Reform of natural monopolies is ultimately aimed at providing the consumer with the right to select the supplier of the relevant services that will promote price growth constraint and establish quality standards for service rendering.

Examples of other actions undertaken in order to ensure competition development:  
<http://fas.gov.ru/english/decisions/15841.shtml>

<http://fas.gov.ru/english/decisions/22405.shtml>

**3. What in your economy's experience are the keys to the success of reform? (e.g. leadership, institutional framework, communication strategy, consultation process) What are the factors, if any, that impeded reform? What lessons can we learn from your experience?**

There are several factors that contributed to success of various reforms. Firstly this is effective advocacy that provides for social and political understanding of the necessity of the reform. Regular joint discussions with the representatives of business community, civil society institutions and sectoral experts within the frameworks of various consultation and expert councils provide for transparent mechanism of elaboration of relevant regulations.

Secondly this is the support by the government of the Russian Federation. Without a strong political will it would have been much harder to overcome lobby by stakeholders. For instance during the last 4 years reform of competition policy and enforcement has gone at a rapid speed due to the respective support of the President and Prime Minister of the Russian Federation.

**4. What are the impacts, both positive and negative, of the reform on the economy and the flow of trade and investment? Please provide data or statistics where available.**

Review of macro-economic indicators that reflect the rate of competition environment in the Russian economy and the respective interview of entrepreneurs testify that competition is a significant factor for economic activity.

The significant growth of the number of foreign companies that entered the various Russian markets since 2004 shows the high level of market openness and minor number of barriers in order to ensure stable competition.

For instance enter to the Russian power energy market of such foreign companies as Fortum, E.On, Enel was a result of the main goal of the reform – attraction of investments. Before the reform there was only one company working in power energy sectors, now there are 21 OGK and 14 TGK successfully working in this sector.

Moreover the new amendment to the competition legislation provided for further reduction of administrative barriers for economic activity. For instance, thresholds of assets for merger review were increased from US\$120 million to US\$280 million, notifications for mergers within one group of persons was made informative.

**5. In what ways can APEC better promote structural reform in the region? What would be some possible next steps beyond 2010 based on the achievement of the LAISR process?**

The first option is to enhance sharing of best practices. An opportunity to learn about potential problems and their solutions in advance can prevent from unnecessary mistakes and loss of time.

The second option is to elaborate certain recommendations on various aspects of structural reform basing on the APEC members experience.

# Singapore

**1. In which areas of structural reforms have the most significant progress been made in your economy in the past five years? Please describe in what way you think the progress has been significant? Any structural reform activity can be included here, and does not necessarily need to be restricted to the five LAISR themes.**

Regulatory reforms have evolved to meet the needs of businesses and create a more conducive business environment for our enterprises. Singapore has made significant progress in all five areas under LAISR2010: Competition Policy, Regulatory Reform, Corporate Governance, Public Sector Management, and Strengthening Economic Legal Infrastructure.

- (1) Competition policy: The **Competition Commission of Singapore (CCS)**, an independent and transparent investigative body, was established in 2005 to maintain competitive markets in sectors which were previously unregulated and have now been included in our Competition Act. Singapore previously only had regulatory bodies that ensured competition in sectors which tended to have natural monopolies (e.g. telecoms, rail transport, etc.). An example of CCS's work in maintaining fair competition is the recent \$1.69 million fine on 16 coach operators and association for price-fixing in 2009. Besides this, CCS also issued a new set of guidelines on "Competition Impact Assessment for government Agencies" last year, bringing the current total to 13 (for the full set of guidelines, please refer to the website: <http://www.ccs.gov.sg/Guidelines/index.html>). These guidelines provide advice for businesses and contribute to fairer and more competitive business climate for enterprises.
- (2) Regulatory reform: The **Smart Regulation Committee (SRC)** replaced the Rules Review Panel (RRP) in 2005. Its primary function is to develop a regulatory regime that is friendly to business and investment by reducing the cost and burden of regulation on stakeholders (i.e. citizens and businesses) while safeguarding and maximizing public interest and creating a competitive and innovative business environment. It promotes a more consultative regulatory style and works closely with the private sector, such as the Action Community for Entrepreneurship (ACE) movement. This improves the quality of government regulations and removes outdated or unnecessary regulations. Agencies are encouraged to carry out regular regulatory reviews to continually improve the quality of our regulations. Agencies that did well are invited to share their practices with other government agencies which created a positive reinforcing loop.
- (3) Corporate governance: The **Council for Corporate Disclosure and Governance (CCDG)** was subsumed under the Accounting Standards Committee (ASC) in 2007 to strengthen credibility and transparency in financial reporting. It sets legal requirements for companies to comply with accounting standards which encourages enterprises to be fiscally responsible and accountable to its shareholders.
- (4) Public sector management: The **Public Service Division (PSD)** manages the talent pool in the public service. PSD launched the Public Service for the 21st Century (PS21) movement in 1995 to promote an attitude of change-readiness within the Public Service. Initiatives implemented under PS21 includes its emblematic project, *The Enterprise Challenge (TEC)*, a central fund for trial-testing innovative and promising projects which are "experimental"

in nature; and the *ExCEL* (Excellence Through Continuous Learning and Enterprise) initiative which looks into harnessing the creativity and diversity of the Public Service, reinforcing the spirit of continuous improvement, innovation, and learning as part of our officers' life. New ideas or suggestions can be made through two channels: Work Improvement Teams (WITS) and Staff Suggestion Scheme (SSS). A tangible outcome is an attitude of service excellence as a way of life and PS21 serves as a reminder to Public Service employees' core purposes which is to serve the public with nothing less than the highest standards of Courtesy, Accessibility, Responsiveness, and Effectiveness (i.e.: CARE). In addition, **World•Singapore**, which provides an overarching framework of new growth strategies for Singapore, was started in 2006. It is a service-wide movement that serves as an impetus to energise work in these areas by getting public officers to think globally and work as a networked government, so as to identify and seize opportunities for Singapore.

Lastly, finance prudence is important in ensuring that there are no profligacy and pork and barrel spending in the public service. The *Economy Drive* movement was initiated in May 2003 to reinforce the mindset of fiscal prudence in every public officer to stretch every public dollar. Our Ministry of Finance manages the initiative to guide public agencies to build a trim, efficient and excellent public service. The Agencies are required to review public programmes and expenditure to scale back or remove those which are less useful or cost-ineffective. Each dollar saved is then channeled into newer or more important projects so that the agencies' effectiveness is not compromised. A Value-for-Money Office has been set up to systematically examine whether government expenditures are achieving good value for money and meeting the intended outcomes. The observations and recommendations from these reviews are shared with top management as well as public sector agencies.

- (5) Strengthening economic legal infrastructure: Singapore is committed to build a strong and dynamic regime for the protection and exploitation of Intellectual Property Rights. We review our IP legislation regularly to consider changes brought about by technological developments. In 2008, we made amendments to the **Trade Marks Rules** which allows electronic communication with the trade mark agents and vice versa in relation to trade mark prosecution matters. Besides that, we are committed to issuing certificates of registration or statements of grant of protection for objection-free and opposition-free trade marks within four months from the date of national filing or within four months from the date of notification from WIPO for applications filed through the Madrid Protocol. Applicants are thus granted rights expeditiously where possible.

To raise awareness about IPR, IPOS educates the general public through its **HIP Alliance** initiative via broad-based advertising and collaborations with like-minded partners to encourage the public to respect IP. Collaborations include partnering with the Motion Picture Association (Singapore Office) to launch an anti-piracy trailer in April 2008 and organizing an anti-piracy trailer contest among pre-tertiary students in 2009. In addition, the **Intellectual Property Education and Resource Centre** (IPERC) is a training facility cum resource library designed to meet the information and training needs of users of all levels, such as the *Knowledge Kaleidoscope* for businesses which features a series of IP management factsheets that provides businesses with an insight into the many facets of their intellectual assets and helps businesses to better incorporate intellectual property in their overall business strategy to help improve their competitiveness and strategic advantage.

**2. Describe examples of successful reforms and lessons learned in your economy in implementing structural reforms in the five LAISR areas. Please indicate relevant websites or other reference material, preferably those written in English.**

**(1) Pro-Enterprise Panel (PEP):** <http://www.ace.sg/site/Page.aspx?id=D2D859B3-0ACF-4A43-818F-D02C0F7C17B2>

Lessons learnt:

PEP's vision of sustainable economic growth through the cultivation of a pro-enterprise environment has not only allowed businesses to be innovative and to seize opportunities timely, but allowed the government to re-invent itself effectively. The key lesson is that participation from all levels of the government and the private sector is critical. The pro-enterprise movement has been successfully driven from the top by public sector leaders and business leaders. Within the Public Service, the PEP had to manage concerns faced by individual agencies. For some agencies, the nature of their regulatory activities and overarching priorities (e.g. security) makes it more difficult for them to be pro-enterprise. To secure buy-in from these agencies, the PEP had to manage their specific concerns. Where possible, the commitment from their senior management was secured to ensure effective review throughout the agency. The active commitment of the business leader volunteers is also crucial for the PEP. Business leaders do not simply champion the suggestions put up by businesses as a matter of course. There have been cases where they have defended the need to regulate certain activities, in the interest of public good. These business leaders help the rest of the business community realise that there is a need to maintain a balance between the need to regulate certain activities with the interests of businesses. Together with their Public Service counterparts, they know that it is not just about eliminating rules, but finding an optimal balance that avoids both over-regulation and under-regulation. And together, they work towards a win-win approach, which ensures the interests of both businesses and the general public are taken care of. This win-win approach has led to a policy to regulate only critical aspects smartly, and the removal of many unnecessary regulations, making Singapore the most pro-enterprise economy in the world. However, the effort cannot stop. With many agencies already adopting a pro-enterprise mindset, the PEP is focusing its effort on cross-agency issues and ensuring that the lead agency approach (where one agency takes the lead to push forward efforts to improve a cluster of regulations which are overseen by a group of agencies) takes root. It has also started seconding officers from "lower ranking" agencies in the Pro-Enterprise Ranking survey to be actively involved in the PEP, so that these officers can share and impart the pro-enterprise mindset when they return to their agencies. By enhancing Singapore's economic edge through welcoming diversity and enterprise, its ultimate contribution is in helping Singapore thrive as a nation of people connected and working together.

**(2) Competition Commission of Singapore (CCS):** <http://www.ccs.gov.sg/>

Lessons learnt:

Engaging the public as a stakeholder who can help to keep a lookout for uncompetitive behaviour in Singapore is an important component of CCS' regulatory efforts in ensuring that our economy remains competitive and fair. Complaints are useful in providing the CCS with information on potential anti-competitive activities in Singapore. The public can lodge complains with regard to a suspected breach of any of the three prohibitions under the Competition Act through the Complaint Forms. There are two types of complaint forms – the General Complaint Form (for complaints relating to anti-competitive agreements and abuse of dominance) and the Mergers Complaint Form (for complaints relating to mergers that will, if

carried into effect, infringe, or which have infringed, the prohibition against mergers which substantially lessen competition). Both Forms provide guidance on the information the complainant will need to submit to assist the CCS in an adequate assessment of the complaint. Forms can be submitted through email, post or fax. One example is the case against the Express Bus Agencies Association (EBAA). CCS issued a Proposed Infringement Decision (PID) against the EBAA and 16 companies for fixing the prices of express bus tickets from Singapore to various destinations in Malaysia from 2006 to 2008 on June 2009. Publicised cases like these act as a powerful deterrent against anti-competitive behaviour, and results in more choices for consumers and improves overall society welfare.

**3. What in your economy's experience are the keys to the success of reform? (e.g. leadership, institutional framework, communication strategy, consultation process) What are the factors, if any, that impeded reform? What lessons can we learn from your experience?**

- (1) Agencies have learned the **importance of public consultation** with pre-policy consultation exercises such as: focus groups, surveys, feedback forms, forums, telephones, forms and consultation paper channels. This helps agencies to focus on areas of priorities and meet performance targets that meet the needs of businesses and key stakeholders. As the various industries grow and become more complicated, it is imperative that regulators collaborate with private sector specialists and professionals to draw up effective and beneficial regulations. Engaging stakeholders also helps ensure that regulation is effective in helping its intended beneficiaries and encourage deeper engagement with the business community. These all serve to support our regulatory reform agenda.
- (2) Committees and councils act as valuable and **competent institutional bodies** which direct and facilitate regulatory reforms. It is one of the key ways Singapore implements its reforms, which was why we introduced the Whole-of-Government (WOG) approach towards dealing with cross-agency issues to ensure that the concerns of all stakeholders will be taken into account as much as possible.
- (3) **Flexibility** ensures that we are not tied down to specific models of reform and allows us to adapt a reform based on local dynamics. Some regulations can be relatively blunt but useful for most generic cases but there may be circumstances where there is a need to make an exception.
- (4) **Consistency** in the form of "policy consistency", particularly consistency between at-the-border and behind-the-border measures and treatment of domestic and foreign firms, has ensured that no "regulatory arbitrage" exists (i.e., there are no loop holes in another area when one area seeks to close it). This also ensures that there is ownership of particular issues and lead agencies are systematically identified at the onset to provide leadership and coordination which helps to break down agency silos.
- (5) A **market-driven culture and public consultation** changes the orientation of civil servants by making changes become a market-driven process. This helps to address cultural attitudes within the civil service.
- (6) **Accessibility** encourages stakeholders to submit their feedback which facilitates and improve regulations. For example, any business can make a submission to the PEP online. Hence the issues that the PEP handles cover both larger and small enterprises. The government response is then documented online and is available for public review.

**4. What are the impacts, both positive and negative, of the reform on the economy and the flow of trade and investment? Please provide data or statistics where available.**

Several initiatives such as the Smart Regulation Committee (SRC), Pro-Enterprise Panel (PEP), and Zero-In-Process (ZIP) help the Singapore Public Service to find many ways to improve its regulations by simplifying, dropping or relaxing rules.

Since PEP's inception, it has received over 1,800 suggestions and more than half of the suggestions received have resulted in pro-enterprise changes. Through the PEP, public agencies have acquired a better understanding of business needs. Some examples of suggestions from the business community which have been nominated and awarded the Excellence in Public Suggestions Award (EPSA) are the *Qualifying Ex-offenders for SEEDS Funding* (EPSA 2006) where ex-offenders are now given a second chance and can qualify for Start-up Enterprise Development Scheme (SEEDS) funding and this change has brought our incentives in line with the "Yellow Ribbon Project" goals of inspiring community action to support rehabilitation and reintegration of ex-offenders; *Remove MES requirement for small traders to submit audited financial accounts* (EPSA 2005) where business cost has been reduced for Major Exporter Scheme (MES) applications so the need for annual audited accounts has been dispensed which lowers business costs substantially; and the *Halal certification for health product* (EPSA 2005) where manufacturers of pharmaceutical products are now able to get Halal certification in Singapore. Other instance of PEP's good work includes *Reducing multiple licenses to one-year license* for clinical diagnostics companies. Previously, clinical diagnostics companies had to apply for a permit for every consignment of diagnostic kit that is imported or exported, but with the rule change, they only need to apply for a one-year permit which saves businesses substantial time and manpower costs. Another example is *Allowing an employment agency to extend the security bonds*. Previously, an employment agency would need to produce a security bond each time it renewed its license. With the rule change, agencies are allowed to extend existing security bonds upon license renewal, leading to yearly savings of S\$70,000 (US\$52,000). In total, the cost savings of the rules reviewed thus far is estimated at more than S\$50 million.

ZIP addresses issues raised by the public that cut across multiple agencies or have no clear ownership by any government department. A lead agency would be appointed to drive the matter to its resolution. Since 2000, more than 110 cases have been identified, with 22 inter-agency teams formed to resolve the more complex cases.

The **Pro-Enterprise Ranking (PER)** ranks the government agencies on their compliance cost, transparency, review of rules, customer responsiveness and pro-enterprise orientation, and identifies key areas of improvement requiring actions across the public service. It raises the bar across the board for all regulatory agencies in a peer-pressure exercise to spur each other to make continuous improvements. The overall performance index has improved significantly from 64.7 in 2004 to 74.6 in 2008.

Based on the World Bank Study on the quantitative impact of the EoDB indicators, trade and investment flows are likely to improve in Singapore, brought about by improvements in the EoDB rankings.

**5. In what ways can APEC better promote structural reform in the region? What would be some possible next steps beyond 2010 based on the achievement of the LAISR process?**

The work that APEC has done thus far is a stepping stone towards the APEC's **Inclusive Growth** agenda. Consistent with the Inclusive Growth agenda, Singapore is supportive of initiatives by both the public sector and private sector to hire aged workers; and Singapore's decision to push back the retirement age to 65 in 2012 will encourage higher job participation amongst the older workers.

Initiatives under the Competition Policy, Regulatory Reforms, and Strengthening Economic Legal Infrastructure will help to promote SMEs, which is an important component of the Inclusive Growth agenda. For instance, a robust Competition Policy will encourage competition and liberalise previously monopolistic markets (such as Singapore's postal services illustration). This lowers barriers to entry and provides a legal platform for smaller companies to seek redress when larger companies behave in a manner which compromises market competition. Lastly, initiatives to improve regulatory reform will make it less onerous for SMEs, such as PEP's work on reducing multiple licenses to one-year license for clinical diagnostics companies which cuts substantial time and manpower costs for businesses. In addition, these initiatives can complement APEC's **Ease of Doing Business** agenda vis-à-vis reforms such as cutting down the number of procedures, time, and cost of starting a business and etc.

# Chinese Taipei

**1. In which areas of structural reforms have the most significant progress been made in your economy in the past five years? Please describe in what way you think the progress has been significant? Any structural reform activity can be included here, and does not necessarily need to be restricted to the five LAISR themes.**

Chinese Taipei has made significance progress in the following areas for SR:

In the area of Regulatory Reform, Chinese Taipei embarked on institutional reform early in the mid-1980s. During the subsequent period, the government revised the Securities and Exchange Act and adopted a new labour retirement pension system, substantially improving the efficiency of its capital and labour markets. Since 2008, Chinese Taipei has designated deregulation as a key task of legal reform. The government has set up a rolling deregulation mechanism, operating on a two-way bottom-up and top-down basis, aimed at loosening and rationally adjusting inappropriately restrictive measures. As of September 2009, Chinese Taipei had completed 385 items of deregulation concerning financial and economic matters. These included: opening Chinese Taipei to investment from mainland China; easing entry and exit restrictions for foreign nationals; lowering taxes on estate, gift, commodity, business income, and individual income; allowing Hong Kong ETFs to be listed in Chinese Taipei; cancelling the minimum capital requirement for company registration; and abolishing the uniform certification system for profit-seeking enterprises.

In the area of Public Sector Governance, Chinese Taipei has been actively promoting public sector governance and achieved significant results in terms of increasing government efficiency, public participation, and government transparency. Specific practices include: (1) Continuously promoting government reform, and enhancing a horizontal and vertical coordination and integration to strengthen our government's strategic thinking capabilities and efficiency; (2) Toward increasing public participation, our executive agencies not only conduct studies on public participation mechanisms and promote citizen conferences, but also use public opinion surveys, online interactive platforms and other channels in order to understand public opinions while establishing major policies; (3) The government is committed to creating a government information disclosure platform so as to increase information transparency. The Freedom of Government Information Law was promulgated in 2005, stipulating that all government administration plans, budget and final account reports, function statistics, research reports, procurement contracts, and other information about government functions be disclosed. Our government accepts public applications for such information and provides relevant documents in accordance with laws and regulations, in order to achieve the goal of a transparent government.

Competition policies and laws are an important element of economic reforms in Chinese Taipei with its increasing emphasis on market-driven mechanisms. To achieve the goal of enhancing economic efficiency and consumer welfare, Chinese Taipei has adopted different approaches, which includes vigorous enforcement of competition laws and regulations, introducing the "OECD Competition Assessment Toolkit" so as to assist government agencies in evaluating the competition impact within laws and regulations, issuing enforcement guidelines for particular industries or sectors (e.g. Guidelines on Handling Merger Filings in 2006) so as to establish transparent and predictable standards and encourage law compliance as well.

In the area of Corporate Governance, in order to promote operations and management of the security investment trust and consulting industry, improve the market integration of assets management, and protect investors' interests, the Securities Investment Trust and Consulting Act and its relevant rules were enacted and went into effect on November 1, 2004. Also, to be in line with the international standards and to improve the quality of CPA practices, a comprehensive amendment to the Certified Public Accountant Act (CPA Act) was promulgated and went into effect on December 28, 2007. The key points of the amendments include: allowing the establishment of the CPA firm with the status of a legal person; introducing the CPA professional indemnity insurance; enhancing the self-disciplinary function of the CPA profession; strengthening the CPA independence; and improving the supervision of CPA firms.

**2. Describe examples of successful reforms and lessons learned in your economy in implementing structural reforms in the five LAISR areas. Please indicate relevant websites or other reference material, preferably those written in English.**

In the area of Regulatory Reform, to create a friendly business-operating environment, Chinese Taipei has been putting great efforts into economic and financial deregulation, by using the World Bank's *Ease of Doing Business* report as reference for domestic reform and international comparison, and has already yielded notable results. We have worked actively to streamline administrative procedures and abolish the minimum capital requirement for setting up a business. For starting a new business, the number of the application procedures has now been reduced to just six, the time required for completion slashed to 23 days, and start-up costs cut to 3.9 percent of per capita income, significantly enhancing Chinese Taipei's ranking in the World Bank's *Doing Business 2010* report. For more details, please refer to the following website:

<http://www.cepd.gov.tw/encontent/m1.aspx?SNo=0000082&view=0>

In the area of Public Sector Governance, two successful examples are provided here. One is the construction of the Government Project Management Network (GPMnet) in 2006, which establishes a comprehensive knowledge management system for government programs covering program management, control and evaluation information disclosure, and decision support functions and represents a cornerstone for good governance. The other is the "Government Portal, My e-Gov" (<http://english.www.gov.tw>), which integrates the Internet resources of all government agencies and provide electronic forms, agency news, events, publications, online payments, tax filing and other high-quality online government services and increase public participation by developing government blogs for soliciting public opinions in all areas of public policies.

In the area of Competition Policy, to enhance public awareness Chinese Taipei has been promoting the concept of fair trade through a diverse range of channels, including promotion conferences, training courses, publishing bilingual newsletters, as well as establishing the Competition Policy Information Research Center, etc. In 2007, a three-year plan was set up to review government regulations as a whole that may be harmful to competition for the purpose of building a more proactive competition culture. Please refer to the following websites for further info:

<http://www.ftc.gov.tw/internet/english/index.aspx>

<http://www.apeccp.org.tw>

In the area of Corporate Governance, successful reforms include firstly the amendment of the Securities and Exchange Act in 2006, whose main points are (1) introducing independent directors system, (2) reinforcing the independence of directors and supervisors, (3) strengthening the responsibilities of companies' management for false financial reports, (4) emphasizing the responsibilities of the management team, and (5) improving transparency measures for information disclosure. Another example of good reform measures are the establishment of the Information Disclosure and Transparency Ranking System and Corporate Governance Framework Assessment System. The former publishes company ranking based on the latest publicly available information and the latter is to monitor the implementation of corporate governance of listed companies.

Examples of relevant websites include:

<http://www.sfi.org.tw/english/>

[http://www.sfi.org.tw/english/2008\\_Result.pdf](http://www.sfi.org.tw/english/2008_Result.pdf)

<http://www.cga.org.tw/index.php?content=english>

**3. What in your economy's experience are the keys to the success of reform? (e.g. leadership, institutional framework, communication strategy, consultation process) What are the factors, if any, that impeded reform? What lessons can we learn from your experience?**

For Chinese Taipei, key factors for the success of structural reform include high-level government support and commitment, effective inter-agency coordination and implementation mechanisms, and timely communication with the stakeholders concerned.

