

2007 2012 2011
 2005 2009 2004
 2008 2006 2010 2013

APEC: sharing goals and experience

- Asia-Pacific Economic Cooperation (APEC), a regional forum of 21 member economies, has as its primary goal to ensure sustainable economic growth and prosperity through voluntary cooperation.
- A key focus is promoting regulatory reforms, and in 2009 the APEC Ease of Doing Business Action Plan was launched as a way to set collective targets and measure progress.
- Using 5 *Doing Business* indicator sets, the action plan targets an APEC-wide aspirational goal of making it 25% cheaper, faster and easier to do business by 2015, with an interim target of 5% improvement by 2011.
- Between 2009 and 2012 APEC members improved their performance on the 5 indicator sets by 11.5% on average. But much variation remains among APEC members in the ease of doing business and in the rate of progress being made.
- Consistent with APEC's view of capacity building as central to enhancing cooperation and accelerating progress, the action plan identifies "champion economies" to share information and experience and to assist other members through tailored diagnostic studies.

Many factors can drive reforms in an economy's business regulatory environment—from domestic factors such as financial crises to international ones such as binding agreements in the World Trade Organization (WTO). For economies in the Asia-Pacific region, regional factors play a part, including commitments made in Asia-Pacific Economic Cooperation (APEC). Improving the region's business regulatory environment is a focus of APEC, and member economies have pledged to carry out regulatory reforms both collectively and unilaterally.

To help monitor and assess members' progress toward these commitments, APEC sets measurable targets with specific timelines. While these targets are set at the regional level, APEC also encourages members to draft plans for their own economy that will aid in achieving APEC-wide targets. One set of targets that APEC has chosen for this purpose is based on *Doing Business* indicators.

APEC also encourages capacity building activities among members in support of its goals. Toward the goal of improving the region's regulatory environment, APEC has selected "champion economies" to provide capacity building assistance to other members.

A HISTORY OF COLLECTIVE GOAL SETTING

Established in 1989, APEC is a forum for supporting economic growth, cooperation, trade and investment in the Asia-Pacific region. APEC operates on a voluntary and consensual basis, with activities and work programs centered on 3 main pillars: trade and investment

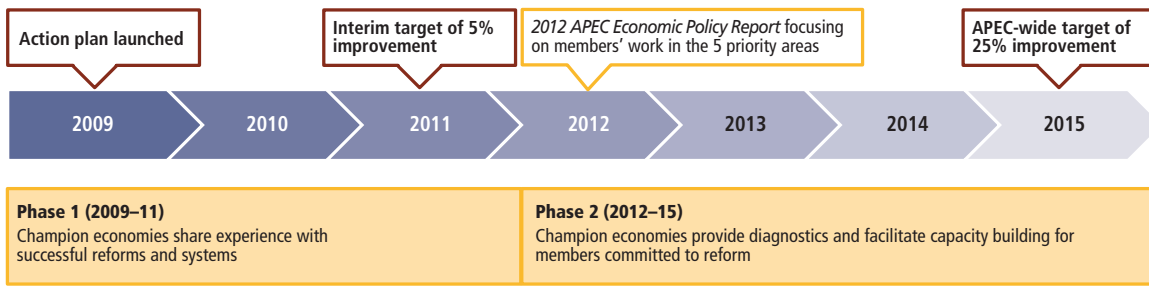
liberalization, business facilitation, and economic and technical cooperation.¹

Meeting in Bogor, Indonesia, in 1994, leaders of APEC members committed to achieving free and open trade and investment by 2010 for developed economy members and by 2020 for developing economy members—targets that became known as the Bogor Goals. Today APEC's 21 members account for about 54% of world GDP and about 44% of world trade.² APEC members' total trade grew by 10% a year on average between 1989 and 2010. This rate, though impressive, only slightly exceeded the world's overall trade growth rate of 9%.³ On the other hand, APEC members reduced their average applied tariff from 16.9% to 5.8% over this period.⁴

As tariffs declined in APEC members, attention shifted to addressing the structural and regulatory obstacles that inhibit cross-border trade and investment by removing behind-the-border barriers to doing business.⁵ At the same time, economic integration between APEC members highlighted difficult new challenges—such as how to ensure that growth and economic integration are sustainable and shared by all APEC members in a constantly changing economic environment.

To address these challenges, in 2010 APEC leaders embraced the APEC Growth Strategy, which takes into consideration new global realities—including energy and environmental constraints, human security concerns and disparities in opportunity across and within economies. APEC leaders also endorsed the

FIGURE 6.1 Milestones in the APEC Ease of Doing Business Action Plan



Source: Based on information from APEC Policy Support Unit.