In the area of Regulatory Reform, at a Cabinet conference convened in 2008, "deregulation and reconstruction" were presented as the main axles of mid-term policy implementation, with deregulation to serve in creating a "new platform of competitiveness." This clearly demonstrated the government's commitment to pursuing reform. In the same year, to carry out deregulation efficiently and continuously, Chinese Taipei also set up a comprehensive coordination mechanism for deregulation, which combines calls for suggestions from the public and the private sector, evaluation of deregulation suggestions, policy-making models, supervision and evaluation. In addition, to help the government enhance the economic and financial legal environment, the Council for Economic and Planning Development (CEPD) has set up a web portal on the CEPD's website, which provides a fast and convenient channel for the general public and various experts to present their suggestions on deregulation through the Internet.

In the area of Public Sector Governance, in addition to the emphasis placed by our leaders in this regard, our achievements in implementing good public governance can be attributed to the designated agency responsible for this area. The Research, Development and Evaluation Commission acts as the facilitator for implementing high-quality governance measures and continuously promotes government efficiency, public participation, government transparency and other principles of good governance. The Taiwan Public Governance Research Center and Taiwan e-Governance Research Center were also established to conduct research and international exchanges and to boost communications among stakeholders so as to enhance the quality of public governance.

In the area of Corporate Governance, via the public consultation process, we are determined to resolve various issues concerned by gathering opinions from market players, collecting information regarding regulations and practices in other economies, and working through possible pressure from opponents as well.

In the area of Competition Policy, we maintain the importance of inter-agency coordination and efficient review of laws and regulations so as to minimize potential conflicts.

**4. What are the impacts, both positive and negative, of the reform on the economy and the flow of trade and investment? Please provide data or statistics where available.**

Structural reform has helped enhance productivity and promote economic growth, and also provided needed flexibility and adjustments that could boost trade and transnational investment so as to fully tap into the benefits of trade and investment liberalization.

In recent years, Chinese Taipei has carried out a broad range of administrative reforms to lower all kinds of taxes, streamline work permit, visa and residency procedures for foreign citizens, and so on. By enabling the freer cross-border movement of capital, goods, personnel and services, these reforms have been conducive to the growth of trade and investment. Statistical data shows that Chinese Taipei's foreign trade in 2008 (US\$496 billion) was 30 percent higher than in 2005 (US\$381 billion), and that average annual inward FDI from 2006 to 2008 (US\$12.4 billion) was more than triple its level from 2003 to 2005 (US\$3.8 billion).

In particular, in the area of Competition Policy, a representative study by Dr. Gee San & Dr. Changfa Lo analyzed 1992-1998 data to assess the impact of the implementation of the Fair Trade Law on Chinese Taipei's export competitiveness and foreign direct investment (FDI). The study indicates that the annual total number of decisions with sanctions made by FTC has a significantly positive impact on the flow of FDI to Chinese Taipei and the export competitiveness as well.

**5. In what ways can APEC better promote structural reform in the region? What would be some possible next steps beyond 2010 based on the achievement of the LAISR process?**

Through the years, APEC has accumulated significant achievements in promoting structural reform. To better promote structural reform in the region, we need to look up to the valuable experiences from international organizations such as the OECD and the EU for pursuit of excellence in this regard.

In view of the various changes and challenges being brought about by the recent global financial crisis and economic slowdown, the Asia-Pacific region might have to take advantage of this opportunity to reflect on their growth strategy for the foreseeable future. The pursuit of a more balanced, sustainable and inclusive growth pattern might be the solution. We need to ponder upon this policy theme further and explore the possible policy implications so as to figure out a feasible policy framework for implementation and cooperation within the APEC. On this front, we would like to once again refer to our previous inputs to the EC Chair Office with regards to the concept of IG as well as the SOM Chair's discussion paper at SOM2 (2009/SOM2/R/004).

As for the possible post-LAISR agenda for EC, Chinese Taipei would like to suggest a consolidation among the five existing structural reform priorities and the addition of major IG policy themes as follows:

1. Better regulatory environment

This would incorporate and better integrate themes of enhancing EoDB and regulatory reform in general; reducing administrative burdens; public sector governance; corporate governance; SELI; and competition policy etc. under one single roof by emphasizing the necessary interactions and repercussions among them so as to tackle various issues in a holistic manner.

2. Major IG policy themes, falling under the two broad categories of economic restructuring and social resilience, to be determined collectively within EC

This would be accomplished by Japan's host of the EC High Level Policy Round Table being scheduled in August 2010.

# Thailand

**1. In which areas of structural reforms have the most significant progress been made in your economy in the past five years? Please describe in what way you think the progress has been significant? Any structural reform activity can be included here, and does not necessarily need to be restricted to the five LAISR themes.**

Public sector governance has been making significant progress in Thailand in recent years. Prior to December 2008, there was only one classification scheme with 11 grades for ordinary servants. However, in December 2008, this single classification scheme was changed with the implementation of the new Civil Service Act (2008). It aims to introduce modern HRM practice into the Thai civil service with the line ministries being responsible for the implementation of a newly designed structure of the Civil Service Commission. The Act stresses the importance of the merit principle, a focus on performance and on ethical behavior.

New ethical values harmonized with the new orientation of management in public administration are being formulated, with the ultimate goal of yielding a positive impact on public administration. Generally accepted ethical values and principles are incorporated into the code of ethics for public sector officials aiming to advance the national development in the right and sustainable way.

The moral and ethical standards became nation policy that reflected the legal structure of the society, laws and regulations serve as the basis for communicating the minimum obligatory standards and principles of behavior for civil servants.

Moreover, the most significant progress includes the good governance principles. The good governance principles have been specified in the State Administrative Act and have been further reinforced in the Royal Decree on Criteria and Procedures for Good Governance. The Royal Decree comprises of nine sections: (1) the concept of good governance, (2) responsive Public Administration, (3) result-based management, (4) effectiveness and value for money administration, (5) lessening unnecessary steps of work, (6) mission review, (7) convenient and favorable public services, (8) performance evaluation, and (9) miscellaneous section.

The progress in public sector governance has been significant in various ways. Firstly, with regard to the Royal Decree on Good Governance, the Thai government has installed the Results-Based Management (RBM) system which aims to promote efficient and effective implementation. Within the RBM system, a Strategy Map had to be elaborated, comprising vision, mission, strategic issues, objectives and strategies. Moreover, the use of Balanced Scorecard will measure the organization's performance in four dimensions. Key Performance Indicators (KPIs) will be used to evaluate each dimension to meet objectives in conjunction with vision and mission. These tools are used to transform organizational strategies into action and will also be used as the basis for making performance agreement between Ministers and Permanent Secretaries for the further evaluation. Secondly, based upon the principle of putting the customer first, several programs have been launched to streamline the work process for faster action and higher customer satisfaction. For instance, all government agencies were expected to reduce their work processes and achieved cycle-time reduction by 30-50 percent. In addition, a one-stop service called Service Links was established in all ministries and provinces. The Government Counter Services (GCS) further increases convenience by locating

service counters of public agencies that provide basic services (such as identification cards, household certificates, name change certificates, birth and death certificates, and passports) in populated areas, especially shopping complexes and sky-train/subway stations. Thus, all citizens should be able to contact, request information, and apply for permission or approval at a one-stop service center or through the modern e-service facilities. In order to ensure the public service quality for business operations, all government agencies have pushed forward to shorten service delivery time, streamline processes, reduce burden costs, and enhance the business climate. Furthermore, according to the annual survey conducted by the World Bank on the ranking of counties in terms of ease of doing business from starting to closing, Thailand is ranked 12th (of 183 economies) in 2010, moving up from 13th (of 181 economies) in 2009 and 15th (of 178 economies) in 2008.

Finally, opening up the bureaucratic process has been laid out to provide opportunities for public participation. Citizen engagement is seen as an appropriate and necessary part of policy implementation in the democratic system. Public administrators should be held ethically responsible for encouraging the participation of the citizenry in the process of planning and providing public goods and services. Therefore, people are able to monitor and evaluate public performance in order to increase transparency. Concurrently, a Thai government seeks better incorporation of citizens into participatory governance through mechanism called people's audit.

**2. Describe examples of successful reforms and lessons learned in your economy in implementing structural reforms in the five LAISR areas. Please indicate relevant websites or other reference material, preferably those written in English.**

### **Public sector Governance**

The Ethics Promotion and Information Center (EPIC) was established to improve the human resource management and develop performance with ethical standards for ministries, departments, and provinces. The EPIC has enhanced core values: moral courage, integrity and responsibility, transparency and accountability, nondiscrimination, and result-orientation for civil servants and public service officials, by coordination and networking with the private sector and other institutions. It acts as a center for the coordination of activities relating to the promotion of ethical standard and good governance with five main missions.

- (i) Government policy integration and strategic planning. Formulate strategy, coordinate and integrate government policy related to ethics promotion and anti-corruption efforts for public departments and other agencies.
- (ii) Research and development. Undertake research studies in ethics promotion and anti-corruption efforts coordinate the research and academic studies both domestic and abroad. Serve as an information center for study and gather any information relating to ethics promotion and anti-corruption to disseminate on website.
- (iii) Establishment of ethics promotional networks. Coordinate and cooperate with all involved sectors such as government and private sectors, civil societies and non-government agencies for collaborating in ethics promotion and anti-corruption for clean and transparent government.
- (iv) Training and development. Provide recommendation and advice to the government agencies both central and local levels for ethics promotion training in accordance with

the government policies. Developing training courses for ethics promotion as a tool for expanding the ethical concept and understanding in other areas.

- (v) Enhancing public awareness on ethics promotion and anti-corruption. Create public awareness through activity campaigns and media such as advertisements, published books, DVD, leaflets, posters, and other small symbolic items.

Examples of relevant websites include: <http://www.ocsc.go.th>

**3. What in your economy's experience are the keys to the success of reform? (e.g. leadership, institutional framework, communication strategy, consultation process) What are the factors, if any, that impeded reform? What lessons can we learn from your experience?**

The keys to the success of structural reform in Thailand are the continuity of policy and the support from leadership. Political leadership is one of an important factor in establish a strong policy and in implementing their recommendations. However, all related participants such as government agencies, private sector, academic and people have played an important role in advancing structural reform. Their contributions include identifying key problems, enhancing transparency of discussions, disseminating information, and making effective and timely recommendations.

**4. What are the impacts, both positive and negative, of the reform on the economy and the flow of trade and investment? Please provide data or statistics where available.**

The positive impacts of the structural reform on the economy are as follow:

- Create synergy within organization.
- Effectively response to all consumers especially private sector.
- Develop capacity building for public system and government officers.
- Create public participation in government processes.
- Diminish working process and timeliness such as one stop service, decentralization.
- Regularly evaluate working process.

Sixty-six percent of government agencies had decreased steps of service to public which reflected to the decreased in service time and had decreased unnecessary steps of work with the raised in quality of service.

(Source: Annual report, 2009, <http://www.opdc.go.th>)

**5. In what ways can APEC better promote structural reform in the region? What would be some possible next steps beyond 2010 based on the achievement of the LAISR process?**

APEC should disseminate and enhance members to recognize the important of structural reform as a development tool for improving economic and social aspect within the region. By doing these, APEC should organize seminar or workshop for members to share their experiences and best practices regarding to structural reform. Moreover, disseminate the result from the seminar or workshop in APEC website to better promote structural reform knowledge within the region.

APEC should maintain all five issues of LAISR as a long term development tool to promote trade and investment facilitation within the region. Keep up the achievement by stimulating their economy to do structural reform. Together with five issues of LAISR, APEC should broaden their awareness in social aspect such as social safety net, retrain worker and transfer to prospect industries. This would finally affect to the increase in trade and investment value and volume.

# The United States

**1. In which areas of structural reforms have the most significant progress been made in your economy in the past five years? Please describe in what way you think the progress has been significant? Any structural reform activity can be included here, and does not necessarily need to be restricted to the five LAISR themes.**

Of the five priority areas set out in the LAISR (i.e. Regulatory Reform, Corporate Governance, Public Sector Governance, Competition Policy, and Strengthening Economic Legal Infrastructure (SELI)), regulatory reform has probably seen the most prominent progress in the United States. U.S. objectives for regulatory reform are to (1) ensure that the American people have a regulatory system that protects their health, safety, environment and well-being and improves the performance of the economy without imposing unacceptable or unreasonable costs on society; (2) develop regulatory policies that recognize that the private sector and private markets are the best engines for economic growth; (3) develop regulatory approaches that respect the role of State, local and tribal governments; and (4) write regulations that are effective, consistent, sensible and understandable. We have noted increasing disclosure and transparency on regulatory actions, greater public participation in regulatory processes including through advent of e-Rulemaking, greater identification of regulations with international impacts, and more reform activities, particularly in the manufacturing sector, traditionally one of the most heavily regulated sectors of the US economy.

**2. Describe examples of successful reforms and lessons learned in your economy in implementing structural reforms in the five LAISR areas. Please indicate relevant websites or other reference material, preferably those written in English.**

One key lesson learned by the United States is the importance of government accountability and public consultation. On 21 January 2009, President Obama issued a Memorandum on “Transparency and Open Government.” The memorandum reaffirmed the Administration’s commitment to innovation in government, and called for the development of recommendations for a directive to be issued by the Office of Management and Budget (OMB). After soliciting recommendations from agencies and the public, OMB issued its Open Government Directive on 8 December 2009 ([http://www.whitehouse.gov/omb/assets/memoranda\\_2010/m10-06.pdf](http://www.whitehouse.gov/omb/assets/memoranda_2010/m10-06.pdf)).

Among other things, the Directive requires agencies to take prompt steps to publish government information online. It requires them to consult with the public and open-government experts during the formation of open government plans, to solicit input from the public about which information to prioritize for publication, and to maintain an ongoing dialogue with the public during the entire process. The Obama administration believes that regulatory analysis should be developed and designed in a way that supports the commitment to open government. Modern technologies should be enlisted to promote that goal. Existing websites – <http://www.regulations.gov> and <http://www.reginfo.gov> – have been improved to increase transparency, participation, and collaboration.

**3. What in your economy's experience are the keys to the success of reform? (e.g. leadership, institutional framework, communication strategy, consultation process) What are the factors, if any, that impeded reform? What lessons can we learn from your experience?**

In the US, there are three key aspects to our approach to regulatory policy, all of which are necessary to achieve good regulatory outcomes: (1) leadership, (2) rigorous analysis, and (3) regulatory transparency.

First, for three decades, the Executive Office of the President has provided centralized management and leadership of Federal rulemaking. Since the Nixon Administration, six succeeding Presidents from both political parties oversaw their administrations' regulations by increasing transparency and analytical rigor. This has allowed OMB to emphasize the importance of and adherence to regulatory principles and procedures.

Second, OMB has stressed the need for high quality regulatory impact analysis. OMB coordinates interagency review of draft, "significant" regulations, and oversees the regulatory impact analyses (RIAs) agencies prepare for their economically significant regulations. RIAs can help ensure that we maximize net benefits to society, or at least know that the benefits of rules justify their costs. They promote economic efficiency by regulating only where markets fail and, when regulating, by using cost-effective and market-based approaches instead of command and control remedies. Strong analysis contributes to more informed policy decisions and promotes economic efficiency, and RIAs also increase transparency by, for example, stating key assumptions and showing the sensitivity of the estimates to changes in those assumptions.

Third, the US program provides for a transparent rulemaking process that makes government officials accountable to the public. Transparency and accountability help address concerns about undue influence and allow all interested parties to be heard. Regulations that are transparent and accountable, and based on an understanding of likely consequences, are more likely to be effective at achieving desired goals and minimizing adverse impacts. In the US, the Administrative Procedure Act (APA) of 1946 provides the foundation for our approach to developing regulation. Most importantly, the Act requires that agencies go through a notice and comment process open to all members of the public, both US and foreign. Final regulations must be a logical out-growth of the proposal and the public record, and not arbitrary or capricious. The information in the public record, and agencies' use of this information, is used by the courts in settling any challenges to regulations brought by the affected public.

More recently, the rapid expansion of E-Government in the US has further enhanced the public's ability to participate in the rulemaking process. A visitor to Regulations.gov can find regulations on a particular subject, determine whether they are open for comment, access important supporting documents, file comments on proposals, and even read comments filed by others. We also provide advanced notice of upcoming regulations through our annual Unified Agenda of Federal Regulations, and have recently required agencies to identify upcoming regulations that may have an international trade or investment effect.

One of the lessons of the US experience is the difficulty of quantifying all of the likely impacts of regulations. This is particularly true with respect to certain benefits and the effect of regulations on human behavior. The United States therefore approaches regulatory problems not with dogma or guesswork, but with the best available evidence of how people actually behave. It uses cost-benefit analysis not as a way of reducing difficult questions to problems of arithmetic, but as a pragmatic tool for cataloguing, assessing, reassessing, and publicizing the

human consequences of regulation. Finally, cost-benefit analysis is viewed as a central part of the United States' broader effort to promote open government.

**4. What are the impacts, both positive and negative, of the reform on the economy and the flow of trade and investment? Please provide data or statistics where available.**

In its recent annual Reports to Congress on the Benefits and Costs of Federal Regulations, OMB has reported on trends in *ex ante* cost and benefit estimates. For data on the years 1981 to 2007, see Chapter II of the 2008 Report:

[http://www.whitehouse.gov/omb/assets/information\\_and\\_regulatory\\_affairs/2008\\_cb\\_final.pdf](http://www.whitehouse.gov/omb/assets/information_and_regulatory_affairs/2008_cb_final.pdf)

**5. In what ways can APEC better promote structural reform in the region? What would be some possible next steps beyond 2010 based on the achievement of the LAISR process?**

In the field of regulatory management, strengthening engagement with the public has become an increasingly important aspect. First, the global financial and economic crisis has intensified legitimate demands for greater transparency and open government, and many governments are looking to well-established legal and administrative procedures to engage the public in the rulemaking process. Second, "Web 2.0" technologies that make the internet far more interactive are now commonplace in commercial applications and are ready for use by governments that want to promote citizen participation.

APEC may want to consider how open government and e-rulemaking activity, including the use of Web 2.0 technologies, can make the regulatory process more accessible, comprehensible, and participatory. A key focus could be how new web-based tools can provide convenient, citizen-centered ways of obtaining public input throughout the rulemaking process. Engaging the public with these technologies will allow more people to participate in rulemaking and allow governments to learn more from them when considering new regulations. Ultimately, this will make regulations more beneficial and less costly. In this context, we believe the APEC Workshop on Public Consultation in the rulemaking Process in Indonesia on October 2009 contributed to deepen understanding of the benefit of utilization of technologies in rulemaking.

Concerning possible next steps beyond 2010 on structural reform in general, there is a need to shape the Post-LAISR agenda to better fulfill our Leaders' goal for structural reforms and their instruction to plan strategically for the next phase of structural reform to support new growth strategies. Ministers have also instructed us to design a Post-LAISR work program to respond to medium-term challenges, such as the need to foster more inclusive growth, and Finance Ministers directed the senior finance officials to identify priority areas for structural reform in economies. In view of this, one option would be to make priority areas on structural reforms in LAISR more explicitly linked to achieving inclusive growth. In addition, more thought should be given in the post-LASIR agenda to encouraging and assisting economies to implement reforms they identify as beneficial.

# Viet Nam

- 1. In which areas of structural reforms have the most significant progress been made in your economy in the past five years? Please describe in what way you think the progress has been significant? Any structural reform activity can be included here, and does not necessarily need to be restricted to the five LAISR themes.**

## **Regulatory reform**

This is the area with most rapid progress in Viet Nam. As Viet Nam does not have a complete legal framework in place, regulatory reform in Viet Nam progresses on both improving the quality of new regulations and reviewing, augmenting and improving existing regulations. The reform focuses on improving the socialist market-oriented institutions, building up socialist rule-based state of the people; radically renovating mechanism of making and implementing legislations; maximising the role and effectiveness of the legislation in governing the society; maintaining political stability; promoting economic development and international integration; making the state strong; executing human rights, citizen freedom and democracy; facilitating Viet Nam to transform into an industrial economy in 2020.

A crucial document that put a milestone in the regulatory reform in Viet Nam is Resolution 48-NQ/TW issued by the Politburo of the Communist Party of Vietnam in 2005 on “*The Strategy for Establishment and Improvement of the Legislative Framework to 2010 and Major Orientations to 2020*”. Under this resolution, the objectives, viewpoints, orientation, major measures and implementing institutions for regulatory reform up to 2010 have been announced. The latest Law on Issuing Procedure for Regulations promulgated in 2008 and was in effect since 1 January 2009 further promotes regulatory reform in Viet Nam through an improved procedure through which the quality of the regulations is improved and the involvement of stakeholders has been widened.

## **Competition policy**

To prevent anti-competitive and unfair competition among enterprises, the Competition Law was enacted and came into effect in July 2005. Implementation of the law has been administered by Vietnam Competition Administration Department (VCAD) of the Ministry of Industry and Trade of Vietnam.

Two State authorities have been established for the law implementation – the VCAD (with investigative powers) belonging to Ministry of Industry and Trade of Vietnam, and the Vietnam Competition Council (VCC) with adjudicative powers.

However, the progress has been rather slow. The key sectors are still controlled by big enterprises and, despite the State control over their prices, the price behaviour still lacks substance of competition.

## Public sector governance

To improve public sector governance, Viet Nam has strived to accelerate its administrative reform. The economy has adopted the master plan for administrative reform in 2001-2010, and recently approved the Project on Simplifying administrative formalities in public administration. At this stage, Viet Nam has completed the stocktaking of all administrative procedures, 30 percent of which are to be cut down. However, numerous works remain to be done, as the problem lies not in the number of administrative procedures itself, but instead in the weak incentive for civil servants to streamline administrative procedures for the sake of the people.

## Corporate governance (see question 2)

### Strengthening economic and legal infrastructure (SELI)

As mentioned above, the legal infrastructure has been strengthened significantly along with the fundamental market-oriented reforms that Viet Nam has pursued. The basis for promulgating legal documents has been institutionalized, while various new laws and associated under-law documents have been promulgated, with others currently in preparation.

Progress in regulatory reform has been most rapid. First, this has been via the effective policy review. Second, Viet Nam has enforced more effective public policy consultation. For instance, the draft legal documents are to be put upon the website of the government for public comments before revision and/or official promulgation. Finally, Viet Nam has also adopted regulatory impact assessment (RIA) to identify measures complementary to its regulatory reform.

**2. Describe examples of successful reforms and lessons learned in your economy in implementing structural reforms in the five LAISR areas. Please indicate relevant websites or other reference material, preferably those written in English.**

Among the key examples of successful structural reforms over the past years is the promulgation and implementation of the (unified) Enterprise Law. This Enterprise Law has the scope of adjustment of all enterprises, regardless of their ownership type. Accordingly, this Law enhances the business freedom for both foreign and local enterprises. In addition, the Law shortens the time required to process the application for business registration, whilst making provisions for better corporate governance, including the protection of small shareholders, etc. As such, it provides an attempt towards more equal treatment of all enterprises, making the structural reform better in line with the market-oriented reforms in Viet Nam.

Among others, the Law has brought about positive results. The number of newly established enterprises has gone up from almost 39,900 in 2005 to about 46,700 in 2006, over 58,900 in 2007, over 65,300 in 2008, and approximately 34,500 in the first half of 2009. Of which, the number of one-member limited liability companies has gone up rapidly, while that of private enterprises has decreased considerably. This might have reflected the choice of investors over enterprise type to minimize risks and to enhance development potential. The State-owned enterprises decreased in number and were present in a smaller number of areas, notwithstanding their irreplaceable role in the economy. Foreign-invested enterprises became an indispensable part of the economy, with significant and increasing contribution to the economy.

Several lessons can be drawn from the example of the (unified) Enterprise Law. First, the reform should be placed in a broad framework of market-oriented reforms, seeking to enhance the allocation and utilization efficiency of resources. Second, political will is required for effective implementation of reform; otherwise, the credibility of subsequent reform measures may be undermined. Finally, the reform measures should be implemented gradually, taking due consideration of the development context. In doing so, the role of effective public consultation and communication should be emphasized.

Source: Institute for Business Development Studies, 2009, *Report on the Implementation of the Enterprise Law and Investment Law* [Báo cáo thi hành Luật Doanh nghiệp và Luật Đầu tư]. In Vietnamese.

**3. What in your economy's experience are the keys to the success of reform? (e.g. leadership, institutional framework, communication strategy, consultation process) What are the factors, if any, that impeded reform? What lessons can we learn from your experience?**

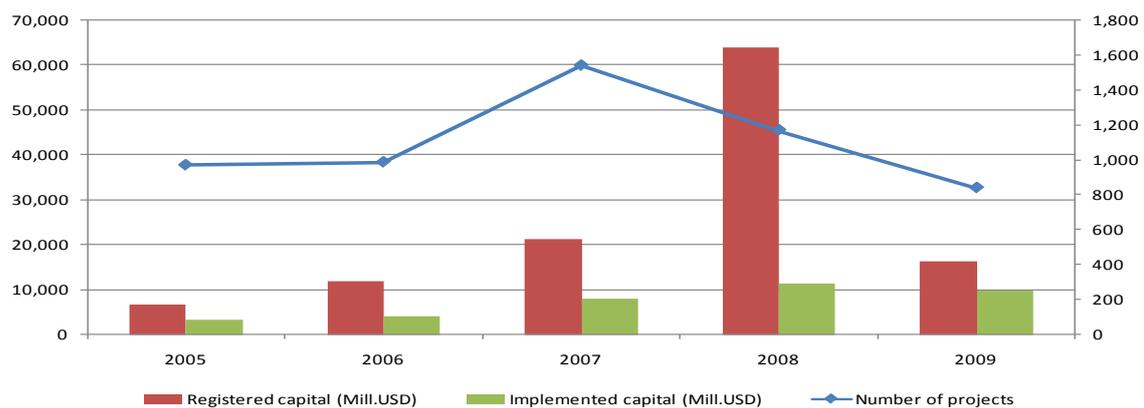
From our experience, effective leadership and public consultation have been among the keys to successful reform. Without effective leadership, Viet Nam would not have had a politically stable environment for sound policy reforms. Also, the leaders are aware of the necessity of reforms, and their anticipated impacts on the economy. Meanwhile, effective public consultation facilitated the transmission of people's ideas and desires to the policymakers, thereby making policies more relevant to actual development needs.

However, the reforms were to some extent impeded by various factors. Many reform measures were slowed down, and even reversed as they undermine the interest of some social groups. The slowdown of SOE equitization in some periods partly resulted from this. Besides, the reforms may fail to make good progress without reasonable (and feasible) reform objectives. Furthermore, the reforms were sometimes inconsistent, and have therefore been amended. This raised doubt about the credibility and effectiveness of subsequent reforms.

Among the key lessons, the reforms need strong political will and effective implementation roadmap to be effectiveness. Besides, making the objectives of reforms clear and transparent helps enhance public confidence in the reforms themselves. Finally, the scope of reforms should be reasonable and relevant to the development needs.

**4. What are the impacts, both positive and negative, of the reform on the economy and the flow of trade and investment? Please provide data or statistics where available.**

The reforms contributed significantly to the impressive economic performance over the past years. In the years prior to and subsequent to the WTO accession, GDP growth has been high, with increasing contribution by the domestic private sector and foreign-invested enterprises. Substance of competition enforced by new regulations also helped raise the efficiency of resource usage. Attracted by the new investment and business environment, foreign investors have increased their presence in Viet Nam (Figure 1). Driven significantly by foreign-invested enterprises, export growth accelerated, and reached 29 percent in 2008.

**Figure 1: FDI flows in Viet Nam, 2005-2009**

Source: Ministry of Planning and Investment.

Even in the time of the global financial crisis and economic recession, Viet Nam's economic growth still reached 5.3 percent in 2009. Among others, this stemmed from the fact that small enterprises were flexible in their production and business activities, with rotation of workers from time to time. Accordingly, the number of laid off workers were smaller than expected.

A problem with the reforms could have been the emergence of macroeconomic instability due to inappropriateness of the roadmap for liberalization of capital account and the presence of market power in several key areas. For instance, State control over retail prices of oil and petroleum products was gradually relaxed, without due consideration of the market dominance of several big firms, particularly the state-owned general corporation Petrolimex. This resulted in the recent rises in their retail prices, which threatened the attempt to control inflation.

**5. In what ways can APEC better promote structural reform in the region? What would be some possible next steps beyond 2010 based on the achievement of the LAISR process?**

Structural reforms still need to be continued and, in fact, should be accelerated in the region. In the current context of global economic recovery, possible next steps could be those activities of structural reform that facilitate trade and investment flows and enhance connectivity at least within the region. Within each economy human resource upskilling is crucial to raise growth. Social protection to cushion adverse impact of the crisis is another issue which deserve attention.

Cooperation between APEC member economies, particularly between more advanced ones and developing ones, should be further enhanced, where less developed economies not only learn experience from more advanced economies, but also adapt it to their specific conditions in their economies. Therefore, under the APEC framework, more technical assistance should be provided. Moreover, the technical assistance programs should not be common to all member economies; instead, they should be designed to meet the specific needs of each member economy or, at least, a group of less developed economies.

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Blank pages have been deliberately included to allow correct pagination.**

# Attachments

1. EC's Discussion on the Post-LAISR Structural Reform Agenda – Note by the EC Chair – (2010/ESOM/006) 135
2. Consolidated LAISR Forward Work Programme (as of 30 October 2010) 143
3. The Impacts and Benefits of Structural Reforms in the Transport, Energy and Telecommunications Sectors in APEC Economies (Executive Summary) 173
4. Update of Ease of Doing Business (EoDB) Action Plan- Progress of Phase 1 Programmes and Phase 2 Diagnostics 181
5. What's next for Economic Committee? –Structural reform in the context of APEC Growth Strategy and ANSSR– 185

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## **EC's Discussion on the Post-LAISR Structural Reform Agenda — Note by the EC Chair —**

**(Presented at the Extraordinary Senior Officials' Meeting held in Tokyo on 20-21 April 2010)**

21 April 2010

### **1. Background**

While the next phase of the APEC-wide structural reform agenda including its relationship with the APEC Growth Strategy is being discussed at SOM, the EC, which has been the main driving force of structural reform in APEC under the current LAISR mandate, has also been discussing the next phase of structural reform agenda since last year. Although the discussion so far has largely focused on the reformulation of the existing five LAISR areas (so called “narrow definition” of structural reform agenda), attempts have been made to explore the possible new priority areas which may extend beyond the current LAISR areas. At the EC1 in 2010, a roundtable discussion on the post-LAISR agenda including its relationship with the Growth Strategy was held based on two issues papers prepared by the EC Chair<sup>1</sup> as well as a concept note jointly prepared by the US, Australia, New Zealand and Singapore.<sup>2</sup> Most recently, the EC Chair conducted a quick survey of the EC members on possible new priorities for structural reform, their effective implementation mechanisms, the role of the EC and so on.<sup>3</sup>

This note, which summarises the discussion mainly on the possible new priority areas at the EC1 and the results of the quick survey, has been prepared as a material for discussion at the Extraordinary SOM meeting to be held in Tokyo on 20 and 21 April.

### **2. Main points of the EC's discussion on the new structural reform priorities**

#### **(1) New priority areas**

Structural reform has been one of the core APEC activities in recent years, and there is a strong consensus that further promotion of structural reform is necessary in achieving sustainable economic growth, as well as making the most of regional economic integration.

There is a widely shared recognition among EC members that the LAISR initiative inaugurated in 2004 and the selection of the five priority areas have been a success, although a formal stock-take of LAISR is currently being conducted by the EC which will seek to measure the progress that has been achieved since LAISR's inception.<sup>4</sup> The stock-take report will be submitted to the APEC Ministerial Meeting in November. The good progress made so far does

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<sup>1</sup> *Post-LAISR Agenda: Issues for Discussion* (2010/SOM1/EC/018) and *APEC Growth Strategy: Contribution by the Economic Committee (Provisional Draft)* (2010/SOM1/EC/019) both submitted by the EC Chair.

<sup>2</sup> *Concept Note on a Post-LAISR Structural Reform Agenda by SOMs of the United States, Australia, New Zealand, and Singapore* (2010/SOM1/EC/020).

<sup>3</sup> See Annex 2 for the template of the quick survey, which had been proposed by the EC Chair at the EC1 in 2010 and was sent to EC members on March 9. As of April 12, twelve economies including Australia; Canada; Hong Kong, China; Japan; Korea; Malaysia; Mexico; New Zealand; Singapore; Chinese Taipei; Thailand; and the United States have responded. The full responses by these economies, which have been sent to the EC members, are not attached here.

<sup>4</sup> The five areas are; regulatory reform, competition policy, corporate governance, public sector governance, and strengthening economic and legal infrastructure.

not at all imply that there is not much left to do for the existing five priority areas. On the contrary, EC members generally consider that the five priority areas need to be further strengthened with some modifications in terms of their contents and internal structure. Members also expressed their preference to keep the number of post-LAISR priority areas to a manageable level, ideally no more than five. Changes would be based on our stock-take exercise and by taking account of the Growth Strategy.

Apart from the emphasis on the continuation of the existing areas, the EC members' views on the new priority areas vary at this stage. Some EC members explicitly pointed out a need to broaden the priority areas, e.g. to areas such as education and labour, SME and vulnerable and social safety nets. There is also a broad acceptance that the next phase of structural reform agenda should be consistent with the Growth Strategy, though exactly how this would occur would depend on there being a clearer picture of what the Growth Strategy entails. While most economies did not put forward any specific suggestions on the new priority areas at the EC1 and in the quick survey, there were no objections to the illustrative areas cited in the concept note.

Thus, this note does not intend to present specific priority areas that should be addressed in APEC's new structural reform agenda. However, based on the EC's experience in LAISR, it is important to consider the following points before identifying any new priority areas.

First, the focus of the new priority areas should be clearly defined. Clear statement of the objective of the reform in each of the priority areas should be prepared in advance in order to enhance understanding by the economies and committees/groups which implement reforms.

Second, a high-level political commitment would be essential in defining new priority areas and implementing the initiative. A living example is the current LAISR initiative, for which APEC Leaders identified the five priority areas in 2004, followed by a more detailed work plan endorsed by the APEC Ministers in 2005.<sup>5</sup> Such commitments supported an active participation of member economies in carrying out various programmes implemented by the EC.

Third, structural problems in different areas often have a common nature. It would therefore be extremely important to have cross-cutting viewpoints even when discussing sector-specific issues.

Fourth, close collaboration among various APEC fora and with other organisations is desirable as it would help avoid duplication of work while also creating synergy effects.

## **(2) Effective implementation mechanisms**

Due consideration should be given not only to identifying and selecting priority areas, but also to implementation mechanisms which need to be acceptable to economies in order to be effective.

This has been an issue in the implementation of the LAISR programmes, and the EC has employed not only traditional modes such as experience sharing and capacity building, but also other approaches including i) checklist/guidelines, ii) stock-take and updating exercises, iii) voluntary reviews of institutional frameworks and processes, iv) ministerial meeting, and v) the EoDB approach to facilitate reforms.

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<sup>5</sup> See *Leaders' Agenda to Implement Structural Reform (LAISR)* (2004/AMM/020) and *APEC Work Plan on LAISR towards 2010 (LAISR 2010)* (2005/AMM/002anx11B) for more details.

Implementation mechanism would be all the more important if APEC goes further behind the border, as officials involved may not be so accustomed to international discussions. At the EC1, the EC conducted initial discussion on possible new mechanisms including i) OECD-type peer reviews, ii) peer review with economy-wise action plans, iii) issue-specific seminars and iv) tailor made approaches (see Annex A and B for iii) and iv) respectively).

Although the exact implementation mechanism can be left for decision by relevant committees and sub-fora, it would be useful to engage in a broad discussion on this matter when discussing the choice of the new priority areas given its importance. Clearly, the type of implementation mechanisms selected will need to be an appropriate fit with the nature of the new priority areas that are eventually agreed.

### **(3) Role of the EC**

There appears to be a consensus among the EC members that the EC should not take additional roles in the new priority areas at the expense of existing LAISR priority areas. The reason would be twofold.

First, the EC members consider that the existing five areas are still relevant as a whole and need to be strengthened as explained above. The work in these five areas is far from complete, and will continue to require the full and active engagement of EC.

Second, the EC members come from various ministries rather than represent ministries responsible for specific policy areas which will likely be included in the new priority areas. Although the EC members have accumulated expertise in cross-cutting issues, many of them are not heavily engaged in coordination work either within APEC or in their capitals. Therefore, it would not be productive for EC members to oversee/coordinate policies in or send shepherds to specific areas in which they may not have much expertise. Such a situation would not likely change much if the current members are replaced by higher rank officials in the same ministry.

It would therefore be appropriate that the EC continue to focus on broadly the same areas as the existing LAISR areas while SOM coordinates the work of other APEC fora in the new areas.

However, this does not imply that the EC cannot play some role in the new areas. The majority view of the EC members is that the EC should be ready to assist structural reform initiatives by other fora by providing advice based on its past experience and expertise with horizontal viewpoints.

Some of the instruments that the EC has developed under the LAISR could also be applied to the new priority areas. For example, Voluntary Reviews of Institutional Frameworks and Processes could be a useful tool in identifying deficiencies in structural reform frameworks and processes, although the fact that we have yet to find a volunteer implies some improvements might be needed to make it more user-friendly. New mechanisms could also be introduced to improve implementation. Among the possible instruments presented in 2) above, the EC might further consider the following two approaches as they would be effective in introducing horizontal viewpoints to sector-specific issues and to utilise the EC's expertise.

First, the EC may hold a limited number of joint seminars/workshops with relevant committees and fora, taking advantage of its cross-cutting viewpoints such as competition, regulation, corporate governance, public sector governance and economic and legal institutions (see Annex 1 for more details).

Second, the EC could look to develop a so-called tailor-made approach, which aims to enhance effectiveness of structural reform activities based on APEC's tradition of non-binding approaches (see Annex 2 for more details). This approach can be applied not only to the existing LAISR areas but also to the new priority areas, by collaborating with relevant committees and fora.

As for other approaches, the OECD-type peer review appears to be less welcomed by the EC members. Some EC members are sceptical about a collective action plan with a specific target year, partly because it may go too far from the APEC's voluntary approach that respects the diversity of economic and social developments in the region and partly because it may not necessarily be easy to find good indicators to measure progress.

#### **(4) Time horizon of the new initiative**

It would be a natural option to formulate another 5-year programme until 2015 building on the success of the current LAISR initiative, which covered the period between 2005 and 2010. Note that the time frame of the new structural reform initiative might be affected by that of the Growth Strategy.

### **3. The way forward**

The EC Chair intends to continue its formal consultation process among EC members to reformulate the five existing LAISR areas, including arrangement of the coordinators, by modifying the Chair's preliminary ideas which were discussed at the EC1.

The EC Chair is also ready to support SOM prepare a draft post-LAISR paper, including the new priority areas and the effective implementation mechanism, based on the discussions covered in this note and guidance from SOM. Such a paper, which can be discussed at the SOM2 and other occasions, will be finalised at CSOM and submitted to the AMM and AELM to be held in November 2010 for endorsement.

## **Annex 1: Preliminary ideas on two possible new instruments for APEC structural reform activities**

### **(1) Joint seminars/workshops on sector-specific structural reform**

So far most EC activities have been conducted from one of the five LAISR viewpoints (namely, regulatory reform, competition policy, corporate governance, public sector governance, and strengthening economic and legal infrastructure), reflecting the composition of the FotC groups.

However, as these five areas are mutually related, it may be useful to take a more integrated approach in discussing structural reform in some specific sectors or policy areas. Indeed, two such attempts that EC has made in recent years have proved to be successful. One was a seminar on transportation and trade logistics in August 2008 and the other was a seminar on network industries (telecommunication, transportation and energy) in February 2010.

As EC members may not have sufficient expertise in every sector, it would be productive to hold joint seminars/workshops with relevant APEC fora. Then the EC's accumulated experience in the five areas can be simultaneously utilized in addressing issues in specific sectors and policy areas, while combining sector-specific experiences of relevant fora.

### **(2) A tailor-made approach to address specific structural problems**

To help member economies tackle specific structural problems, a session/meeting which will provide a set of policy measures in a tailor-made manner can be held, e.g. in response to a request and with a view to best fit the economy-specific conditions. The aim is to make best use of APEC's strength, i.e. experiences accumulated in well-organised and specialised committees/groups and of the member economies which are in various conditions including development stages. In other words, the forum is not a place to force the economy concerned to take specific policy measures but to listen to advice and assistance and then to consider possible solutions. It is therefore up to the relevant economy to decide as to which advice/offer to take. Although the actual mechanics of a tailor-made approach will need to be further discussed, possible elements of such an approach could involve the following:

#### *Possible Implementation process*

- Submit a request

An economy in need of assistance in implementing structural reform brings up the issue to the EC explaining how the government has been tackling the problem and identifies what have been the major obstacles.

- Preparation

The EC circulates an issue paper to all EC members and invite relevant APEC fora to jointly hold a session/meeting. The relevant fora can provide experiences, suggest good outside experts, and collect initial ideas for suggestions which will be compiled as a list.

- Session/Meeting

The EC, possibly jointly with the relevant fora, holds a meeting to discuss the issue, which can be held in the margins of the EC Plenary. If collaboration with relevant fora turns out to

be difficult, the EC may hold such a meeting on its own by inviting outside experts who can provide advice.

- Outcome

If the economy wishes to apply for APEC funded projects to tackle the problem, the EC helps them in developing a proposal or by coordinating with relevant fora. The economy may prepare a progress report on how they have tackled the problem at a later stage and reports back to the EC.

## **Annex 2: Template of the quick survey to EC members**

### **A quick survey to the EC members on the Post-LAISR Agenda etc.**

9 March 2010

#### **Background**

Colleagues will recall that at the EC1, the EC Chair had proposed to carry out a quick survey of the EC members on possible new priorities for structural reform, their effective implementation mechanisms and the role of the EC, which are also major points discussed in the Concept Note (2010/SOM1/EC/020) submitted by United States, Australia, New Zealand and Singapore.

Each EC member is asked to submit answers to question 1 through 4. Based on the survey results, the EC Chair plans to prepare a report which will be submitted to the SOM Chairs (possibly with the revised issues paper on the post-LAISR agenda) by mid April. A draft report with the survey results will be circulated to EC members for comments before submission to the SOM Chairs.

In addition, as we did not have sufficient time at EC1 to discuss the extension of the current LAISR ("narrow definition" of the post-LAISR Agenda) and the EC's role in the Growth Strategy, Questions 5 and 6 below enable EC members an opportunity to provide their further views if they wish to do so.

Completed survey responses are to be sent to EC Chair's office (tadashi.yokoyama@cao.go.jp and akane.nagahisa@cao.go.jp), copying in sw@apec.org by 31 March 2010.

#### **Questions**

***Q1. What should/can be the new APEC priority areas for structural reform beyond 2011?***

***Q2. What would be the ways to make structural reform activities in APEC, especially in the new areas, more effective? The Attachment A (reproduced below) of "Updates on the Structural Reform Agenda and the APEC Growth Strategy" (2010/SOM1/EC/044) may be helpful as it provides a list of current and possible new tools. Ideas on new possible tools or modifications of current tools will be welcome.***

**Q3. What should/can the EC's role be in the new areas? Please tick the boxes below (multiple answers allowed).**

- a) no role to play
- b) simply put together the reports by related fora
- c) monitor and report overall progress
- d) some kind of coordinating role
- e) provide advice with respect to methodology etc.
- f) area-specific joint seminars/dialogues
- g) research and analyses (e.g. economic impacts of structural reform, including commenting on a draft prepared by the PSU)
- h) shopkeeper of a tailor for tailor-made approach (independently or jointly with other fora)
- i) others (please specify: \_\_\_\_\_ )

**What are the possible merits and difficulties/concerns if the EC is to play some role in the new areas?**

**Q4. What should be the relationship between Structural Reform and Growth Strategy? What is your view on the EC Chair's hypothesis regarding their relationship presented in "Updates on the Structural Reform Agenda and the APEC Growth Strategy" (2010/SOM1/EC/044)? (see below)**

*Hypothesis: We should discuss both in a parallel way at least for the time being bearing the close relationship in mind, rather than waiting the SOM's discussion on the Growth Strategy. Structural Reform is too important to be entirely replaced by Growth Strategy. The exact relationship can be discussed after we have clearer ideas on both.*

Note that, following the discussions at the SOM1, SOM decided to continue to develop the Outline of the APEC Growth Strategy as well as to work on post-LAISR/structural reform in close cooperation with EC and SFOM.