New Strategy for Structural Reform, a broad work program that calls on each member economy to undertake demonstrable and significant structural reform, consistent with the objective of achieving strong, inclusive and balanced growth. Recognizing the importance of capacity building to assist members in undertaking structural reform, APEC is supporting workshops, peer-to-peer events and knowledge sharing tools in such areas as regulatory reform and public sector governance.

AN ACTION PLAN FOR MAKING IT EASIER TO DO BUSINESS

Another APEC initiative focuses more closely on improving the business regulatory environment. To provide a pragmatic way of addressing priorities, senior government officials of APEC members agreed to put in place the APEC Ease of Doing Business Action Plan in 2009.⁶ The action plan uses *Doing Business* indicators to set collective targets and encourage measurable progress in regulatory reform. The overall goal is to make it 25% cheaper, faster and easier to do business in the region by 2015, with an interim target of 5% improvement by 2011.

The action plan focuses on 5 priority areas. These were identified through a survey asking APEC members to rank by priority the 11 areas measured by *Doing Business*. The 5 priority areas are starting a business, getting credit, trading across borders, enforcing contracts and dealing with construction permits.

The action plan has highlighted the importance of measuring results since the beginning. And the APEC Secretariat has agreed to regularly assess progress toward the targets set (figure 6.1).⁷

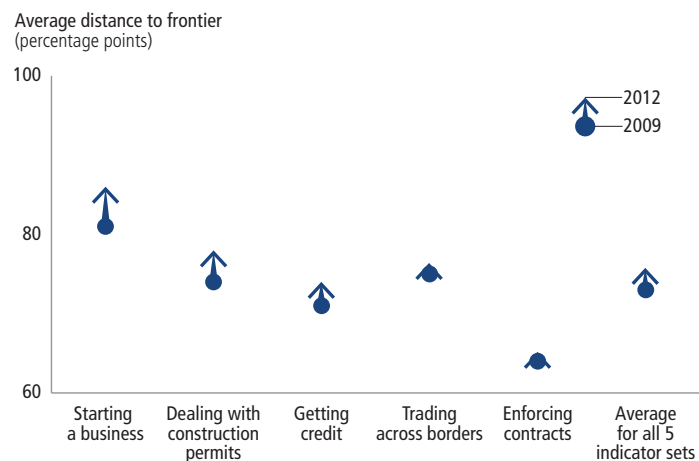
Encouraging early results

Early results are encouraging. Among the 5 areas covered by the action plan, APEC members made the biggest improvements in starting a business between 2009 and 2012. On average, they reduced the number of procedures to start a business by 19.3% (from 7.9 to 6.4), the time by 22.5% (from 28.1 days to 21.8), the cost by 16.5% (from 8.8% of income per capita to 7.4%) and the paid-in minimum capital requirement by 35.3% (from 9.8% of income per

capita to 6.4%). Economies in the rest of the world made smaller improvements on average on 3 of these indicators, reducing the number of procedures by 8.2%, the time by 17.7% and the paid-in minimum capital requirement by 32.4%. But they improved more than APEC members on the cost to start a business, reducing it by 29.1%.

Overall, APEC members improved the ease of starting a business by 23.4% on average, while non-APEC economies improved it by 21.9%. Beyond the differences with the rest of the world, what makes these improvements by APEC particularly impressive is that in 2009 the region already performed better on

FIGURE 6.2 APEC members have advanced furthest toward the frontier in regulatory practice for starting a business



Note: The distance to frontier measure shows how far on average an economy is from the best performance achieved by any economy on each *Doing Business* indicator since 2005. The measure is normalized to range between 0 and 100, with 100 representing the best performance (the frontier).

Source: *Doing Business* database.

average on the *Doing Business* indicators for starting a business than on those for the other 4 areas (figure 6.2).

Over the same period APEC members also improved their performance on the *Doing Business* indicators for dealing with construction permits (by 15.8% on average, compared with 13.9% in non-APEC economies) and for getting credit (by 16.1%, compared with 23.9%). Their performance on the trading across borders indicators improved only slightly (by 2.3%, compared with a decline of 0.7% in non-APEC economies), while that on the enforcing contracts indicators remained nearly unchanged (improving by 0.1%, compared with no improvement in non-APEC economies). Across all 5 priority areas, APEC members improved their performance on the *Doing Business* indicators by 11.5% on average.