**< On the narrow definition of the Post-LAISR Agenda >**

**Q5. ECI had a one round discussion on the "narrow definition of post-LAISR" based on the tentative assumption that the five LAISR areas would more or less remain unchanged, with possible rearrangements. However, the time for discussion was rather limited. If you would like to add to the discussions at the ECI, please write below.**

**< On the EC's role in the Growth Strategy >**

**Q6. What is your view on the EC Chair's preliminary ideas on the three categories of contribution to the Growth Strategy presented in "APEC Growth Strategy: Contribution by the Economic Committee (Provisional Draft)" (2010/SOM1/EC/019), in particular "Category B: Additional contribution to the formulation of the Strategy by the EC"?**

## Regulatory Reform Forward Work Programme for LAISR

OBJECTIVES	REQUIREMENTS	ACTION ITEMS/SPECIFIC PRODUCTS	TIMEFRAME	CONSULT WITH	TARGET AUDIENCE	LED BY
<b>1. Provide context for the discussion on regulatory reform within APEC</b>	Develop the policy dialogue of the importance of regulatory reform	<p><b><u>ECONOMIC COMMITTEE</u></b>  <b>Roundtable discussion on regulatory reform</b></p> <ul style="list-style-type: none"> <li>Develop and disseminate issues paper on regulatory reform addressing the issues: <ul style="list-style-type: none"> <li>What is regulatory reform?</li> <li>Achieving political awareness and support for regulatory reform;</li> <li>Designing regulatory reform policy;</li> <li>Regulatory tools, systems and processes for improving the quality of new regulations; and</li> <li>systems and processes for improving the quality of existing regulations</li> </ul> </li> <li>APEC economies to prepare individual submissions outlining their regulatory reform experiences, based on the issues paper.</li> </ul>	<p>Oct 2007: Circulate draft issues paper for roundtable for FotC comment</p> <p>Nov 2007: Incorporate FotC comments / suggestions</p> <p>Nov 07-Jan. 08: Economies prepare submissions for roundtable, based on issues paper.</p> <p>EC 1 2008: Hold Roundtable discussion</p>	OECD, experts in regulatory reform	Policy officials, regulators	Australia
<b>2. Provide guidance for good practice regulation principles and practices within APEC</b>	Promote best practice regulation making, review and enforcement	<p><b><u>ECONOMIC COMMITTEE</u></b>  <b>Good Practice Guide on Regulatory Reform</b></p> <ul style="list-style-type: none"> <li>Develop good practice guidance material on regulatory reform, including regulation making, review and enforcement.</li> <li>The guidance material is to include economies' useful tips and practical experiences, with modules to include: <ol style="list-style-type: none"> <li>Designing regulation making and review systems and processes</li> <li>Role of regulatory institutions in good</li> </ol> </li> </ul>	<p>Aug / Sep 2007: Commence drafting.</p> <p>Dec 2007: Circulate draft papers to FotC</p> <p>Dec 2007 / Jan</p>	As appropriate, including the OECD, CPDG	Policy Officials, regulators	<p>Coordination: Australia Modules: 1. Australia and Peru 2. Australia 3. Australia 4. Mexico 5. New Zealand 6. Australia</p>

OBJECTIVES	REQUIREMENTS	ACTION ITEMS/SPECIFIC PRODUCTS	TIMEFRAME	CONSULT WITH	TARGET AUDIENCE	LED BY
		<p>practice regulation reform.</p> <p>3. Regulation Impact Assessment.</p> <p>4. Consultation mechanisms.</p> <p>5. Enforcement and administration of regulation.</p> <p>6. Alternatives to regulation.</p> <p><b>Workshop on Improving Public Consultation in the Rulemaking Process</b></p> <p><u>The workshop presented the results of the four case studies in select volunteer APEC member economies (i.e., Indonesia, Mexico, United States and Viet Nam) which described the current status of public consultation mechanisms (e.g., legal frameworks) in their domestic regulatory reform</u></p>	<p>2008: FotC to provide comments / suggestions</p> <p>EC I 2008: Table draft guidance material for EC review / comment</p> <p>Feb 2008 / mid-2008: Refine draft and incorporate EC suggestions.</p> <p>EC 2 2008: Table proposed material for endorsement by EC.</p> <p>Jun 2008: Good Practice Guide sent to Deputies for Ministerial Meeting on Structural Reform.</p> <p>Aug 2008: present to Ministerial Meeting on Structural Reform for endorsement.</p> <p>By Oct 2009</p>	<p>The Investment Experts Group (IEG), Anti-Corruption and Transparency Experts</p>	<p>Policy Officials, regulators</p>	<p>The United States, Indonesia, Japan, Mexico, and Viet Nam</p>

OBJECTIVES	REQUIREMENTS	ACTION ITEMS/SPECIFIC PRODUCTS	TIMEFRAME	CONSULT WITH	TARGET AUDIENCE	LED BY
		<p>process, as well as illustrated challenges faced by each economy in implementing these mechanisms.</p> <p><b>Workshop on Using Regulatory Impact Analysis (RIA) to Improve the Transparency and Effectiveness in the Rulemaking Process</b></p> <p><b>(pending final approval)</b></p> <p><u>Building on the 2009 workshop on public consultation in the rulemaking process</u>, this proposed 2-day workshop will, inter alia, 1) outline the objectives of RIA as a tool for coherent policy making (especially how it pertains to regulatory reform efforts); 2) provide guidance on how RIA can be tailored to fit an economy's domestic resources; 3) look at best practices (e.g., OECD members and APEC developing member economies) on implementing RIA; and 4) discuss the administrative and technical challenges of implementing RIA, including linkages between RIA and public consultation and how developing economies can use RIA to improve public consultation in rulemaking, particularly related to notice and comment provisions.</p>	EC1 2011	<p>Taskforce (ACT)</p> <p>Relevant fora including SCSC</p>	Policy Officials, regulators	The United States, Indonesia, and Mexico
	Promote awareness of APEC economies' experiences in regulatory reform	<p><b><u>ECONOMIC COMMITTEE/ CPDG</u></b>  <b>APEC-OECD Integrated Checklist on Regulatory Reform ("the Checklist")</b></p> <ul style="list-style-type: none"> <li>• Economies to volunteer to undertake a self-assessment of their regulatory reform environments, utilising the Checklist</li> <li>• OECD to collate information on economies' Checklist self-assessments and prepare best practice guidance material.</li> </ul>	<p>Self Assessments:</p> <p>2006: Hong Kong, China, United States, Chinese Taipei</p> <p>2007: Republic of Korea, Australia</p> <p>13-15 Jun 2007: Seminar on</p>	As appropriate	Policy Officials, regulators	<p>Coordination: EC Chair's Office</p> <p>CPDG</p>

OBJECTIVES	REQUIREMENTS	ACTION ITEMS/SPECIFIC PRODUCTS	TIMEFRAME	CONSULT WITH	TARGET AUDIENCE	LED BY
			<p>Utilizing the APEC-OECD Integrated Checklist on Regulatory Reform.</p> <p>11-13 Jun 2008: APEC Seminar for Sharing Experience in APEC Economies on Relations between Competition Authorities and Regulator Bodies</p> <p>Checklist best practice guidance material</p>	CPDG		CPDG
	Survey incentives in APEC economies for civil servants to progress regulatory reform	<p><b><u>ECONOMIC COMMITTEE</u></b>  <b>Survey of incentive schemes for civil servants</b></p> <ul style="list-style-type: none"> <li>• Develop and distribute questionnaire on incentive schemes for civil servants to forward structural reform initiatives.</li> <li>• Collate and analyse responses from member economies.</li> <li>• Generate final report on survey findings</li> </ul>	<p>EC 12008: project identified</p> <p>30 May 2008: completed questionnaire requested from member economies</p> <p>EC 2 2008: report of findings submitted.</p>		Policy officials	Chinese Taipei
	Increase awareness amongst APEC ministers and policy officials of the importance of regulatory	<p><b><u>ECONOMIC COMMITTEE/ SOM</u></b>  <b>Ministerial Meeting on Structural reform</b>  Ministers to share experiences and agree to further initiatives on structural reform. These initiatives</p>	EC1 2008: Overview, agendas and	FMP, SOM, SELI, ABAC, host economy	APEC Ministers, policy officials	Australia, Peru, Singapore, EC

OBJECTIVES	REQUIREMENTS	ACTION ITEMS/SPECIFIC PRODUCTS	TIMEFRAME	CONSULT WITH	TARGET AUDIENCE	LED BY
	reform in enhancing an economy's growth potential.	will be forwarded through the Economic Committee. How regulatory reform frameworks facilitate structural reform will be one of the main session themes.	abstracts of papers tabled.  6-8 Jun 2008: Deputies Meeting on Ministerial Meeting on Structural Reform.  3-5 Aug 2008: Ministerial Meeting on Structural Reform.			Chair
<b>3. Enhance APEC economies' regulation making, review and enforcement processes and systems.</b>	Promote best practice regulation making, review and enforcement processes as per the Good Practice Guide.  Benchmark and monitor the improvements in APEC economies' regulation making, review and enforcement processes and systems over time.  Provide capacity building assistance in terms of targeted seminars and workshops in areas requiring special	<b><u>AEPR 2009: Regulatory Reform theme</u></b>  Chapter 1 – How regulatory reform framework facilitates structural reform  Chapter 2 – Regulatory burdens on business  Chapter 3 – Individual economy's report on regulatory reform  <b><u>Benchmarking Survey</u></b>  Develop a questionnaire to examine the current regulation processes and systems in member economies.  Circulate survey  Collate the results of the survey to identify key strengths and weaknesses and establish benchmarks.  Consult with member economies and generate	By Oct 2009           By Jan 2010  By Feb 2010  By EC2, 2010		Public; APEC economies	Australia  Singapore  APEC economies  Australia

OBJECTIVES	REQUIREMENTS	ACTION ITEMS/SPECIFIC PRODUCTS	TIMEFRAME	CONSULT WITH	TARGET AUDIENCE	LED BY
	attention.	<p>final report on survey findings.</p> <p>Establish a program to address identified weaknesses.</p> <p>Redistribute the same questionnaire to measure improvements over time.</p> <p><b><u>Voluntary reviews of institutional framework and processes</u></b></p> <p>Volunteers sought for Voluntary review</p> <p><b><u>APEC-OECD Integrated Checklist on Regulatory Reform</u></b></p> <p>Japan to present self-assessment of APEC-OECD Integrated Checklist on Regulatory Reform</p>	<p>Ongoing</p> <p>In 2015</p> <p>TBC</p> <p>EC1 2010</p>			
<p><b>4. Improve APEC economies' regulation in key sectors of the economy.</b></p>	<p>Promote best practice regulation in key sectors such as transport, energy and tele-communication.</p> <p>Benchmark and monitor the improvements in key sector performances.</p> <p>Provide capacity building assistance to target areas for reform or improvement.</p>	<p><b><u>Transport sector</u></b></p> <p>PSU project initiative on the current cost and quality of transport to consumers in APEC economies</p> <p><b><u>Telecommunication sector</u></b></p> <p>Desktop research on the current cost and quality of telecommunication services to consumers in APEC economies</p> <p><b><u>Energy sector</u></b></p> <p>Desktop research on the current cost and quality of energy to consumers in APEC economies</p>	<p>TBC</p> <p>TBC</p> <p>TBC</p>	<p>Telecom Committee; FotC group on Competition Policy</p> <p>Energy Committee; FotC group on Competition Policy</p>	<p>PSU</p> <p>TBC</p> <p>PSU (?)</p> <p>TBC</p> <p>PSU (?)</p>	<p>PSU</p> <p>TBC</p> <p>PSU (?)</p> <p>TBC</p> <p>PSU (?)</p>

OBJECTIVES	REQUIREMENTS	ACTION ITEMS/SPECIFIC PRODUCTS	TIMEFRAME	CONSULT WITH	TARGET AUDIENCE	LED BY
<b>5. Address key regulatory burden on businesses in APEC economies.</b>	Promote the importance of reducing regulatory burden on businesses.	<b><u>Study of regulatory burden within APEC economies</u></b>		World Bank, OECD, CPLG, SMEWG		Singapore
		Complete full draft of study	Dec 08 - Feb 09			
	Identify priority regulatory reform areas for APEC region.	Finalise report, incorporate comments and revisions	Apr 2009			
	Benchmark and monitor the improvements in these priority areas.	Presentation on report (see below)	EC1, 2009			
	Provide capacity building assistance to implement reforms in the identified priority areas of regulation.	Table final report for endorsement	EC2, 2009 EC1,2009			Singapore
<b>6. Assess overall progress in regulatory reform amongst APEC economies and set direction for future work.</b>	Pull together progress in three different streams of the regulatory reform work programme.	<b><u>Report to APEC Leaders for endorsement</u></b>	2010			
	Note what has been achieved and what still needs to be achieved.					
	Determine future direction for regulatory reform within APEC beyond LAISR.					

## Competition Policy Forward Work Programme for LAISR

OBJECTIVES	REQUIREMENTS	ACTION ITEMS / OUTCOME	TIME-FRAME	CONSULT WITH	TARGET AUDIENCE	LED BY	
<b>1. Provide context for the discussion on competition policy within APEC, identifying areas of need for competition policy</b>	a. Review progress in each APEC economy to identify economy-specific and cross-cutting regional challenges and priorities in the Asia-Pacific.	<b><u>ECONOMIC COMMITTEE</u></b>					
		<b>APEC Economic Policy Report 2008</b>		EC1 2008	SELI, CPLG (share outcomes)	Policy officials	EC Chair's Office
		<ul style="list-style-type: none"> <li>• Develop and disseminate a template and guidance to assist economies in developing Individual Economy Reports on activities to enhance domestic competition policy over the last 10 years and identify key priorities and challenges in future years. Outcomes have been incorporated in the 2008 APEC Economic Policy Report, subject to EC's endorsement.</li> <li>• Encourage economies to submit Individual Economy Reports.</li> <li>• Develop a paper identifying the economy-specific and cross-cutting regional challenges and priorities to help formulate the focus of future work. The paper will be based on priorities identified in Individual Economy Reports and Part 1 of the 2008 APEC Economic Policy Report.</li> </ul>	EC1 2008			EC Chair's Office	
			EC2 2008	EC members	APEC leaders APEC ministers policy officials	Peru	
<b>2. Provide guidance for good practice</b>	a. Highlight agreed (non-binding) principles on competition policy that will serve as the basis for subsequent discussion.	<b><u>ECONOMIC COMMITTEE</u></b>					
		<b>Good practice principles for competition and regulatory reform</b>		EC1 2008		Policy officials	EC Chair's Office (Coordinator)
	b. Raise awareness of the use of competition policy in infrastructure markets.	<b><u>ECONOMIC COMMITTEE/ CPLG</u></b>					
		<b>Seminar on Good Practises in Regulation and the Promotion of Efficiency in Transport Infrastructure Facilities</b>					

OBJECTIVES	REQUIREMENTS	ACTION ITEMS / OUTCOME	TIME-FRAME	CONSULT WITH	TARGET AUDIENCE	LED BY
		<ul style="list-style-type: none"> <li>Hold a seminar to explore practical guidance on how Governments can facilitate competitive markets in specifically the transport sector.</li> </ul>	EC2 2008	TELWG, EWG, TPTWG	EC members and Competition policy makers and officials	Peru (co-sponsored by Australia, Indonesia and Mexico)
		<ul style="list-style-type: none"> <li>Hold a Ministerial meeting on structural reform to, among other things, provide high-level direction to future competition policy work within APEC.</li> </ul>	Aug 2008	CPLG, SELI, IEG, SME-WG, FMP, ABAC, host economy	APEC Ministers, policy officials	Australia, Peru, Singapore, EC Chair
<b>3. Stocktake of progress in competition policy and set direction of future work.</b>	a. Set direction of future work on competition policy in APEC	<p><b><u>ECONOMIC COMMITTEE/SOM</u></b></p> <p><b>Ministerial Meeting on Structural Reform</b></p> <ul style="list-style-type: none"> <li>Hold a Ministerial meeting on structural reform to, among other things, provide high-level direction to future competition policy work within APEC.</li> <li>Based on the meeting outcomes, future work includes: <ul style="list-style-type: none"> <li>EC, CTI and FMP continue working together in advancing APEC's structural reform initiatives.</li> <li>EC to report back to APEC Leaders through Senior Officials on: <ul style="list-style-type: none"> <li>progress in implementing the LAISR 2010 forward work program;</li> <li>progress by economies in pursuing domestic structural reforms at the end of the forward work program;</li> <li>progress of developing the voluntary or self review process, and;</li> <li>development of strengthening capacity building initiatives in its forward work program.</li> </ul> </li> <li>Drawing on the expertise of the APEC PSU, undertake necessary research on</li> </ul> </li> </ul>	Aug 2008	CPLG, SELI, IEG, SME-WG, FMP, ABAC, host economy	APEC Ministers, policy officials	Australia, Peru, Singapore, EC Chair

OBJECTIVES	REQUIREMENTS	ACTION ITEMS / OUTCOME	TIME-FRAME	CONSULT WITH	TARGET AUDIENCE	LED BY
		key elements of the LAISR.				
<b>4. Capacity building to implement practical measures.</b>	a. Increase APEC economies' capacity to implement improved competition policy practices	<p><b><u>ECONOMIC COMMITTEE</u></b></p> <p><b>Seminar on Impacts of Structural Reforms and LAISR Stock-take</b></p> <ul style="list-style-type: none"> <li>• Organize a seminar on the margins of SOM1 to encourage cross-economies sharing of sector-specific (including transport, energy and telecommunication) structural reforms experiences and promoting better understanding of their impacts in the APEC region.</li> </ul>	Feb 2010	EC	EC members and policy officials	HKC, Japan
<b>5. Promote better understanding of practical measures to strengthen competition policy.</b>		<p><b><u>ECONOMIC COMMITTEE/ CPLG</u></b></p> <p><b>Training course on Vertical Restraints and Interrelations between Competition Policy and Consumer Protection Policy.</b></p> <ul style="list-style-type: none"> <li>• Hold competition policy training course to help reduce the gap between developed and developing member economies on the implementation of competition policy and enforcement of effective competition laws.</li> <li>• The training course focused on issues such as: <ul style="list-style-type: none"> <li>▪ Vertical restraints and interrelations between competition policy and consumer protection policy.</li> <li>▪ Implement competition policy and law more effectively thereby ensuring free market competition to achieve the Bogor Goal of free and open trade and investment.</li> </ul> </li> </ul> <p><b>Roundtable Discussion on Procedural Fairness</b></p>	17-19 Aug 2009	EC	EC members and Competition policy makers and officials	EC, CPLG, Chinese Taipei, Japan

OBJECTIVES	REQUIREMENTS	ACTION ITEMS / OUTCOME	TIME-FRAME	CONSULT WITH	TARGET AUDIENCE	LED BY
		<p><b>in Competition Cases</b></p> <ul style="list-style-type: none"> <li>The discussion focuses on three aspects:               <ol style="list-style-type: none"> <li>procedural fairness in merger cases</li> <li>procedural fairness in the investigation and inquiry phase</li> <li>procedural fairness in the deliberations and determination phase</li> </ol> </li> </ul>	Feb 2010	EC	CPLG and ABAC members, regulatory agencies and policy officials, private sector representatives	CPLG and ABAC
<b>6. Set the stage for productive discussion on competition policy within APEC.</b>	Stocktake of activities done to date on competition policy within APEC and by other international fora and organisations.	<p><b><u>ECONOMIC COMMITTEE</u></b></p> <p><b>Share information and experiences on competition policy</b></p> <ul style="list-style-type: none"> <li>Identify key elements of previous work undertaken on competition policy by other organisations, which is relevant to APEC's competition policy agenda and assemble a list of key references for distribution and discussion.</li> <li>Share reports on competition policy, eg, CPLG members' reports on update and development of competition policy and law and regulatory reform</li> </ul>	On-going  On-going	EC	) ) ) ) ) EC ) members ) and Policy ) officials ) ) ) )	Hong Kong, China  CPLG/Chinese Taipei, Hong Kong, China
<b>7. Stocktake of progress in competition policy and set direction of future work.</b>	Stock-take of activities done to date on competition policy within APEC	<p><b><u>ECONOMIC COMMITTEE/SOM</u></b></p> <p><b>LAISR Stock-take Report</b></p> <ul style="list-style-type: none"> <li>FotC co-ordinators to stocktake progress in implementing the LAISR 2010 forward work program;</li> <li>Stocktake of progress by economies in pursuing domestic structural reforms at the end of the forward work program;</li> <li>Discuss the outcomes of the review at EC1</li> </ul>	Feb-Sep 2010	CPLG, SELI	APEC Ministers, policy officials	EC chair's office

OBJECTIVES	REQUIREMENTS	ACTION ITEMS / OUTCOME	TIME-FRAME	CONSULT WITH	TARGET AUDIENCE	LED BY
		2010 meeting <ul style="list-style-type: none"> <li>Update/revise LAISR stock-take survey for discussion at EC2 2010</li> </ul>				
<b>8. Capacity building to implement practical measures.</b>	a. Increase APEC economies' capacity to implement improved competition policy practices.	<p><b><u>ECONOMIC COMMITTEE</u></b></p> <p><b>Study on the impacts and benefits of structural reforms in transport, energy and telecommunication sectors</b></p> <ul style="list-style-type: none"> <li>PSU has started to conduct a study on the impacts and benefits of structural reforms in transport, energy and telecommunications sectors in 2010.</li> <li>The study will assess the performances of these sectors in APEC economies and identify the structural reforms and policy approaches undertaken according to the relevant LAISR priority area, including competition policy.</li> <li>First chapter of final report has been distributed to member economies for comments (July 2010)</li> </ul>	Jul 2009-Aug 2010	EC	Competition policy and regulatory authority officials; infrastructure policy makers and business sectors	PSU
<b>9. Promote better understanding of practical measures to strengthen competition policy</b>		<p><b><u>CPLG</u></b></p> <p><b><u>Training course on Advocacy of Competition Policy</u></b></p> <ul style="list-style-type: none"> <li>Organize a training course on the advocacy and implementation of competition policy, which aims to:               <ul style="list-style-type: none"> <li>Discuss various aspects of competition advocacy with the purpose of raising awareness of competition law and policy among governmental entities, the business community and the constituencies of society;</li> <li>Exchange information and share experiences on competition advocacy to</li> </ul> </li> </ul>	Sep 2010	EC	CPLG members, regulatory agencies and policy officials	Vietnam, Japan (co-sponsored Peru, HKC, Thailand)

OBJECTIVES	REQUIREMENTS	ACTION ITEMS / OUTCOME	TIME-FRAME	CONSULT WITH	TARGET AUDIENCE	LED BY
		<p>help build capacity to promote effective enforcement of competition law and policy; and</p> <ul style="list-style-type: none"> <li>▪ Implement competition policy and law more effectively by fostering competition culture to promote free market competition to achieve the Bogor Goal of free and open trade and investment.</li> </ul>				

## Corporate Governance Forward Work Program for LAISR

OBJECTIVES	REQUIREMENTS	ACTION ITEMS / OUTCOME	TIME-FRAME	CONSULT WITH	TARGET AUDIENCE	LED BY
<b>1. Set the stage for productive discussion on corporate governance within APEC.</b>	a. Highlight agreed global principles (from OECD) on corporate governance that will serve as the basis for subsequent discussion.	<u><b>ECONOMIC COMMITTEE</b></u> <b>Good practice principles for corporate governance</b> <ul style="list-style-type: none"> <li>• Disseminate the OECD’s “Principles of Corporate Governance” and “Guidelines on Corporate Governance of SOEs.”</li> <li>• Draw attention to past APEC work on corporate governance, including the APEC Initiative on Corporate Governance launched by Finance Ministers in 1998 and the Corporate Governance Pathfinder Initiative involving Australia, Korea, Malaysia, Mexico, New Zealand, and Singapore.</li> <li>• Share the PECC “Guidelines for Good Corporate Governance Practice” endorsed by APEC ministers in 2001.</li> </ul>	EC2 2007	FMP, OECD	Policy officials, regulators	United States of America
	b. Propose an agenda and request participation from the appropriate policymakers and regulators in the process	<u><b>ECONOMIC COMMITTEE</b></u> <b>Agenda on corporate governance</b> <ul style="list-style-type: none"> <li>• Propose an agenda on corporate governance in line with the priorities spelled out below (including a policy-level discussion on corporate governance at the EC1 meeting in Feb 2008 and a workshop at EC 2 in Sept 2008).</li> <li>• Request that each involve its relevant experts in policy dialogue and seminar programs where possible.</li> </ul>	EC2 2007	FMP, OECD, ABAC, World Bank, IMF	Policy officials, regulators	United States of America
	c. Review work done to date on corporate governance within APEC.	<u><b>ECONOMIC COMMITTEE</b></u> <b>Review work on corporate governance</b> <ul style="list-style-type: none"> <li>• Share copies of the latest report by the APEC Anti-Corruption Task Force, which discusses</li> </ul>	EC2 2007	FMP, ACT	Policy officials, regulators	United States of America

OBJECTIVES	REQUIREMENTS	ACTION ITEMS / OUTCOME	TIME-FRAME	CONSULT WITH	TARGET AUDIENCE	LED BY
		<p>corporate governance, and draw attention to economies' commitments to tackle corporate governance issues.</p> <ul style="list-style-type: none"> <li>Stress that the EC is an appropriate forum to take APEC's corporate governance work forward in greater detail, because it has a closer nexus to the most relevant policymakers and regulators.</li> </ul>				
<p><b>2. Identify areas of need for strengthening corporate governance.</b></p>	<p>a. Review progress in each APEC economy to identify economy-specific and cross-cutting regional challenges in the Asia-Pacific, building on the work of the OECD.</p>	<p><b><u>ECONOMIC COMMITTEE</u></b>  <b>Review progress on corporate governance</b></p> <ul style="list-style-type: none"> <li>Disseminate the findings of recent OECD regional studies on Asia and Latin America.</li> <li>Support APEC economies undertaking a corporate governance ROSC by the World Bank /IMF if they have not done so already.</li> </ul>	<p>EC2 2008</p>	<p>FMP, OECD, ABAC, World Bank, possibly BMC (in the fall), ACTTF (to strengthen public-private partnerships on anticorruption, corporate governance, and transparency principles)</p>	<p>Policy officials, regulators</p>	<p>United States of America</p>
<p><b>3. Build consensus on best practices in corporate governance.</b></p>	<p>a. Engage key policy officials and regulators to identify priorities for strengthening corporate governance and plan for implementation</p>	<p><b><u>ECONOMIC COMMITTEE</u></b>  <b>Roundtable discussion on corporate governance</b></p> <ul style="list-style-type: none"> <li>Hold a policy-level discussion in the EC on corporate governance challenges and priorities, including transparency and disclosure, shareholder rights and participation, and board responsibilities.</li> <li>Discuss the particular challenges and opportunities of corporate governance in SOEs.</li> </ul>	<p>EC2 2008</p>	<p>FMP, regulators, OECD, IMF, ABAC, World Bank</p>	<p>Policy officials, regulators</p>	<p>United States of America</p>



OBJECTIVES	REQUIREMENTS	ACTION ITEMS / OUTCOME	TIME-FRAME	CONSULT WITH	TARGET AUDIENCE	LED BY
		<p>and dual listings. Include participants from the APEC Financial Regulators Training Initiative in the process.</p> <ul style="list-style-type: none"> <li>Develop a paper on the key conclusions of the workshop. Further develop the paper for inclusion in the 2010 APEC Economic Policy Report.</li> <li>Organize follow-up seminars as appropriate.</li> </ul>				
<b>5. Increase awareness of the elements of sound corporate governance.</b>	a. Sharing information between the public and private sector in APEC economies.	<p><b><u>ECONOMIC COMMITTEE</u></b></p> <p><b>Seminar on promoting good governance for SMEs</b></p> <ul style="list-style-type: none"> <li>Organize a seminar on promoting good governance for SMEs.</li> <li>Conduct additional seminars or workshops as appropriate to train APEC officials and share lessons learned from the implementation process begun in 2008</li> </ul>	2009	ABAC, SME-WG	Policy officials, private sector	Thailand
		<p><b>Workshop on Implementing the OECD Principles of Corporate Governance</b></p> <ul style="list-style-type: none"> <li>The corporate governance workshop for business representatives that will focus on implementing the OECD Principles of Corporate Governance which were endorsed by Ministers last year. The workshop in part focused on the importance of good corporate governance for SMEs and family-owned businesses and look for ways the Principles can best be carried out in the APEC context.</li> </ul>	2009	FMP, OECD, World Bank, think tanks, ABAC	Policy officials, regulators, practitioners, and industry groups	To be decided
		<p><b>Workshop on Identifying Capacity Building Needs for Implementation of the OECD Principles of Corporate Governance (pending final approval)</b></p> <ul style="list-style-type: none"> <li>Following on from the workshop in 2009,</li> </ul>	Nov 2009	FMP, ABAC, OECD	Private sector, SMEs, family-owned businesses	United States of America
			EC1 2011	FMP, ABAC, OECD	Policy officials, regulators, practitioners,	United States

OBJECTIVES	REQUIREMENTS	ACTION ITEMS / OUTCOME	TIME-FRAME	CONSULT WITH	TARGET AUDIENCE	LED BY
		<p>outline benefits and challenges of adopting the OECD Principles of Corporate Governance APEC-wide and how the public sector can work with stakeholders (e.g. private sector) and across borders;</p> <ul style="list-style-type: none"> <li>Identify capacity building needs for implementation of the OECD Principles in specific economies, building upon relevant activities including the Individual Economic Reports under the APEC Economic Policy Report on Corporate Governance, OECD Regional Roundtables' detailed stock-take of implementation of reforms as well as World Bank's Reports on the Observance of Standards and Codes on selected economies;</li> </ul>			and industry groups	
<p><b>6. Stocktake of progress in strengthening corporate governance and set direction of future work.</b></p>	<p>a. Review corporate governance reforms undertaken in recent years by APEC economies.</p>	<p><b><u>ECONOMIC COMMITTEE</u></b>  <b>APEC Economic Policy Report on corporate governance</b></p> <ul style="list-style-type: none"> <li>Develop and disseminate the 2010 APEC Economic Policy Report, focusing on corporate governance and highlighting APEC economies' experience with implementing corporate governance reform.</li> </ul>	by Nov 2010	FMP, OECD, World Bank, think tanks, ABAC	Policy officials, regulators, practitioners, and industry groups	United States of America and Japan

## Public Sector Governance Forward Work Programme for LAISR

OBJECTIVES	REQUIREMENTS	ACTION ITEMS / OUTCOME	TIME-FRAME	CONSULT WITH	TARGET AUDIENCE	LED BY
1. Set the stage for productive discussion on public sector governance within APEC.	a. Raise awareness of the importance of public sector governance to the success of structural reform.	<u><b>ECONOMIC COMMITTEE</b></u> <b>Seminar on public sector governance</b> <ul style="list-style-type: none"> <li>Hold a seminar on public sector governance to raise awareness on the importance of public sector governance to the success of structural reform and share a broad range of APEC economy experiences with public sector governance reform</li> </ul>	EC2 2006	World Bank	Policy officials	New Zealand, Japan, Malaysia
	b. Identify and disseminate good practice principles in public sector governance.	<u><b>ECONOMIC COMMITTEE</b></u> <b>APEC Economic Policy Report on public sector governance</b> <ul style="list-style-type: none"> <li>Develop and disseminate a paper on good practices in public sector governance based on the seminar held in September 2006.</li> <li>Seek endorsement to use the paper to form the basis of Part 1 of the APEC Economic Policy Report 2007.</li> <li>Disseminate the APEC Economic Policy Report 2007</li> </ul>	EC1 2007	FMP, ACT, ABAC	APEC Leaders, APEC Ministers, policy officials, business people	New Zealand
		<ul style="list-style-type: none"> <li>Disseminate the APEC Economic Policy Report 2007</li> </ul>	EC1 2007			New Zealand
<ul style="list-style-type: none"> <li>Disseminate the APEC Economic Policy Report 2007</li> </ul>		Sep 2007	EC Chair's Office			
c. Identify work done to date on public sector governance within APEC and by other international fora and organisations.	<u><b>ECONOMIC COMMITTEE</b></u> <b>Bibliography of resources on public sector governance</b> <ul style="list-style-type: none"> <li>Assemble a bibliography of relevant resources to distribute and discuss at an EC meeting and make available to EC members on the APEC EC Collaboration Site.</li> </ul>	EC1 2008 Updated May 2008	FMP, ACT, World Bank, IMF, ADB, OECD, ABAC, PECC, APEC Study Centre	Policy officials	New Zealand	
	2. Identify areas of need for strengthening	a. Review progress in each APEC economy to identify economy-	<u><b>ECONOMIC COMMITTEE</b></u> <b>Review APEC Economic Policy Report on</b>			

OBJECTIVES	REQUIREMENTS	ACTION ITEMS / OUTCOME	TIME-FRAME	CONSULT WITH	TARGET AUDIENCE	LED BY
<b>public sector governance.</b>	specific and cross-cutting regional challenges and priorities in the Asia-Pacific	<p><b>public sector governance</b></p> <ul style="list-style-type: none"> <li>Develop and disseminate a template and guidance to assist economies in developing Individual Economy Reports on domestic public sector governance reform activities over the last 10 years and identify key priorities and challenges in future years.</li> <li>Develop a paper identifying the economy-specific and cross-cutting regional challenges and priorities identified by Individual Economy Reports.</li> <li>Discuss key lessons and priorities identified in Individual Economy Reports.</li> </ul> <p><b><u>INVESTMENT EXPERTS' GROUP</u></b>  <b>Seminar on the Good Governance of Investment Promotion</b></p> <ul style="list-style-type: none"> <li>Seminar to be held on the margins of SOM2 oriented to analyse and propose the necessary instruments to improve good governance on investment promotion as a way to improve a favourable investment climate in APEC region.</li> </ul>	<p>Intersessionally, 2007</p> <p>EC1 2008</p> <p>EC1 2008</p> <p>SOM2 2008</p>		<p>Policy officials</p>	<p>EC Chair's Office</p> <p>Canada</p> <p>Canada</p> <p>Peru</p>
<b>3. Promote better understanding of practical measures to strengthen public sector governance.</b>	a. Increase APEC economies' understanding of practical measures to strengthen public sector governance.	<p><b><u>ECONOMIC COMMITTEE</u></b></p> <p><b>Good practice principles for public sector governance</b></p> <ul style="list-style-type: none"> <li>Develop and seek EC endorsement of good practice principles for public sector governance, drawing on previous work.</li> </ul> <p><b>Policy dialogue on public sector governance</b></p> <ul style="list-style-type: none"> <li>Hold a policy dialogue on "Balancing Accountability and Innovation: Practical Measures to Strengthen Public Sector Governance"</li> <li>Hold a roundtable discussion on "Recent Public Sector Changes and Principles of Good</li> </ul>	<p>EC1 2011</p> <p>EC1 2008</p> <p>EC1 2009</p>	<p>FMP, ACT, World Bank, IMF, ADB, OECD, ABAC</p>	<p>Policy officials</p> <p>Policy officials</p> <p>Policy officials</p>	<p>Canada</p> <p>Canada</p> <p>New Zealand</p>

OBJECTIVES	REQUIREMENTS	ACTION ITEMS / OUTCOME	TIME-FRAME	CONSULT WITH	TARGET AUDIENCE	LED BY
		<p>Public Sector Governance”. The aim of the roundtable is: to share information on recent public sector changes in APEC economies; reflect on the general principles of good public sector governance set out in the 2007 AEPR; and, inform the future work of the EC forward work programme.</p> <ul style="list-style-type: none"> <li>• Hold a roundtable discussion on “Improving Public Governance Quality: Practice and Measurement”. The aim of the roundtable is: to provide a platform for economies to exchange experiences and practices related to the measurement of public sector governance; review existing strategies, instruments, tools and practices to improve public governance quality; and demonstrate/examine how economies apply the general principles of good public sector governance set out in the 2007 AEPR in various political and economic contexts.</li> <li>• Hold a policy dialogue(s) on practical measures to strengthen public sector governance, focusing on challenges and priorities identified through the review of Individual Economy Reports. Examples of possible topics include: managing performance; the design of public organisations; fiscal transparency (drawing on work from the FMP); the link between public confidence and trust; and how to promote risk-based management while addressing political risk.</li> </ul> <p><b>Managing Performance: Towards Effective Government</b></p> <ul style="list-style-type: none"> <li>• This paper will embrace several key initiatives that have been undertaken in Canada, including our Web of Rules initiative, Policy Suite Renewal and the Management</li> </ul>	<p>EC2 2009</p> <p>2008-2010</p> <p>EC2 2010</p>	<p>TEL, ECSG, OECD</p>	<p>Policy officials</p> <p>Policy officials</p> <p>Policy officials</p>	<p>Chinese Taipei, New Zealand</p> <p>To be decided</p> <p>Canada</p>

OBJECTIVES	REQUIREMENTS	ACTION ITEMS / OUTCOME	TIME-FRAME	CONSULT WITH	TARGET AUDIENCE	LED BY
		<p>Accountability Framework Five-Year Evaluation.</p> <p><b><u>ANTI-CORRUPTION AND TRANSPARENCY TASK FORCE</u></b></p> <p><b>Symposium on Anti-Corruption and Administrative Reform</b></p> <ul style="list-style-type: none"> <li>The symposium is designed to respond to the instruction and commitment of APEC leaders for anti-corruption and ensuring transparency. The purpose of the symposium is to create a forum for member economies is to: exchange views and make it clear on how anti-corruption and administrative reform interact; and to drawing out the best solutions for effectively promoting this interactive linkage</li> </ul> <p><b>Anti-corruption Principles for the Public Sector</b></p> <ul style="list-style-type: none"> <li>Prepare guidelines for capacity activities related to the implementation of the Anti-corruption Principles for the Public Sector in line with the “Conduct Principles for Public Officials</li> <li>Prepare a chart containing the needs for capacity building based on the Matrix for Strategic Progress of the Santiago Course of Action prepared by the economies in 2007.</li> </ul> <p><b>Workshop on National level anti-corruption strategies</b></p> <p>Capacity building workshop on effectively addressing corruption in the developing economies</p> <p><b><u>FINANCE MINISTERS’ PROCESS</u></b></p> <p><b>Fiscal Space Workshop</b></p> <ul style="list-style-type: none"> <li>Workshop to improve the efficiency of government expenditure and identify the social and economic payoffs from different forms of government spending</li> </ul>	<p>May 2008</p> <p>2008</p> <p>Oct 2009</p> <p>May 2008</p>		<p></p> <p>Policy Officials</p>	<p>China, Korea, Viet Nam</p> <p>Korea</p> <p>Australia, Indonesia, Russia</p>

OBJECTIVES	REQUIREMENTS	ACTION ITEMS / OUTCOME	TIME-FRAME	CONSULT WITH	TARGET AUDIENCE	LED BY
		<p><b>Workshop on transparency and sustainability in the public balance sheet</b></p> <ul style="list-style-type: none"> <li>Workshops focused on building fiscal sustainability through better risk management of public-private partnership projects</li> </ul> <p><b><u>INVESTMENT EXPERTS' GROUP</u></b></p> <p><b>Seminar for sharing success factors of improving the investment environment</b></p> <ul style="list-style-type: none"> <li>Seminar to be held on the margins of SOMIII oriented to analyse and propose the necessary instruments to improve good governance on investment promotion as a way to improve a favourable investment climate in APEC region.</li> </ul>	<p>May 2008</p> <p>Aug 2008</p>		<p>Policy Officials</p> <p>Policy officials</p>	<p>Australia, Indonesia, Viet Nam</p> <p>Japan</p>
	b. Increase APEC economies' understanding of the important role of ICTs in enabling public sector governance	<p><b><u>ECONOMIC COMMITTEE</u></b></p> <p><b>Workshop on e-governance</b></p> <ul style="list-style-type: none"> <li>Workshop on e-governance. A one-day public sector governance workshop to be held on the margins of ECI, 2008. The purpose of this workshop is to raise the awareness of the important role of ICTs in enabling public sector governance. The workshop will also allow member economies to share the knowledge, experiences and lessons learned from their different perspectives.</li> </ul>	EC1 2008	TEL, ACT	Senior IT officials, Chief Information Officers (CIOS) and key	Chinese Taipei, New Zealand
	c. Increase APEC economies' understanding of how government performance and results management can strengthen public sector governance.	<p><b><u>ECONOMIC COMMITTEE</u></b></p> <p><b>Workshop on government performance and results management</b></p> <ul style="list-style-type: none"> <li>Workshop on Government Performance &amp; Results Management. A 2-day workshop in government performance and results management. The purpose of this workshop is to understand the best practices of the macro-</li> </ul>	Mar 2008	ACT, OECD	Policy officials	Chinese Taipei, New Zealand

OBJECTIVES	REQUIREMENTS	ACTION ITEMS / OUTCOME	TIME-FRAME	CONSULT WITH	TARGET AUDIENCE	LED BY
		and micro-level performance management. The workshop will also allow economies to share the knowledge, experiences and lessons learned from their different perspectives.				
<b>4. Capacity building to implement practical measures.</b>	a. Increase APEC economies' capacity to implement improved public sector governance practices.	<p><b><u>ECONOMIC COMMITTEE</u></b></p> <p><b>Workshops on public sector governance as appropriate</b></p> <ul style="list-style-type: none"> <li>Conduct workshops and policy discussions as appropriate to train APEC officials and share lessons on the effective implementation of public sector governance reforms.</li> </ul>	2008-2010	FMP, ACT, World Bank, IMF, ADB, OECD, ABAC	Policy officials	To be decided
<b>5. Increase awareness of the elements of sound public sector governance.</b>	a. Increase awareness amongst APEC Ministers and policy officials of the elements of sound public sector governance.	<p><b><u>ECONOMIC COMMITTEE</u></b></p> <p><b>Ministerial Meeting on Structural Reform</b></p> <ul style="list-style-type: none"> <li>Update text on SRMM</li> <li>Explore the idea of including public sector governance issues in a future Ministerial Meeting on Structural Reform to, among other things, increase awareness of the elements of sound public sector governance.</li> </ul>	Aug 2008	FMP, SOM, ACT, ABAC, host economy	APEC Ministers, policy officials,	
<b>6. Stocktake of progress in strengthening public sector governance and set direction of future work.</b>	a. Review public sector governance reforms undertaken in recent years by APEC economies.	<p><b><u>ECONOMIC COMMITTEE</u></b></p> <p><b>Summary of outputs and outcomes of work programme</b></p> <ul style="list-style-type: none"> <li>Develop and disseminate a paper reviewing APEC economies' experiences with implementing the good practice principles for public sector governance (scheduled to be endorsed in 2008).</li> <li>Discuss the outcomes of the review at an EC meeting.</li> <li>Take stock of the public sector themes in the bibliography on Public Sector Governance and compare it with what has already been</li> </ul>	2010  2008  EC1 2010	FMP, ACT, World Bank, IMF, ADB, OECD, ABAC	Policy officials   Policy Officials	To be decided   New Zealand

OBJECTIVES	REQUIREMENTS	ACTION ITEMS / OUTCOME	TIME-FRAME	CONSULT WITH	TARGET AUDIENCE	LED BY
		<p>examined thus far in workshops, roundtables and policy discussions to identify any areas where further work may be useful</p> <p><b><u>ANTI-CORRUPTION AND TRANSPARENCY TASK FORCE</u></b></p> <p><b>Development of a Peer Review Process</b></p> <ul style="list-style-type: none"> <li>• Development of a regular Peer Review Process to evaluate member economies progress in the implementation of the APEC principles and codes of conducts. The aim of which is to improve the effectiveness in the implementation of APEC anti-corruption commitments</li> </ul>				

## Strengthening Economic and Legal Infrastructure (SELI) Forward Work Programme for LAISR

OBJECTIVES	REQUIREMENTS	ACTION ITEMS / OUTCOME	TIMING	CONSULT WITH	TARGET AUDIENCE	LED BY
1. Set the stage for productive discussion on strengthening economic and legal infrastructure within APEC.	a. Identify work done to date on strengthening economic and legal infrastructure within APEC and by other international fora and organisations.	<p><b><u>SELI COORDINATING GROUP</u></b>  <b>Share reports on strengthening economic and legal infrastructure</b></p> <ul style="list-style-type: none"> <li>• Share existing reports on strengthening economic and legal infrastructure as below:                             <ul style="list-style-type: none"> <li>- annual voluntary progress reports on strengthening economic and legal infrastructure</li> </ul> </li> </ul>	2007	SELI, CPLG, international institutions, academics	Government officials and business people in charge of economic legal affairs	SELI Chair
	b. Build a network for information exchange regarding strengthening economic and legal infrastructure.	<p><b><u>ECONOMIC COMMITTEE (SELI FotC)</u></b>  <b>Build a network for information exchange on strengthening economic and legal infrastructure</b></p> <ul style="list-style-type: none"> <li>• Establish the “APEC Legal Information Portal” to provide information on economic legal infrastructure.</li> </ul>	SELI2, EC2 2008			Australia
2. Identify areas of need for strengthening economic and legal infrastructure.	a. Identify priority issues to be tackled by each economy on strengthening economic and legal infrastructure in the process of business activities in APEC.	<p><b><u>SELI COORDINATING GROUP</u></b>  <b>Review progress on strengthening economic and legal infrastructure</b></p> <ul style="list-style-type: none"> <li>• Develop a paper identifying the economy-specific and cross-cutting regional challenges and priorities to inform the focus of future work. The paper will be based on information drawn from voluntary progress reports, the survey on investment liberalization and facilitation (IEG), and the World Bank “Ease of Doing Business” work (SME-WG).</li> <li>• Discuss key lessons and priorities identified by progress reports and other surveys at the EC meeting.</li> </ul>	EC2 2007	SELI, CPDG, IEG, SMEWG, international institutions (eg, WB), academics		SELI Chair, ABAC
		<p><b><u>ECONOMIC COMMITTEE</u></b></p>	EC2 2007			SELI Chair

OBJECTIVES	REQUIREMENTS	ACTION ITEMS / OUTCOME	TIMING	CONSULT WITH	TARGET AUDIENCE	LED BY
		<p><b>Report on cross-border mergers and acquisitions</b></p> <ul style="list-style-type: none"> <li>A consultancy report was developed to estimate the impact of M&amp;As on greenfield FDI, external trade and economic growth in the APEC economies. The report made reference to previous studies on M&amp;As. Based on the empirical results obtained, policy implications on trade liberalisation, investment flow, and market and industry regulations (or deregulations) were devised.</li> </ul>	2007 - 2009	SELI, CPLG, IEG, FMP and academics		Hong Kong, China
3. <b>Build consensus on best practices in strengthening economic and legal infrastructure</b>	a. Share information on good approaches to economic laws adopted by other international fora.	<p><b><u>SELI COORDINATING GROUP</u></b></p> <p><b>Information sharing on best practices for strengthening economic legal infrastructure</b></p> <ul style="list-style-type: none"> <li>Promote information sharing on best practices in strengthening economic and legal infrastructure by disseminating: <ul style="list-style-type: none"> <li>OECD Principles of Corporate Governance (including Guidelines on Corporate Governance of State-owned Enterprises); and</li> <li>The European Corporate Statute.</li> </ul> </li> </ul>	SELI2, EC2 2008	SELI, CPDG, international institutions (eg, OECD), academics	Government officials and business people in charge of economic legal affairs	SELI Chair, United States of America
4. <b>Promote better understanding of practical measures to strengthen economic and legal infrastructure.</b>	a. Increase APEC economies' understanding of practical measures to strengthen economic and legal infrastructure.	<p><b><u>ECONOMIC COMMITTEE (SELI FotC)</u></b></p> <p><b>Seminar and/or Roundtable discussion on strengthening economic and legal infrastructure theme</b></p> <ul style="list-style-type: none"> <li>Hold "Seminar Capacity Building for Sharing Success Factors in the Improving the Investment Environment" together with IEG, including SELI themes.</li> </ul>	EC2 2009	SELI, IEG, international institutions, academics	Government officials and business people in charge of economic legal affairs	SELI FotC Coordinator, Japan

OBJECTIVES	REQUIREMENTS	ACTION ITEMS / OUTCOME	TIMING	CONSULT WITH	TARGET AUDIENCE	LED BY
<p><b>5. Capacity building to implement practical measures.</b></p>	<p>a. Increase APEC economies' capacity to enhance laws and regulations and procedures related to economic and legal infrastructure.</p>	<p><b><u>ECONOMIC COMMITTEE (SELI FotC)</u></b>  <b>Capacity building as necessary</b></p> <ul style="list-style-type: none"> <li>• Identify the priority area based on each economy's needs for capacity building of SELI.</li> <li>• Survey to explore desirable areas and approaches for future SELI activities.</li> <li>• Hold "Policy Dialogue on Strengthening Economic Legal Infrastructure" focusing on (i)bankruptcy, restructuring and secured financing law and (ii)alternative dispute resolution</li> <li>• Hold "Seminar on "Getting Credit for Small and Medium Enterprises"(1st Phase of Ease of Doing Business Action Plan)" which includes capacity building on bankruptcy law and collateral law</li> </ul>	<p>EC1, EC2 2009</p> <p>EC1 2010</p> <p>EC2 2010</p>	<p>SELI, CPLG, international institutions (eg OECD), academics, PSU</p>	<p>Government officials and business people in charge of economic legal affairs</p>	<p>SELI FotC Coordinator</p> <p>SELI FotC Coordinator, Voluntary economy(ies)</p>
<p><b>6. Increase awareness of the elements of sound economic and legal infrastructure.</b></p>	<p>a. Raise awareness among APEC Ministers and policy officials of the importance of economic and legal infrastructure to sustained economic development.</p>	<p><b><u>ECONOMIC COMMITTEE/ SOM</u></b>  <b>Ministerial Meeting on Structural Reform</b></p> <ul style="list-style-type: none"> <li>• First Ministerial Meeting Structural Reform</li> </ul> <p><b>APEC Growth Strategy High Level Policy Round Table</b></p>	<p>2008</p> <p>Aug 2010</p>	<p>SELI, CPDG, IEG, SME-WG, FMP, ABAC, host economy</p>	<p>APEC Ministers, Government officials and business people in charge of economic legal affairs</p>	<p>Australia, Peru, Singapore, EC Chair</p> <p>Japan</p>

OBJECTIVES	REQUIREMENTS	ACTION ITEMS / OUTCOME	TIMING	CONSULT WITH	TARGET AUDIENCE	LED BY
<b>7. Stocktake of progress in strengthening economic and legal infrastructure and set direction of future work.</b>	a. Set direction of future work on strengthening economic and legal infrastructure in APEC.	<p><b><u>ECONOMIC COMMITTEE (SELI FotC)</u></b>  <b>Summary of outputs and outcomes of work programme</b></p> <ul style="list-style-type: none"> <li>• Develop and disseminate a paper reviewing APEC economies' experiences with strengthening economic and legal infrastructure.</li> <li>• Discuss the outcomes of the review at an EC meeting.</li> </ul>	2010  2010	SELI, CPDG, IEG, SME-WG, FMP, ABAC, host economy	APEC Ministers, Government officials and business people in charge of economic legal affairs	SELI FotC Coordinator  SELI FotC Coordinator



# **The Impacts and Benefits of Structural Reforms in the Transport, Energy and Telecommunications Sectors in APEC Economies**

## **APEC Policy Support Unit**

### **Executive Summary**

This Executive Summary condenses more than 500 pages of detailed analysis and economic modelling into a digestible brief. We consider the material available in this summary and the main report can be used to develop easily communicated messages for APEC members to promote further structural reform. We also hope the Executive Summary will entice officials to read the more detailed analyses, as they contain useful examples of structural reforms and lessons on how to implement them effectively.

The study as a whole seeks to catalogue many of the substantial, tangible benefits for consumers and for small and medium businesses arising from APEC members' structural reform efforts in recent years, focusing on the transport, energy and telecommunications sectors. As well, economic modelling was undertaken to provide empirical estimates of reform impacts in those sectors.

### **INFRASTRUCTURE AND STRUCTURAL REFORM**

Structural reform in APEC economies refers to policy change related to 'institutional frameworks, regulations and government policy [designed] so that barriers to market-based incentives, competition, regional economic integration and improved economic performance are minimized'.

Infrastructure is a significant and quantitatively important determinant of growth and development. Economies with fully open telecommunications and financial services sectors, for example, grow up to 1.5 percentage points faster than other economies. Improving destination infrastructure by a factor of 16 percent reduces transport costs by an amount equivalent to a reduction of 6500 sea km or 1000km of overland travel. Better infrastructure also contributes to better health outcomes, including key indicators in the Millennium Development Goals.

While competition in domestic markets and openness to foreign investors might usually be expected to lead to better quality services, the link is not straightforward in infrastructure industries where the nature of an asset that is essential in service delivery can cause market and competition failures.

Where this occurs, the asset or infrastructure industries have natural monopoly characteristics. Their owners can seek to charge higher prices in the absence of competition or they may not allow others to use the infrastructure, for example, a gas pipeline or telephone cable duct, at

reasonable cost. Some infrastructure activities involve externalities, i.e., side effects which are not priced, so that market price signals may not convey the accurate information about the real cost and value of the activity to the economy as a whole. Noise and air pollution are examples. Even where market competition can deliver efficient outcomes, governments may distort efficiency by seeking to implement equity objectives.

The best way to achieve good outcomes is not only to design better policy, but also to match the most effective and least distorting policy instruments to the objectives being sought. Good microeconomic policy also requires policy coherence. The APEC Leaders' Agenda to Implement Structural Reform is directed at exactly these issues.

## **PROGRESS TO DATE**

### **Air transport**

In air transport the initial instances of competition often occur in domestic markets through the introduction of low cost carriers (LCCs). For example, in Korea fares fell by 20-30 percent as a result of the entry of LCCs in 2006. The LCC share of the domestic market in Korea is now 25 percent and close to 30 percent on some routes.

Reform of international markets, which involve sovereign treaties as well as operating airlines, moves more slowly than that in domestic markets, but there is a shift towards liberalisation. For example, in 2006 Korea and China entered a more liberalised agreement for routes between Korea and China's Shandong province. As a result, fares fell by an average of more than 8 percent on these routes and traffic grew much faster (by a factor of 2) compared to other routes between the two economies.

Other studies rank economies according to their degree of liberalisation in international markets. An economy moving from the bottom quarter of the ranking to the top quarter would see substantial benefits. Such a move would see traffic volumes between economies linked by direct air services increase by about 30 percent. Signing Open Skies agreements has lowered air cargo freight rates by 8 percent.

Regulations remaining in APEC economies, particularly in international markets, maintain barriers to the entry of new airlines. Econometric analysis undertaken for this project finds that conversion to full openness in air transport would lead to an average reduction in margins for all APEC economies of 15 percent. Exporters able to reap such benefits from more competitive world aviation markets would be able to capture these reduced margins and pass them on to consumers.

### **Rail transport**

In rail transport the separation of track (below-the-rail) and train (above-the-rail) operations and the introduction of competition between train operators provide significant benefits. Free entry of new operators and the resulting dynamics of competition are critical for better performance. One study found that free entry adds over three times as much to productivity as separation.

The separation of track ownership and operations is increasingly common in APEC economies, along with the specification of regimes that provide access for new competitors. Financing challenges in relation to track investment, however, remain. Between 2001 and 2008 the annual average rate of productivity growth in the rail sector for APEC members was 3.5 percent. There

is still room for improvement, since for non-APEC members, productivity grew by 4.8 percent a year over the same period.

Tenders to operate the Auckland urban rail system were called in 2002. The track was owned and managed by a government enterprise. Traffic doubled between 2005 and 2010 under this competitive model. Services more than doubled between 2005 and 2009. Reliability also improved. In March 2005 only 77 percent of trains arrived on time. This figure exceeded 85 percent for most of 2009. Over five years 21 of the 41 stations on the network were upgraded. There were more services, higher frequencies, greater punctuality and better trains. Under this model, the government continued to invest in the track. It also subsidised fares on the grounds of rail's contribution to the reduction in road congestion. The subsidy was transparent. Modelling suggests that this subsidy per passenger could be halved if further investment, including electrification, adds to service quality and attracts more passengers.

The process of privatisation in the New Zealand rail system in 1993 also had a significant effect on volumes and user satisfaction. Between 1994 and 1997 prices fell 7 percent per annum in the bulk goods sector and by more than 4 percent per annum for export goods. Significant improvements were found in customer satisfaction surveys, with recommendation rates improving from just over 30 percent to nearly 80 percent. Issues remained however in relation to investment in the rail track.

In Chile, fares were 40 percent lower after the government-owned rail corporation divested its southern operations. The track remained in the hands of the state organisation which provided maintenance and facilities.

### **Road transport**

Regulation of passenger and freight transport by road must juggle conflicting demands of avoiding congestion, bringing home to users the costs of road use and damage created, funding investment in the network, meeting safety targets and providing access to services. The package of regulations that is created, however, may induce a market response that in turn illustrates the opportunities available from better policy.

In Bangkok an opportunity was created for new entrants offering a differentiated passenger transport service at unregulated prices. When they began in the mid 1980s, these new services, or 'vans', were illegal, but later many were licensed. The vans were smaller than buses and charged higher prices but offered shorter and faster routes with guaranteed seats. Although passengers were required to go to terminals rather than usual bus stops, by 2008 there were more than 6500 vans operating in Bangkok. They provided consumers with more variety and wider access to services.

Freight rates fell by 20-30 percent when quotas on cross-border freight licences were removed between Thailand and Laos in 2004.

For international road freight, as for trade more generally as tariffs are lowered, greater importance now attaches to infrastructure and other regulatory constraints, such as arrangements for customs clearance.

### **Maritime transport**

Shipping services markets are now regarded as largely competitive, but residual regulation of maritime services remains in some economies. The emerging issue is access to port services – in particular, access to ancillary services required to berth, load and unload.

Another common restriction in maritime services is that on cabotage rights. The Australian approach has been not to remove the regulation. Rather, the manner of its implementation has been changed and greater flexibility is obtained through a permit system. Technological improvements and rationalisation of staffing scales resulted in a downward trend in real interstate non-bulk freight rates from the early 1980s. Regulatory changes sustained this trend. Rates were 40 percent lower in 2005 compared to the start of the 1990s. The Australian coastal fleet capacity was 60 percent lower in 2007 compared to 1999 but productivity more than doubled as a result of a rise in capacity utilisation.

New econometric work undertaken in this study finds that a movement from the current policy regime to full liberalisation for all APEC economies would on average reduce maritime freight rates by about 20 percent. This saves real resources and provides benefits to shippers and their customers.

### **Electricity**

Regulatory reform in OECD economies has contributed to lower industrial electricity prices. Competitive wholesale markets and retail competition also reduced prices significantly in the United States of America: retail competition reduced prices by 5-10 percent for residential customers and by 5 percent for industrial customers.

Given the complexities involved, structural reforms that have taken place since 2004 in the energy sector in APEC economies have mostly been incremental – there have been few ‘big bang’ initiatives.

Russia is an exception. The extent of reform of the Russian electricity sector is remarkable. There has been a complete transformation of the system, to separation and a wholesale market. The Californian experience of reform, where blackouts followed measures to increase competition, has not been a deterrent in Russia, where the reforms have been designed with lessons learned from earlier international experience.

The first stage of electricity reforms in Korea included the separation of generators from the distribution company. Utilisation of capacity increased: planned outages of 25 days across 109 units of generators in 2000 dropped after restructuring to about 19 days across 117 units in 2003. Productivity also increased through a substantial rise in the capacity utilisation rate of coal-fired plants – from 75 percent in 1999 to 89 percent in 2003.

Econometric analysis in this report shows that further structural reforms in APEC electricity markets would reduce prices and increase efficiency. In electricity markets:

- the introduction of competition through a third party access regime would be associated with electricity prices being almost 5 percent lower than otherwise, on an indicative basis and holding all other factors constant;
- the introduction of a wholesale electricity market would be associated with electricity prices being about 7 percent lower; and
- unbundling of generation from transmission would be associated with a fall in electricity prices by more than 11 percent.

This study estimates that the combined effect of all three of these initiatives would be electricity prices that are 23 percent lower than otherwise.

## Gas

In general, reforms in natural gas have been less extensive than in electricity. In part, this is because the scope for competition in natural gas production depends on the range of sources of supply. A remarkable development in China began in 2005 with reform to the system for pricing gas. Gas prices had been based on a cost-plus formula, but from 2005 they were 'hooked' to the prices of other sources of energy. This began to correct the problem of pricing gas too low, which in 2009 had led to gas shortages.

Econometric analysis in this report identifies the effects that further structural reforms in APEC gas markets would have on prices and efficiency. The introduction of retail competition would be associated with gas prices being about 15 percent lower than otherwise, all other things being constant. The unbundling of gas production/import from distribution would lower gas prices by more than 23 percent.

## Telecommunications

Telecommunications reform, which embraces information and communications technology (ICT) as well as traditional telephony, leads to productivity improvements. A contributor is the greater use of the Internet for business transactions. Productivity improvements reduce costs in supply chains and enable goods to move to market more quickly and more cheaply.

As of 2009 the majority of APEC economies have adopted full market entry liberalisation. However, a common practice is to limit foreign investment from gaining dominant positions in fixed-line operators. This is a major issue in current telecommunications regulatory settings. As of 2009 all APEC economies have liberalised their mobile telecommunications sectors. In most economies new licences are granted based on market-oriented approaches unless limited by the availability of spectrum. APEC members have undertaken – as required by their respective GATS commitments – to allocate spectrum in an objective, timely, transparent and non-discriminatory manner.

A liberalisation program began in Chinese Taipei in 1997, first in mobile then in fixed-line services. The subsequent change in performance has been remarkable in comparison with its APEC peers. Fixed-line penetration in Chinese Taipei exceeded that of Australia and Japan in 1998 and of the USA in 2003: it peaked at 65 percent in 2005. It has since been falling, as in many economies. Mobile penetration in Chinese Taipei exceeds 100 percent. Broadband penetration is at the same level as these comparator economies.

Fixed-line development in Viet Nam is outstanding when compared with other APEC economies with similar levels of economic/telecommunications development. Prior to 2003 Viet Nam had a similar level of fixed-line penetration as Indonesia and the Philippines of around 5 percent. Yet starting from 2003, access jumped. In fixed-line availability, Viet Nam is now at 35 percent and mobile penetration is at 80 percent. Monthly subscription charges for mobile services had fallen to zero by 2004, compared to US\$17 in 1999. Structural reform efforts contributed to this outcome, including the establishment of the universal service fund.

The introduction of competition into the mobile sector in PNG has led to universal coverage, following a rise of 700 percent in the number of mobile subscribers since mid 2007. Charges have fallen by 11 percent in the peak times for domestic calls and 51 percent in off-peak periods. In an economy like PNG with such a difficult terrain, the benefits cannot be underestimated. Social interaction, such as the rate of response to medical emergencies, is

better, mobile banking initiatives are underway and market pricing information is more readily available.

## **THE NEXT STEPS AND THEIR EFFECTS**

What are ‘the next steps’ to achieve greater benefits still? A common theme for all sectors is the introduction of more competition:

- air transport – through a range of reforms to air services agreements, to entry conditions for domestic and foreign carriers, and ownership;
- maritime transport – by the dismantling of remaining entry restrictions, quotas or cargo sharing arrangements and the granting of domestic-vessel treatment to foreign-owned carriers located domestically;
- rail transport – through free entry in freight operations in those economies that do not have them;
- electricity and gas – by providing third party access, unbundling, wholesale prices set through market arrangements and/or retail competition in economies that have not implemented them; and
- telecommunications – through the removal of remaining foreign equity limits.

A package of reforms based on the measures outlined above would have a significant effect. Across the whole APEC region, US\$175 billion a year in additional real income (in 2004 dollars) could be generated relative to what would have accrued had these reforms not occurred. This is a snapshot of the gains projected after a 10-year adjustment period.

The reforms can be translated into productivity effects, and the estimated first round impacts of these reforms suggest that they could lead to weighted average productivity improvements in the range of 2-14 percent across the transport, energy and telecommunications sectors. The largest productivity gains (above 10 percent) would occur in Indonesia; Malaysia; Mexico; the Philippines; Chinese Taipei; and Viet Nam.

There is no compelling reason for an APEC economy to wait for others to start. In all economies an overwhelming proportion of these gains come from reforms domestically, rather than reforms in other economies. Of course, the gains from joint reforms are also considerable.

APEC-wide, the projected gains from these structural reforms are almost twice as big as the gains from further liberalisation of merchandise trade. Yet the sectors where the structural reforms occur are less than a quarter of the size of those engaged in merchandise trade. When structural reforms lead to lower real production costs, even by half as much as is estimated here, they create a return to reform effort that is much greater than that from trade reforms.

These findings, therefore, vindicate APEC Leaders’ decision to move beyond a ‘border’ focused trade reform agenda to one that focuses on ‘behind the border’ issues. Yet along with generating significant gains, structural reforms often require significant structural adjustments. These must be managed carefully and sensitively and often take a considerable transition period when implementing policy measures.

The essence of a productivity improvement is that an industry can produce more with less. To ensure that efficiency gains are passed on to consumers, competition is required. Competition also allows dynamic gains to be achieved as new ways of doing things are found and best practice is transmitted more widely across market players.

Employment effects of greater efficiency are always a concern to policy makers. Modelling work for this study indicates that sectors which show relatively high reductions in employment do so not as a result of their own productivity improvements but because the domestic industries that use their services lose their position as other economies reform. In the extreme cases, modelling indicates relative losses in unskilled employment in a particular sector after 10 years can accumulate to upwards of 30 percent. But this modelling result needs to be kept in perspective. Employment changes occur over time and can be addressed through targeted structural assistance measures. Secondly, as long as an economy grows overall employment will increase, so the modelling shows that structural reforms may require significant relative shifts of labour across sectors over time. Thirdly, the model projects the generation of higher real wages for all workers in all economies. Modelling and real world examples demonstrate that displaced workers earn higher real wages in their new occupations.

To reiterate, employment opportunities overall depend on the growth of an economy. Thus, one of the best ways that APEC economies can guard against any adverse employment effects of structural reform is to maintain healthy underlying rates of economic growth. Structural reform itself makes a contribution to this goal, since it adds to productivity, stimulates activity and increases the resilience of the economy, but prudent macroeconomic management is also crucial.

## **A STRONGER AGENDA FOR APEC**

This research shows the value of the APEC Leaders' adoption of an agenda to implement structural reform. It also reveals the importance of structural reform as providing strong bridges behind the border to capture the full benefits of improving regional economic integration. This study has found that:

- structural reform is challenging because it takes time amid the economic and political complexities in all economies;
- structural reform can create winners and losers but yields more inclusive development when it is carried out dynamically, with transitional measures and with other economic reforms; and
- structural reform is worth undertaking and provides potentially greater gains than trade liberalisation and generates economic sustainability.

These results suggest the scope to build an even stronger APEC agenda and work program. Structural reform is a vital process to achieve growth and to provide greater flexibility and resilience with which to deal with and withstand shocks, both domestic and external. However, it requires changes in economic structures, innovation and the adoption of new technologies and market responses to shape effective regulation as well as transform APEC economies and their current regulatory systems.

Steady adaptation is required, not least because expectations will rise as development proceeds. Pressure from the rest of the world, both competition from other economies and new

commitments for cooperation, creates further forces for change. APEC economies are at various stages of reform, and their experiences to date are valuable to other APEC members. The sharing of this experience remains a priority, not just to learn about what is possible but also about the strategies for implementation. This will enable economies to examine measures and strategies and then shape and adapt them to their own situation.

To be effective, structural reform must be adopted for a purpose and specific outcomes should be the goal. Otherwise it is impossible to specify a method and explain its rationale in an often complex and sensitive environment. Another requirement to assess the impact of implemented policy measures is the design and implementation of reporting systems and monitoring arrangements for the progress of reform. The impacts of reform and their economy-wide effects are worthy of regular attention. Evidence of gaps between good practice, allowing for the varying stages of development, and the costs of those gaps are drivers of reform. But in the end what matters is the outcome.

A reform program focused on structural reform will create new sources of growth. This growth will be driven by productivity. Often these new sources of growth are unable to be identified or forecast because it is the dynamics of competition, the near limitless imagination of enterprise and the innovative use of changing technology that gives rise to new beginnings. Reform at the border remains significant for the efficiency and growth of member economies but the empirical work here demonstrates the significance of the productivity effects of even a modest set of 'next steps', all primarily focused on the introduction of competition.

Another consequence of reform will be economic resilience. More efficient market operations, macroeconomic stability and higher productivity all follow from structural reform and will contribute to higher standards of living. The concern with resilience and macroeconomic stability is even more relevant in the context of responding to the recent global financial crisis.

Programs of structural reform in each economy, designed and implemented to suit the situation in that economy but which take into account lessons learned from other members to achieve clearly defined outcomes, can deliver new growth and economic resilience. Support in the APEC region through cooperation to learn these lessons and perhaps sequence reforms may also give rise to even more dynamic gains in APEC economies.

## **Update of Ease of Doing Business (EoDB) Action Plan- Progress of Phase 1 Programmes and Phase 2 Diagnostics**

### **Objective**

This short note updates senior officials on the progress of the EoDB Action Plan in improving the regional business environment.

### **Background**

In 2009, APEC leaders supported the new APEC initiative on the EoDB Action Plan. Compared against the benchmark year of 2009, the Action Plan aims to achieve the aspirational target of making it 25 percent cheaper, faster and easier to do business in the region by 2015, with an interim target of a 5 percent improvement by 2011. The targets set are for APEC as a whole (rather than for individual economies), and the focus is on improvements in absolute terms (e.g. the reduction in the costs and the number of days for starting a business).

Following the discussion within APEC, the World Bank's Doing Business indicators<sup>1</sup> were chosen to measure improvements in regulatory reform. The indicators track regulatory burdens affecting ten stages of a company's business activities, and provide quantitative measures of this burden. Based on feedback from both governments and businesses, five priority areas were selected for the EoDB Action Plan, namely: starting a business, getting credit, enforcing contracts, trading across borders and dealing with permits. To help APEC economies meet the aspirational targets, several Champion Economies have stepped forward to build capacity in these five areas. The capacity building programmes were to be carried out in two phases.

### **Progress of the Phase 1 Programmes**

For Phase 1, Champion Economies conducted seminars and workshops to share experience and raise awareness of best practices with member economies. Participants of the workshops were mostly lead practitioners from relevant line agencies who are in the position to implement changes and improve their economies' performance in the priority areas. Through these workshops, the practitioners can have a better understanding of the strategies to designing and implementing successful reforms. This will change mindsets and help member economies in their reform efforts, thus allowing the APEC region as a whole to advance towards the aspirational targets.

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<sup>1</sup> The World Bank's Doing Business index identifies the burdens imposed by government requirements on business transactions, and provides quantitative measures of this burden. They track regulatory burdens affecting 10 stages of a company's business activities. They are: starting a business, registering property, dealing with permits, accessing credit, employing workers, enforcing contracts, protecting Investors, trading across borders, paying taxes, and closing a business. The Doing Business methodology is based on specific assumptions about the company that is being affected. For instance, where relevant, the methodology assumes that the company is a private, limited liability company that operates in the largest business city in the economy (Source: 2009 APER).

Hitherto, all the Champion Economies have commenced Phase 1 of the EoDB Action Plan and have held capacity building programmes to support regulatory reforms in the five priority areas (Please see Table below).

<b>Workshop</b>	<b>Champion Economy</b>	<b>Venue</b>	<b>Date</b>
Reducing Start-up and Establishment Time of Businesses	US and New Zealand	Hiroshima	1-2 Mar 2010
Enforcing Contracts	Korea	Seoul	21-22 Jun 2010
Trading Across Borders	Singapore and Hong Kong, China	Sendai	18-19 Sep 2010
Getting Credit for Small and Medium Enterprises	Japan	Sendai	21 Sep 2010
APEC Seminar on the First Steps of Successful Reform in Doing Business	US, New Zealand, Japan, Singapore	Taipei	5-6 Oct 2010
Reforming the Regulatory System for Construction Permits	Singapore	Singapore	18-22 Oct 2010

## **Achievements and Lessons Learnt**

The following highlights four workshops where the progress updates are ready.

### *Reducing Start-up and Establishment Time of Businesses*

The US and New Zealand co-organised a two-day workshop on Reducing Start-up and Establishment Time of Businesses in Hiroshima on 1-2 March 2010. 78 participants from all 21 APEC economies took part in the workshop. On the first day of the workshop, there were four case study presentations on the business registry systems by APEC economies and three presentations by the private sector (i.e. business association, women's business leader, and USAID project in Viet Nam) describing their perspective of on-the-ground challenges. On the second day, breakout sessions were organised and participants had the opportunity to discuss issues with three lead practitioners in a small group dynamics.

Participants agreed that each APEC economy faces different challenges in implementing reforms related to reducing the start-up and establishment of businesses. Over two days, participants and speakers shared information on approaches their governments were taking to address business start up procedures, recognizing that solutions are not one-size fits all because of the diversity in economic and political circumstances and the wide variation in procedures. The group overall agreed that reducing the time and costs to start a business can have important benefits for APEC economies and for employment, as well as reducing burdens on overwrought registrars and improving the confidence of potential business people by easing the procedural barriers.

### *Enforcing Contracts*

Korea held a two-day workshop on Enforcing Contracts in Seoul on 21-22 June 2010. The event was attended by representatives from 15 APEC economies. Majority of the participants came from the legal field, but there were also economics and policy experts from the relevant Ministries. On the first day of the workshop, there were presentations by World Bank on the Enforcing Contracts indicator, as well as case studies of the reform experience of several APEC economies. On the second day of the workshop, experts and moderators led breakout sessions on three different topics for a more in depth discussion. The three topics are: doing business index and the relevant reform efforts, the social, economic and legal factors, and the role of IT in improving the judicial systems.

Participants were generally satisfied with the workshop. From the two-day workshop, the participants learnt that even though the judicial system and reforms may differ from region to region, judicial reforms are needed to improve the business environment. Moreover, the overall direction for the reform should aim at making the procedures less costly, more accessible and more efficient. At the initial stages of the reform, there might be challenges and objections from various stakeholders. However, once the success of the initial reforms can be demonstrated, the reform activities will be able to proceed in a smoother manner.

#### *Getting Credit for Small and Medium Enterprises*

Japan held a one-day workshop on Getting Credit for small and medium enterprises in Sendai on 21 September 2010. The event was attended by 71 participants from 19 APEC economies. There was a good mix of presentations by experts from the World Bank, the financial and legal sectors, as well as the research institutes.

From the workshop, participants learnt that good legal infrastructure and credit information allowed SMEs to efficiently obtain credit and grow, while avoiding potential moral hazards from more direct government assistance programs. With regard to legal infrastructure, participants agreed that they should work towards an environment where security interests in all kinds of SME assets, including receivables and inventory, along with a unified and certain credit registry system are acceptable. There was also broad consensus among participants that positive<sup>2</sup> and negative credit information should be available cheaply and efficiently.

#### *APEC Seminar on the First Steps of Successful Reform in Doing Business*

To complement the work of the champion economies, Chinese Taipei held a successful two-day seminar in Taipei on 5-6 October 2010. This workshop offered a useful perspective to reform-minded economies on how to take first steps of reform in the three priority areas of Starting a Business, Getting Credit, and Dealing with Construction Permits. The workshop focused on examining strategies for enhancing the business environment, and sharing various aspects of how examples of successful interim reform were achieved.

There was broad consensus among participants that although the EoDB indicators are not perfect, the comparison across economies would be helpful in discovering regulatory and administrative weak points of individual economies. While some economies were concerned their progress was not reflected in the indicators, many economies were encouraged by the World Bank's recognition of their reforms. All participants agreed that real progress in improving the environment for doing business matters, whether ranking positions move upwards or not.

One recommended reform identified by participants was the “one-stop on-line service center,” in particular in the area of “*Dealing with Construction Permits.*” Via a single website, procedures for registration, payment of fees, insurance, inspections, etc. were integrated and completed. Such on-line services help to reduce travel time and processing delays, lessen the discretion of officials, and increase transparency. By standardizing documentation and procedures as well as minimizing the impact of geographical distance, the application of ICT also provides more equal opportunities to all. It should be noted, however, that e-government services need to be supported with improvement in ICT access and ICT literacy.

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<sup>2</sup> . Positive information includes repayment history and loans which have been paid off in the past, as well as those where repayment is on-going and on time. Negative information is missed payments, bankruptcy, etc.

On top of targets, means, and prescribed changes, participants broadly agreed that it was essential that the EoDB reform agenda had high-level commitment, the capability to convince competent authorities to adopt changes, the support of legislators and the passion and the perseverance of the government officials coordinating the reforms. Hence, there could be broader outreach aimed at promoting public awareness of the need to reform and build consensus, in addition to technical capacity building programs. This outreach could be in the form of more workshops, seminars, roundtables conducted for APEC economies which would help to achieve both aims (i.e. winning support and technical capacity building) of the outreach programmes.

### **Phase 2 of the EoDB Action Plan**

APEC economies seeking to reform their systems have also expressed strong interest to take part in Phase 2 of the EoDB Action Plan. As each APEC economy has unique regulatory challenges, Phase 2 programmes would involve diagnostic consultations to help participating economies highlight specific addressable problems within their systems and identify opportunities for reform in the priority areas. With the customized action plans, participating economies are then empowered to implement reforms in the identified priority area(s).

At the time of drafting, Phase 2 has already achieved some success. For the priority area of *Starting a Business*, Indonesia has already completed its diagnostics and is in the process of taking concrete steps to improve its business environment.

## What's next for Economic Committee?

### –Structural reform in the context of APEC Leaders' Growth Strategy and ANSSR–

(A revised note originally prepared for the EC Chair's presentation at SOM3, 2010)

#### 1. Background

APEC Leaders last year agreed to formulate a comprehensive long-term growth strategy in 2010. Discussions on the Growth Strategy have been made extensively throughout this year at various meetings including the MRT, the Growth Strategy High-Level Policy Round Table, SOM meetings and EC1, with the goal to finalise it at the AMM and AELM to be held in November. The APEC Leaders' Growth Strategy, which aims to achieve balanced, inclusive, sustainable, innovative and secure growth, will be implemented through an Action Plan encompassing five work elements: (a) structural reform, (b) human resource and entrepreneurship development, (c) green growth, (d) knowledge-based economy and (e) human security. As part of its multi-year follow-up mechanism, SOM will be asked to report to the Leaders in 2015 on the progress made in the Growth Strategy. Given its centrality to the Growth Strategy, it is likely that structural reform will remain as a key policy agenda for APEC beyond 2010.

Along with the discussion on the Growth Strategy, the APEC New Strategy for Structural Reform (ANSSR) has been discussed and developed by SOM and its Friends Group on Structural Reform since early 2010. ANSSR calls for extending the priority areas for structural reform work in APEC beyond the five LAISR areas. The ANSSR statement also invites APEC Leaders to jointly [pledge/commit/declare] in November 2010 to undertake demonstrable and significant structural reform in their economies with a target year of 2015. Each economy is asked, by the end of 2011, to make its own [pledge/statement/plan] setting forth priorities for structural reform in various areas including financial markets, labour market and education, SME, women and social safety nets as well as policies and measures to make progress toward them by 2015. Under this agenda, structural reform will be expanded to become a shared APEC-wide objective, with all relevant fora, including HRDWG, FMP, SMEWG, and GFPN, taking part. The EC will be tasked to lead on work to promote more open, well-functioning, transparent and competitive markets.

*Extract from "The APEC New Strategy for Structural Reform (ANSSR)"*

*The Economic Committee (EC) will continue its horizontal approach as pursued under the LAISR and lead on work to promote more open, well-functioning, transparent and competitive markets, with a focus on regulatory reform, competition policy, corporate law and governance, and public sector governance, as well as the follow up to the EoDB Action Plan.*

Meanwhile, ANSSR has been referred to in the Growth Strategy as follows, indicating that it will likely be the main component of the structural reform Action Plan of the Growth Strategy.

*Extract from "The APEC Leaders' Growth Strategy"*

**3. Action Plan for the APEC Growth Strategy**

**(1) Development of Integrated Work Elements to Facilitate Implementation of the APEC Growth Strategy**

**a. Structural Reform**

*Structural reform is essential in achieving strong, sustained, and balanced economic growth. The region has achieved much in this regard over the past five years through our Leaders' Agenda to Implement Structural Reform (LAISR). In order to achieve more balanced and inclusive growth, APEC economies, under Senior Officials' guidance and monitoring, should implement the APEC New Strategy for Structural Reform (ANSSR), which sets forth extended priority areas for structural reform, including promoting quality education, increasing labor market opportunities, promoting SME development, enhancing opportunities for the vulnerable and women, and promoting effective social safety net programs and financial market development, in addition to continued efforts to improve market efficiencies, as pursued under the prior LAISR program.*

The EC Chair has participated in the discussions on the Growth Strategy and ANSSR on various occasions and has provided the EC members' views on the next phase of the structural reform agenda including effective implementation mechanisms, and the EC's possible contributions to the new strategy. For example, at the Extraordinary SOM held in April 2010, the EC Chair made a presentation on the EC's discussions on post-LAISR agenda and indicated that (i) the five LAISR areas are still relevant as a whole and need to be strengthened further with necessary modifications beyond 2010, (ii) implementation mechanisms are all the more important if APEC goes further behind the border, and EC should be ready to assist structural reform initiatives by other fora by providing advice based on its past experiences and expertise with horizontal viewpoints, and (iii) EC might consider introducing new mechanisms to enhance the effectiveness of structural reform activities. The EC Chair also presented an interim report on the progress made in implementing the LAISR agenda at SOM2 held in June, which was subsequently welcomed by APEC Ministers Responsible for Trade.

**2. Proposed contributions to the Growth Strategy and ANSSR by EC**

The above discussion suggests that the next phase of APEC's structural reform agenda will likely be a combination of continuation of the cross-cutting approach pursued under the LAISR initiative, and new extended priority areas. This will give EC a greater opportunity to contribute to the structural reform agenda for APEC. In light of such a situation, the EC Chair would like to propose approaching EC's structural reform work for the next five years along the following lines.

First, EC will **continue its horizontal approach** as currently pursued under LAISR. At the EC2 in 2010, EC agreed to reformulate the five priority areas (regulatory reform, competition policy, corporate governance, public sector governance, and strengthening economic and legal infrastructures) to better facilitate structural reform in the current context, with the updated set of FotC groups and new coordinators to lead the work in the priority areas as indicated below. EC has also agreed to retain the Competition Policy and Law Group (CPLG) as a group of experts. The objectives and scope of activities of each FotC and CPLG have been specified in a work plan prepared by each coordinator and the CPLG Convenor (see below).

- Competition policy: Australia
- Corporate law and governance: TBD
- EoDB: The United States

- Public sector governance: Chinese Taipei
- Regulatory reform: Japan
- Competition Policy and Law Group (CPLG): Japan

Second, EC will continue to discuss **possible additional roles** that it can play to facilitate ANSSR with an aim to bridging sector-specific and horizontal approaches in order to seek synergy effects. Although the specific form of contribution will be subject to agreement by other fora and SOM, EC should be ready to assist other fora by providing practical tools that have been employed under LAISR to facilitate structural reform. In addition, EC may hold a number of joint seminars/workshops with relevant committees and fora, taking advantage of its cross-cutting viewpoints. EC could also look to develop a so-called tailor-made approach, which aims to enhance effectiveness of structural reform activities based on APEC's tradition of non-binding practices. This approach can be applied not only to the reformulated LAISR areas but also to the new priority areas, through collaboration with relevant committees and fora.

### **3. Next step**

New FotC Coordinators, in consultation with respective FotC members, are requested to develop a full-fledged programme for each FotC to lay out the FotC's activities with possible timelines. Detailed instructions will be announced by the EC Chair before the EC1 meeting in 2011.

## APEC Economic Committee Work Plans of the New FotC Groups and Competition Policy and Law Group

**Name of the FotC:** Competition Policy

**Coordinating Economy:** Australia

**Membership Principles<sup>1</sup> and Member Economies:** TBA

### Objectives:

Responsible for considering the role that government should play in facilitating and encouraging competition including through pro-competition policies and government decision-making processes aimed at enhancing, protecting and preserving competitive processes in order to enhance consumer welfare and improve economic outcomes.

This will include consideration of ways to facilitate behaviour which is pro-competitive and prevent behaviour which is anti-competitive. This may include consideration of:

- the role of political support for competition;
- how government has regard to competition during policy making processes;
- how the general state of competition and any case for government intervention can be judged by policy advisors;
- institutional responsibility for policy advice and enforcement;
- the processes by which increasing competition can occur and how transitional issues can be ameliorated; and
- options outside of anti-trust law to increasing competition, including for example, reducing barriers to entry; asymmetric information etc.

### Scope:

The Competition Policy FotC would consider competition policy matters from a broad, high level perspective. Consideration of technical elements of anti-trust law and enforcement would be the responsibility of CPLG. CPLG would effectively be a group of experts mainly focused on operationalising competition policy. Competition Policy FotC and CPLG will work closely together and consider joint activities and workshops where appropriate.

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<sup>1</sup> FotC coordinators are expected to propose as to how the membership can be organized. Possible examples include:  
 A: Economies with the intention of sizable/substantial contribution will be members, while other economies will take part in decision making at the Plenary.  
 B: Two kinds of membership, with core members and non-core members.  
 C: Economies with the intention of sizable/substantial contribution will be members, while other economies will be CC-ed when FotC e-mail discussion is conducted among such members.

**List of Individual Activities to be Succeeded (see Annex 1)**

- The PSU's research on the impacts and benefits of structural reform in the transport, energy, and telecommunications sectors (PSU). The findings of the study may be suitable to be transformed into workshop-style formats to provide economies with increased practical understanding of how to undertake structural reforms in these sectors.

**List of Ideas on Possible New Projects**

- How to restore/encourage governments to continue to facilitate competition in markets where there are calls for increased protection post-GFC.
- Considering additional ways to best to utilise the APEC Principles to Enhance Competition and Regulatory Reform and the APEC-OECD Integrated Checklist on Regulatory Reform where it relates to matters of competition policy (noting that CPLG has also contributed to this work in the past).
- Examining the role of competitive neutrality in government policy, which aims to ensure that government business activities do not enjoy competitive advantages over their private sector competitors by virtue of their public sector ownership.

## Items in the Forward Work Programme for LAISR and Their Transition to the New FotC Groups (Competition Policy)

OBJECTIVES	ACTION ITEMS/SPECIFIC PRODUCTS	STATUS	LED BY	SUGGESTED NEW FotC /SUBFORA
1. Provide context for the discussion on competition policy within APEC, identifying areas of need for competition policy	APEC Economic Policy Report 2008	Completed	Peru, EC Chair	Competition Policy, CPLG
2. Provide guidance for good practice	Good practice principles for competition and regulatory reform ----- Seminar on Good Practices in Regulation and the Promotion of Efficiency in Transport Infrastructure Facilities	Completed	Hong Kong, China; EC Chair	Competition Policy
3. Set the stage for productive discussion on competition policy within APEC.	Share information and experiences on competition policy	On-going	Peru, Australia, Singapore, CPLG, EC Chair	Competition Policy, CPLG
4. Stocktake of progress in competition policy and set direction of future work.	Share information and experiences on competition policy	On-going	Hong Kong, China; Chinese Taipei; CPLG	CPLG
5. Capacity building to implement practical measures.	LAISR Stock-take Report ----- Ministerial Meeting on Structural Reform	Completed	Hong Kong, China; EC Chair	Competition Policy, CPLG, whole of the EC
6. Promote better understanding of practical measures to strengthen competition policy	Study on the impacts and benefits of structural reforms in transport, energy and telecommunication sectors	Completed	Australia, Peru, Singapore, EC Chair	Whole of the EC
	Seminar on Impacts of Structural Reforms and LAISR Stock-take	Completed	PSU	Competition Policy
6. Promote better understanding of practical measures to strengthen competition policy	Training course on Advocacy of Competition Policy	Completed	HKC, Japan	Competition Policy
	Training course on Cartel and Bid-rigging	To be proposed	CPLG (Vietnam, Japan)	CPLG
	Roundtable Discussion on Procedural Fairness in Competition Cases	Completed	CPLG (Malaysia, Japan)	CPLG
	Training course on Vertical Restraints and Interrelations between Competition Policy and Consumer Protection Policy	Completed	CPLG, ABAC  Chinese Taipei, Japan, CPLG	CPLG  CPLG

**Name of the FotC:** Corporate Law and Governance

**Coordinating Economy:** tbd

**Membership Principles<sup>2</sup> and Member Economies:** tbd

**Objectives:**

The new Corporate Law and Governance FotC group aims to maintain a platform for economies to discuss and exchange information on corporate law and corporate governance issues in APEC. (to be developed)

**Scope:**

The scope of the new Corporate Law and Governance FotC group will largely overlap with that of the former Corporate Governance FotC and the Strengthening Economic and Legal Infrastructure (SELI) FotC. (to be developed)

**List of Individual Activities to be Succeeded (see Annex 2)**

**List of Ideas on Possible New Projects**

(to be developed)

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<sup>2</sup> FotC coordinators are expected to propose as to how the membership can be organized. Possible examples include:  
A: Economies with the intention of sizable/substantial contribution will be members, while other economies will take part in decision making at the Plenary.  
B: Two kinds of membership, with core members and non-core members.  
C: Economies with the intention of sizable/substantial contribution will be members, while other economies will be CC-ed when FotC e-mail discussion is conducted among such members.

## Items in the Forward Work Programme for LAISR and Their Transition to the New FotC Groups (Corporate Governance)

OBJECTIVES	ACTION ITEMS/SPECIFIC PRODUCTS	STATUS	LED BY	SUGGESTED NEW FotC /SUBFORA
1. Set the stage for productive discussion on corporate governance within APEC.	Good practice principles for corporate governance	Completed	United States	Corporate Law and Governance
	Agenda on corporate governance	Completed	United States	Corporate Law and Governance
	Review work on corporate governance	Completed	United States	Corporate Law and Governance
2. Identify areas of need for strengthening corporate governance.	Review progress on corporate governance	Completed	United States	Corporate Law and Governance
3. Build consensus on best practices in corporate governance.	Roundtable discussion on corporate governance	Completed	United States	Corporate Law and Governance
4. Build capacity to implement practical measures.	Technical assistance as necessary	Completed	United States	Corporate Law and Governance
	APEC Training Course on Corporate Governance	Completed	Viet Nam	Corporate Law and Governance
	Workshop on corporate governance reform	Completed	United States	Corporate Law and Governance
5. Increase awareness of the elements of sound corporate governance.	Seminar on promoting good governance for SMEs	On-going	To be decided	Corporate Law and Governance
	Workshop on Implementing the OECD Principles of Corporate Governance	Completed	United States	Corporate Law and Governance
	Workshop on Identifying Capacity Building Needs for Implementation of the OECD Principles of Corporate Governance	On-going	United States	Corporate Law and Governance
6. Stocktake of progress in strengthening corporate governance and set direction of future work.	APEC Economic Policy Report on corporate governance	Completed	United States, Japan	Corporate Law and Governance, whole of the EC

### Items in the Forward Work Programme for LAISR and Their Transition to the New FotC Groups (Strengthening Economic and Legal Infrastructure (SELI))

OBJECTIVES	ACTION ITEMS/SPECIFIC PRODUCTS	STATUS	LED BY	SUGGESTED NEW FotC /SUBFORA
1. Set the stage for productive discussion on strengthening economic and legal infrastructure within APEC.	Share reports on strengthening economic and legal infrastructure	Completed	SELI Chair (SELI Coordinating Group)	Corporate Law and Governance
	Build a network for information exchange on strengthening economic and legal infrastructure	Completed	Australia	Corporate Law and Governance
2. Identify areas of need for strengthening economic and legal infrastructure.	Review progress on strengthening economic and legal infrastructure	Completed	SELI Chair (SELI Coordinating Group), ABAC	Corporate Law and Governance
	Report on cross-border mergers and acquisitions	Completed	Hong Kong, China	Corporate Law and Governance
3. Build consensus on best practices in strengthening economic and legal infrastructure	Information sharing on best practices for strengthening economic and legal infrastructure	Completed	SELI Chair, United States (SELI Coordinating Group)	Corporate Law and Governance
4. Promote better understanding of practical measures to strengthen economic and legal infrastructure.	Seminar and/or Roundtable discussion on strengthening economic and legal infrastructure theme	Completed	Japan	Corporate Law and Governance
5. Capacity building to implement practical measures.	Capacity building as necessary	On-going	To be decided	Corporate Law and Governance
6. Increase awareness of the elements of sound economic and legal infrastructure.	Ministerial Meeting on Structural Reform	Completed	Australia, Peru, Singapore, EC Chair	Whole of the EC
	APEC Growth Strategy High Level Policy Round Table	Completed	Japan	Whole of the EC
7. Stocktake of progress in strengthening economic and legal infrastructure and set direction of future work.	Summary of outputs and outcomes of work programme	Completed	Japan, EC Chair	Whole of the EC

**Name of the FotC:** Ease of Doing Business (EoDB) FotC

**Coordinating Economy:** The United States

**Membership Principles and Member Economies:**

Membership is not intended to be exclusive, and broad participation by interested economies is highly encouraged. At the same time, we hope the following three groups of economies will actively participate in the FotC:

- The EoDB Champion economies: Hong Kong, China; Korea; Japan; New Zealand; Singapore; and the United States
- Economies that have participated in or are interested taking part in Phase 2 diagnostics of the EoDB Action Plan
- Economies that are willing to provide assistance in conducting the Phase 2 diagnostics

In addition, given the broad range of expertise required and work to promote relevant reforms ongoing in other fora, close collaboration with other fora, particularly CTI and SMEWG, is envisaged.

**Objectives:**

To assist APEC member economies in promoting reforms for ease of doing business, including by implementing the EoDB Action Plan to make it 25 percent cheaper, faster, and easier to do business in the APEC region by 2015 as measured by the World Bank's *Doing Business* indicators.

**Scope:**

The immediate focus of the FotC will be to effectively implement the Phase 2 diagnostics in each of the five priority areas in volunteering economies and to monitor progress in the APEC region by 2011 in light of the World Bank's *Doing Business* indicators. The scope of the EoDB FotC over the medium term could also include but not limited to:

- Considering potential directions beyond the Phase 2 diagnostics in the five priority areas
- Exploration of work in EoDB areas other than the five priority areas

**List of completed and ongoing activities**

**Starting a business** championed by New Zealand and the United States

- Workshop on reducing start-up and establishment time of businesses (March 2010, Hiroshima)
- Phase 2 program in Indonesia (July 2010, Indonesia)

- Seminar on the First Steps of successful reform in Doing Business<sup>3</sup> hosted by Chinese Taipei (October 2010, Taipei)

**Enforcing Contracts** championed by Korea

- Workshop on enforcing contracts (June 2010, Seoul)

**Trading Across Borders** championed by Singapore and Hong Kong China

- Workshop on Trading Across Borders (September 2010, Sendai)

**Getting Credit** championed by Japan

- Workshop on Getting Credit for SMEs (September 2010, Sendai)

**Construction Permits** championed by Singapore

- Workshop on reforming the regulatory system for Construction Permits (October 2010, Singapore)

**List of Ideas on Possible New Projects**

- Phase 2 diagnostics on the five areas
- Report in 2011 on the progress made under the EoDB Action Plan
- Policy Report on the EoDB possibly in 2012 i.e. compilation of reforms in economies and lessons learned from phase 2 diagnostics
- Workshop to explore new areas for reform on EoDB

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<sup>3</sup> The seminar focused on Starting a business, Getting Credit, and Construction Permits.

**Name of the FotC:** Public Sector Governance

**Coordinating Economy:** Chinese Taipei

**Membership Principles and Member Economies:**

Economies with the intension of sizable/substantial contribution will be members, while other economies will be CC-ed when FotC e-mail discussion is conducted among such members.

**Objectives:**

The new PSG FotC aims to maintain a platform for economies to discuss and exchange practical experiences on public sector governance. It will facilitate ANSSR and support APEC Growth Strategy by improving the quality of public sector governance via providing opportunities for benchmark learning and best practices sharing among economies.

**Scope:**

In order to deepen and widen dialogues among economies, Chinese Taipei suggests that the new PSG FotC group develops the priority areas on the basis of its past achievements and the interests of member economies. With references to the results of the *Stock-take of activities against the nine high-level principles for good public sector governance* and the *LAISR Reformulation Survey*, Chinese Taipei proposes five themes for advanced discussions in the new PSG FotC, including:

- Strengthening public administration for the future

Coping with changes of the market, the political situations, and the natural environment within and beyond the boundaries, economies have adjusted their governmental structures to enhance competitiveness and to strengthen governance capacity in the past decade. In order to update lessons of government restructuring from economies, Chinese Taipei proposes that one of the priority areas of the new PSG FotC focuses on the lessons and the results of public administration reforms. Discussions in this area will concentrate on approaches and outcomes of organizational restructuring in the public sector promoting across boundary governance, reduction of administrative process and burden, and an effective government. This area aims to facilitate experience sharing of administrative reforms and expects to promote economic, social, and political performance and good public sector governance among economies.

- Improving the quality of public service

Quality public service delivery is essential when promoting citizen trust and satisfaction toward the public sector. Seeking ways to advance the efficiency and quality of the public service delivery, APEC member economies have developed various innovative measures in recent years. This area aims to exchange the incentive mechanisms or initiatives economies designed to evaluate the quality of public service and to encourage the citizen-oriented public service.

- Leveraging ICTs to strengthen public sector governance

ICTs are becoming an essential part of many economies' governance initiatives. Active uses of ICTs for improving government process (e-administration), connecting citizens

(e-citizens and e-services), and building external interactions (e-society) are beneficial to public participation and government transparency. This area expects to deepen experience sharing on how economies utilize new ICTs to promote government efficiency and responsiveness. Key issues in this area include agile and friendly access of public service, real-time government information and services, and applications of social networking to enhance interactions between the government and the public.

- **Enhancing fiscal transparency and public accountability**

Promoting fiscal transparency is one of the government's focal responsibilities to articulate the achievements of value for money. This area focuses on the practical measures and tools economies took to enhance public spending management, to improve government productivity, and to assess the quality of fiscal transparency. This area aims to develop a paper of fiscal transparency and public accountability.

- **Strengthening trust, integrity, and ethics**

Corruption erodes public trust towards the government and the performance of public governance. Therefore, to build a clean government and to construct public service ethic codes have been major concerns among economies. This area aims to promote further discussions on the systematic and organizational design and regulations of anti-corruption in the public sector. Economies will also have opportunities to exchange experiences on surveying the public perception of corruption and on training programs of the public service ethics.

### **List of Individual Activities to be Succeeded (see Annex 3)**

#### **List of Ideas on Possible New Projects**

- Seminar, workshop, and roundtable discussion on priority areas
- Tailor-made project to assist member economies to improve governance quality in the public sector
- Paper on fiscal transparency and public accountability

## Items in the Forward Work Programme for LAISR and Their Transition to the New FotC Groups (Public Sector Governance)

OBJECTIVES	ACTION ITEMS/SPECIFIC PRODUCTS	STATUS	LED BY	SUGGESTED NEW FOTC /SUBFORA
1. Set the stage for productive discussion on public sector governance within APEC.	Seminar on public sector governance ----- APEC Economic Policy Report on public sector governance ----- Bibliography of resources on public sector governance	Completed  Completed  Completed	New Zealand, Japan, Malaysia  New Zealand, EC Chair  New Zealand	Public Sector Governance  Public Sector Governance  Public Sector Governance
2. Identify areas of need for strengthening public sector governance.	Review APEC Economic Policy Report on public sector governance	Completed	Canada, EC Chair	Public Sector Governance
3. Promote better understanding of practical measures to strengthen public sector governance.	Good practice principles for public sector governance ----- Policy dialogues on public sector governance ----- Management Performance: Towards Effective Government ----- Workshop on e-governance ----- Workshop on government performance and results management ----- Workshops on public sector governance as appropriate	On-going  On-going  Completed  Completed  Completed	Canada  To be decided  Canada  Chinese Taipei, New Zealand  Chinese Taipei, New Zealand  To be decided	Public Sector Governance  Public Sector Governance  Public Sector Governance  Public Sector Governance  Public Sector Governance  Public Sector Governance
4. Capacity building to implement practical measures.	Ministerial Meeting on Structural Reform	Completed	New Zealand	Public Sector Governance, whole of the EC
5. Increase awareness of the elements of sound public sector governance.  6. Stocktake of progress in strengthening public sector governance and set direction of future work.	Summary of outputs and outcomes of work programme	Completed	New Zealand	Public Sector Governance, whole of the EC

**Name of the FotC:** Regulatory Reform

**Coordinating Economy:** Japan

**Membership Principles<sup>4</sup> and Member Economies:**

Basically all EC members

### **Objectives:**

Promote regulatory reform in APEC economies to:

- increase social welfare by better balancing and more effectively delivering government policies over time;
- boost economic development and consumer welfare by encouraging market entry, innovation and competition and thereby promoting competitiveness;
- control regulatory costs so as to improve productive efficiency by reducing unnecessary costs, particularly for entrepreneurs and small, medium, and micro sized businesses;
- improve public sector efficiency, responsiveness, and effectiveness through public management reforms;
- rationalize and simplify law; and
- improve the rule of law and democracy through legal reform, including improved access to regulation and reduced discretion, where excessive, for regulators and enforcers.

### **Scope:**

- The Regulatory Reform FotC will work to promote regulatory reform bearing in mind that all the FotC's activities will help implement the APEC Leaders' Growth Strategy, including the ANSSR initiative.

### **List of Individual Activities to be Succeeded (see Annex 4)**

#### 1. APEC-OECD Integrated Checklist on Regulatory Reform

- The Agreement for an APEC-OECD Co-operative Initiative on Regulatory Reform was endorsed at the APEC Ministerial Meeting on 12-13 November 2000 in Brunei Darussalam. The first phase of the APEC-OECD initiative was completed in October 2002, at the High level Conference in Jeju, Korea, where economies agreed on the need to elaborate an APEC-OECD Integrated Checklist for self-assessment on regulatory,

<sup>4</sup> FotC coordinators are expected to propose as to how the membership can be organized. Possible examples include:  
 A: Economies with the intention of sizable/substantial contribution will be members, while other economies will take part in decision making at the Plenary.  
 B: Two kinds of membership, with core members and non-core members.  
 C: Economies with the intention of sizable/substantial contribution will be members, while other economies will be CC-ed when FotC e-mail discussion is conducted among such members.

competition and market openness policies, to implement the APEC and OECD principles. The second phase of the initiative has focused on the development of the Integrated Checklist that has been presented for approval to the respective Executive Bodies of APEC and the OECD in 2005.

- The Checklist is a voluntary tool that member economies may use to evaluate their respective regulatory reform efforts. Based on the accumulated knowledge of APEC and the OECD, the Checklist highlights key issues that should be considered during the process of development and implementation of regulatory policy, while recognizing that the diversity of economic, social, and political environments and values of member economies require flexibility in the methods through which the checklist shall be applied, and in the uses given to the information compiled.
- So far, six economies (Australia; Hong Kong, China; Japan; Korea; Chinese Taipei; and the US) have conducted self assessments.

## 2. Voluntary Reviews of Institutional Framework and Processes

- In Melbourne, Australia on 3-5 August 2008, the APEC economies' Ministers responsible for structural reform tasked the EC to develop a process for voluntary self-review of economies' institutional frameworks that support structural reform.
- A process for voluntary self review was developed and endorsed at the EC2 meeting held on 23-24 July 2009 in Singapore.<sup>5</sup> The key features of effective reform institutions or processes that were agreed to be important for supporting reform are: Mandate, Governance, Budget, Independence, Authority, Transparency, and Economy-wide mandate/perspective.
- The overall purpose of the review is to examine the extent to which these key features are present in the institutions and processes for structural reform within the reviewed economy. This review complements the APEC-OECD Integrated Checklist on Regulatory Reform.

## 3. Benchmarking Survey

- In February 2010 at Economic Committee (EC) 1, Australia circulated a draft benchmarking survey on regulation for economies' consideration. Following integration of the comments received, the final survey was circulated for completion by 21 May 2010.
- The survey was intended to gather information on the current regulatory state of play in APEC economies to provide a base level (the benchmark) against which to measure progress - with a follow up to be conducted in approximately five years to examine progress.
- The benchmarking survey was also intended to assist economies in setting domestic targets, tracking the success of regulatory initiatives over time and allocating APEC's capacity building resources in this area. The questions attempted to capture the framework and processes which assist in achieving good regulatory outcomes by taking a 'snapshot' of the regulatory processes in place in each economy.

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<sup>5</sup> PSU prepared Handbook for "The APEC Voluntary Reviews of Institutional Frameworks and Processes for Structural Reform" in October 2009.

## List of Ideas on Possible New Projects

1. Roundtable on the Good Practice Guide on Regulatory Reform and Voluntary Reviews of Institutional Framework and Processes
  - To start our new Regulatory Reform FotC activities, we should review this FotC's past activities. In particular, we might usefully reflect on the purpose and content of the Good Practice Guide on Regulatory Reform and Voluntary Reviews of Institutional Framework and Processes and discuss how to utilize these tools from now on. We plan to have a roundtable for this purpose at EC1 in 2011.
  
2. Engage ABAC in joint projects to connect APEC regulatory agencies with business needs
  - Cooperation with ABAC is indispensable in this field to promote regulatory reform in alignment with business needs. For example, collaboration on SME finance, which has recently been a hot topic of discussion within ABAC, will create synergy between ABAC's activities and the EC's activities.
  
3. Joint sessions with other fora (e.g. HRDWG, SMEWG, ISTWG)
  - As regulatory reforms enhance economic growth in various fields, it is important to make our discussion more professional and technical through cross-fora collaboration. Possible ideas include joint sessions with the HRDWG or SMEWG to discuss regulatory reform for Inclusive Growth or with the ISTWG to discuss regulatory reform for Innovative Growth.
  
4. Regulatory agency case studies
  - Examining exemplary regulatory agencies could be helpful in developing best practices from which all APEC economies could learn. We might derive benefits from case studies of regulatory agencies thought to be world leaders responsible for particular economic sectors or particular regulatory fields.
  
5. Regulatory transparency best practices
  - Sharing and examining best practices for regulatory transparency is very important for improving regulatory reform process in each economy – i.e., how to consult the public, where to publish draft regulations, leveraging web 2.0 technologies, implementing forward regulatory agendas/programs, sharing regulatory impact analysis with the public, etc.
  
6. Coordinate with the PSU to research priority areas for regulatory reform in the region and privately communicate them to relevant member economies.
  - We will utilize the PSU's expertise and survey capability to encourage regulatory reform in member economies.

## Items in the Forward Work Programme for LAISR and Their Transition to the New FotC Groups (Regulatory Reform)

OBJECTIVES	ACTION ITEMS/SPECIFIC PRODUCTS	STATUS	LED BY	SUGGESTED NEW FotC /SUBFORA
1. Provide context for the discussion on regulatory reform within APEC	<ul style="list-style-type: none"> <li>• Roundtable discussion on regulatory reform</li> </ul>	Completed	Australia	Regulatory Reform
2. Provide guidance for good practice regulation principles and practices within APEC	<ul style="list-style-type: none"> <li>• Good Practice Guide on Regulatory Reform</li> <li>• Workshop on Improving Public Consultation in the Rulemaking Process</li> <li>• Survey of incentive schemes for civil servants</li> <li>• Ministerial Meeting on Structural reform</li> </ul>	Completed	Australia, Peru, Mexico, New Zealand United States, Indonesia, Japan, Mexico, Vietnam Chinese Taipei	Regulatory Reform Regulatory Reform Regulatory Reform
3. Enhance APEC economies' regulation making, review and enforcement processes and systems.	<p>AEPR 2009: Regulatory Reform theme</p> <p>Benchmarking Survey</p> <p>Voluntary reviews of institutional framework and processes</p> <p>APEC-OECD Integrated Checklist on Regulatory Reform</p> <p>Ongoing program to address identified weaknesses</p>	Completed	Australia	Regulatory Reform
4. Improve APEC economies' regulation in key sectors of the economy.	<p>Desktop research on the current cost and quality of transport, telecommunication services, and energy to consumers in APEC economies</p> <p>Study of regulatory burden within APEC economies</p> <p>Report to APEC Leaders for endorsement</p>	On-going	Australia	Regulatory Reform
5. Address key regulatory burden on businesses in APEC economies.	<p>Desktop research on the current cost and quality of transport, telecommunication services, and energy to consumers in APEC economies</p> <p>Study of regulatory burden within APEC economies</p>	On-going	PSU	Regulatory Reform
6. Assess overall progress in regulatory reform amongst APEC economies and set direction for future work.	<p>Report to APEC Leaders for endorsement</p>	Completed	Singapore	Regulatory Reform
		Completed	Australia, EC Chair	Regulatory Reform, whole of the EC

**Name of the FotC:** Competition Policy and Law Group (CPLG)

**Coordinating Economy:** Japan

**Membership Principles<sup>6</sup> and Member Economies:**

The CPLG membership remains open to all economies as in the past.

### **Objectives:**

The CPLG works to promote an understanding of regional competition laws and policies, to examine the impact on trade and investment flows, and to identify areas for technical cooperation and capacity building among APEC member economies.

### **Scope:**

The CPLG is responsible for technical aspects of competition law and enforcement to develop and enhance competition law and policy in APEC member economies. It covers the legal and regulatory issues of competition law and enforcement, including sharing new developments in the law, comparative aspects of competition law, the role of the courts, the degree of autonomy granted to competition authorities, better methods to improve success of monitoring and enforcement of the law and appropriate remedies. It requires high degree of technical expertise, in-depth understanding and ability to analyze the legal and regulatory issues from the members involved.

### **List of Individual Activities to be Succeeded (see Annex 1)**

- APEC Training Course on Competition Policy in 2011 and 2012

Training course in 2011 is planned to be held in Malaysia, focusing on “Cartel and Bid-rigging”. At present, Malaysian Ministry in charge of competition policy is preparing a concept note for the training course in cooperation with CPLG Convener’s Office, aiming at submitting it to EC1 meeting and the first approval session of the BMC (Budget and Management Committee) next year.

As for the training course in 2012, the CPLG are still discussing basic concept of the course and who will be the host.

- The Competition Policy and Law Database

For the purpose of sharing information/experiences and discussions among APEC member economies regarding updates and recent developments in competition law and policy, the website “The Competition Policy & Law Database” has been managed by Chinese Taipei. The website has been updated periodically for providing latest information since its establishment in 1999.

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<sup>6</sup> FotC coordinators are expected to propose as to how the membership can be organized. Possible examples include:  
 A: Economies with the intension of sizable/substantial contribution will be members, while other economies will take part in decision making at the Plenary.  
 B: Two kinds of membership, with core members and non-core members.  
 C: Economies with the intension of sizable/substantial contribution will be members, while other economies will be CC-ed when FotC e-mail discussion is conducted among such members.

- **Members' Report/Presentation on Up-dated and Development of Competition Policy**

In order to exchange information, promote dialogue and encourage cooperation among the authorities for competition policy of member economies, each economy will make presentations in the CPLG meeting on up-dates and development of competition policy and law, which may cover the following items:

1. Introduction of competition law and change to competition law and policy;
2. Enforcement of competition law and policy (featuring recent cases);
3. Challenges being faced in the area of competition policy and competition advocacy efforts;
4. Provision or needs of technical assistance activities, if any, (what kind of technical assistance is needed or useful)

### **List of Ideas on Possible New Projects**

- Survey on Information Exchange on Competition in APEC region
- Best Practice of Competition Development in APEC
- The dialogue with private sector including ABAC

# Abbreviations and Acronyms

ABAC	APEC Business Advisory Council
ABC	Agricultural Bank of China
ACE	Action Community for Entrepreneurship (Singapore)
ACT	Anti-Corruption and Transparency Experts Taskforce
ADR	Alternative Dispute Resolution
AELM	APEC Economic Leaders' Meeting
AEPR	APEC Economic Policy Report
AMM	APEC Ministerial Meeting
ANSSR	APEC New Strategy for Structural Reform
APA	Administrative Procedure Act (United States)
APEC	Asia-Pacific Economic Cooperation
AsianLII	Asian Legal Information Institute
AusAID	Australian Agency for International Development
BASS	Better Administrative and Support Services (New Zealand)
BCM	Bank of Communications
BFAC	Business Facilitation Advisory Committee (Hong Kong, China)
BIA	Business Impact Assessment (Hong Kong, China)
BIT	Brunei Information Technology (Brunei)
BLESS	Business Licensing Electronic Support System (Malaysia)
BLGs	Business Liaison Groups (Hong Kong, China)
BOC	Bank of China
CARE	Courtesy, Accessibility, Responsiveness, and Effectiveness (Singapore)
CCB	China Construction Bank
CCDG	Council for Corporate Disclosure and Governance (Singapore)
CCS	Competition Commission of Singapore
CDB	China Development Bank
CDM	clean development mechanism (The Philippines)
CDSR	Cabinet Directive on Streamlining Regulation (Canada)
CEPD	Council for Economic and Planning Development (Chinese Taipei)
CFC	Federal Commission for Competitiveness (Mexico)
CIACE	A special commission to implement the recent FTAs, design, coordinate, draft and enact regulations. (no full name for the abbreviation) (Peru)
CIOS	Chief Information Officers
CIT	Corporate Income Tax
CLSA	Credit Lyonnais Securities Asia (Hong Kong, China)
COAG	Council of Australia Governments (Australia)
Code	Code on Corporate Governance Practices (Hong Kong, China)
COE	Common Office Environment (Brunei)
COMPAG	Competition Policy Advisory Group (Hong Kong, China)
CORE	Centre of Regulatory Expertise (Canada)
CPA Act	Certified Public Accountant Act
CPLG	Competition Policy and Law Group
CPRC	Competition Policy Review Committee (Hong Kong, China)
CSA	Canadian Securities Administrators (Canada)
CSOM	Concluding Senior Officials' Meeting
CSR	Corporate Social Responsibility
EBAA	Express Bus Agencies Association (Singapore)

EC	Economic Committee
ECSG	Electronic Commerce Steering Group
EGPEC	e-Government Program Executive Committee (Brunei)
EMS	Expenditure Management System (Canada)
EO	Executive Order
EoDB	Ease of Doing Business
EPIC	Ethics Promotion and Information Center (Thailand)
EPSA	Excellence in Public Suggestions Award (Singapore)
EWG	Energy Working Group
ExCEL	Excellence Through Continuous Learning and Enterprise (Singapore)
FAS	Federal Antimonopoly Service of the Russian Federation
FDI	foreign direct investment
FGB	Federal Governmental Bodies (Mexico)
FIC	Foreign Investment Committee (Malaysia)
FMP	Finance Ministers' Process
FotC	Friends of the Chair
FPI	foreign portfolio investments
FSAP	Financial Services Assessment Programme (Indonesia)
FTAs	free trade agreements
FWP	Forward Work Program
G20	Group of 20 (Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, México, Russia, Saudi Arabia, South Africa, Korea, Turkey, the United Kingdom, United States and European Union)
G2G	Government to Government
G4B	Government for Business
G4C	Government for Citizens
G7	Group of 7 (Canada, France, Germany, Great Britain, Italy, Japan, and the United States)
GCG	Good Corporate Governance (Indonesia)
GCS	Government Counter Services (Thailand)
GDP	gross domestic product
GFPN	Gender Focal Point Network
GPMnet	Government Project Management Network (Chinese Taipei)
GSM	general shareholders meeting (Indonesia)
HKC	Hong Kong, China
HKEx	Hong Kong Exchanges and Clearing Limited
HLCG	High Level Consultative Group (Mexico)
HRDWG	Human Resources Development Working Group
HRM	Human Resource Management (Brunei)
ICBC	Industrial and Commercial Bank of China
ICCC	Independent Consumer and Competition Commission (Papua New Guinea)
ICSID	International Centre for Settlement of Investment Disputes
ICT	information and communications technology
IEG	Investment Experts Group
IIT	Individual Income Tax (China)
IMF	International Monetary Fund
INDECOPI	Defense of Competition and the Protection of Intellectual Property (Instituto Nacional de Defensa de la Competencia y de la Protección de la Propiedad Intelectual; Peru)

INPRES	presidential instructions (Indonesia)
IP	intellectual property
IPERC	Intellectual Property Education and Resource Centre (Singapore)
IPOS	Intellectual Property Office of Singapore
IPR	Intellectual Property Rights
IT	information technology
JFTC	Japan Fair Trade Commission
JICA	Japan International Cooperation Agency
KKPU	Commission for the Supervision of Business Competition (Indonesia)
KNKCG	National Committee on Corporate Governance Policy (Komite Nasional Kebijakan Corporate Governance; Indonesia)
KNKG	National Committee on Governance Policy (Komite Nasional Kebijakan Governance; Indonesia)
KPIs	Key Performance Indicators
KPK	Corruption Eradication Commission (Komite Pemberantasan Korupsi; Indonesia)
KRAs	Key Result Areas (Malaysia)
LAISR	Leaders' Agenda to Implement Structural Reform
LAKIP	Performance Accountability Reports (Indonesia)
LCCs	low cost carriers
LPI	Logistics Performance Index (The Philippines)
MES	Major Exporter Scheme
MKB	MK Bicentenario (Chile)
MKII	Second Capital Market Reform (Chile)
MoF	Ministry of Finance
MRT	Ministers Responsible for Trade
MSC	Multipurpose Smart Card (Brunei)
MTDP	Medium Term Development Plan
MTPDP	Medium Term Philippine Development Plan
MyCoID	Single Corporate Identity Card (Malaysia)
NCC	National Competitiveness Council (The Philippines)
NDRC	National Development and Reform Commission (China)
NGOs	Non-governmental Organisations
NSCB	National Statistical Coordination Board (The Philippines)
OECD	Organisation for Economic Co-operation and Development
OGK	generating company of wholesale market (Russia)
OMB	Office of Management and Budget (United States)
OSC	One Stop Centre (Malaysia)
PCNC	Presidential Council on National Competitiveness (Korea)
PECC	Pacific Economic Cooperation Council
PEMUDAH	Special Task Force to Facilitate Business (Malaysia)
PEP	Pro-Enterprise Panel
PER	Pro-Enterprise Ranking
PID	Proposed Infringement Decision (Singapore)
PIF	Performance Improvement Framework (New Zealand)
PNG	Papua New Guinea
PNG DSP	Papua New Guinea Development Strategic Plan
PPP	public-private partnership
PRIB	Prioritisation of Regulatory Reform for Improving the Business Environment
Proceso	Process for the Strengthening of the Regulatory Framework for

Marco	Competitiveness (Mexico)
PS21	Public Service for the 21st Century (Singapore)
PSD	Public Service Division
PSU	Policy Support Unit (APEC)
RANPK	National Action Plan for Eradication of Corruption (Indonesia)
RBM	results-based management
RENJA	Work Plan (Indonesia)
RENSTRA	Strategic Plan (Indonesia)
RIA	regulatory impact analysis or regulatory impact assessment
RoADS	Review of Accountability Documents (New Zealand)
RORO	Roll-on roll-off
ROSC	Observance of Standards and Codes
RQO	Presidential Regulatory Quality Order (Mexico)
RRC	Regulatory Reform Council (Korea)
RRTS	Roll-On Roll-Off Terminal System
SARE	Rapid Business Start-up System (Mexico)
SBIF	Superintendencia de Bancos e Instituciones Financieras (Chile)
SEEDS	Start-up Enterprise Development Scheme (Singapore)
SELI	Strengthening Economic and Legal Infrastructure
SICEX	Sistema Integrado de Comercio Exterior (Chile)
SMEWG	Small and Medium Enterprises Working Group
SOEs	state-owned enterprises
SOM	Senior Officials' Meeting
SRC	Smart Regulation Committee (Singapore)
SRMM	Ministerial Meeting on Structural Reform
SSS	Staff Suggestion Scheme (Singapore)
SVS	Superintendency of Securities and Insurance (Chile)
TAFIS	Treasury Accounting and Financial Information System (Brunei)
TEC	The Enterprise Challenge (Singapore)
TELWG	Telecommunications and Information Working Group
TGK	territorial generating company (Russia)
TPA	Trade Practices Act 1974 (Australia)
TPTWG	Transportation Working Group
TRR	Temporary Regulatory Relief (Korea)
UES	United Energy Systems (Russia)
UNCITRAL	United Nations Commission International Trade Law
VAT	Value Added Tax
VCAD	Vietnam Competition Administration Department
VCC	Vietnam Competition Council
WIPO	World Intellectual Property Organization
WITS	Work Improvement Teams (Singapore)
WOG	Whole-of-Government (Singapore)
ZIP	Zero-In-Process



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