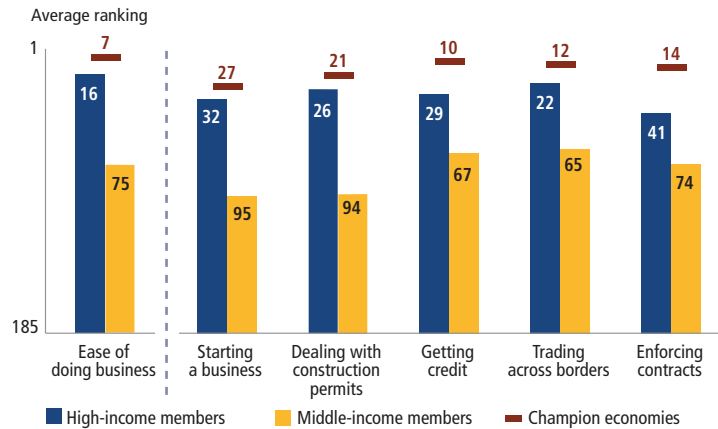
Wide discrepancies between APEC members

Despite the good start, the ease of doing business still varies sharply among APEC members. Consider the process for starting a business. In New Zealand it requires only 1 procedure and 1 day and costs 0.4% of income per capita; in the Philippines it takes 16 procedures and 36 days and costs 18.1% of income per capita. Similarly, while dealing with construction permits in Singapore takes 26 days and costs 16.7% of income per capita, in Russia it takes 344 days and in Mexico it costs 322.7% of income per capita.

Indeed, APEC’s high-income members perform substantially better in all 5 priority areas as measured by *Doing Business* than its middle-income members do. And on the aggregate ease of doing business they rank 59 places higher on average than middle-income members (figure 6.3).

Moreover, while APEC as a whole is making improvements, its members are progressing at very different rates. Among APEC members, China has made the most progress toward the frontier in regulatory practice (figure 6.4). In the past 8

FIGURE 6.3 APEC members’ performance on *Doing Business* indicators varies widely

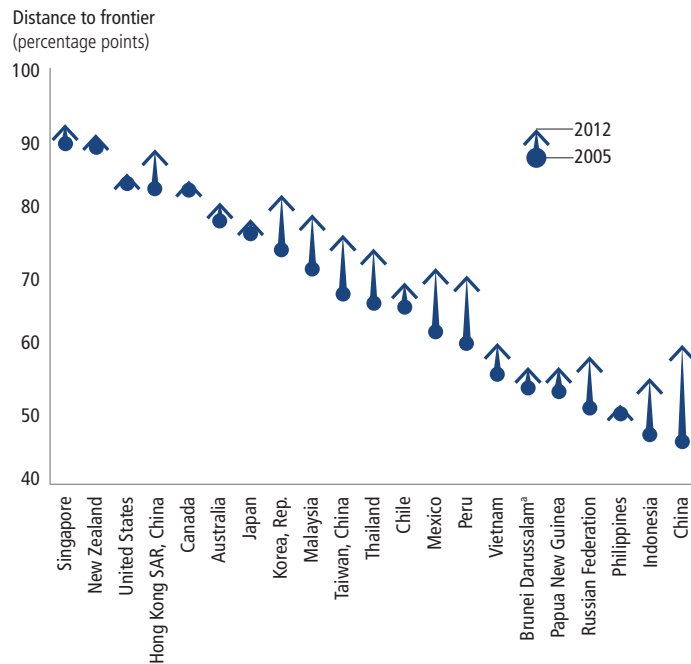


Note: Champion economies as defined by the APEC Ease of Doing Business Action Plan are Hong Kong SAR, China; Japan; Korea; New Zealand; Singapore; and the United States.
Source: *Doing Business* database.

years China implemented 16 reforms in 8 areas of business regulation measured by *Doing Business*. These changes included a new company law in 2005, a new credit

registry in 2006, a new law regulating the bankruptcy of private enterprises in 2007 and a new corporate income tax law in 2008.

FIGURE 6.4 Which APEC economies have advanced the most in narrowing the gap with the frontier?



Note: The distance to frontier measure shows how far on average an economy is from the best performance achieved by any economy on each *Doing Business* indicator since 2005. The measure is normalized to range between 0 and 100, with 100 representing the best performance (the frontier).

a. Because Brunei Darussalam was first included in the aggregate ranking in *Doing Business 2008* (2007), its distance to frontier in 2012 is compared with that in 2007.

Source: *Doing Business* database.

What does all this mean for APEC's prospects of meeting its ambitious goal? APEC's 2011 interim report on the initiative delivered a clear message: if APEC is to improve the ease of doing business by 25% by 2015, it must intensify and accelerate its efforts, including through capacity building programs.⁸

Sharing of information and experience

While APEC members advocate building capacity and sharing experience as a way of enhancing cooperation in a range of areas, such efforts feature strongly in the initiative to improve the ease of doing business. The action plan identifies champion economies with strong performance in each of the 5 priority areas to lead capacity building activities in those areas.

In phase 1 (2009–11) the focus was on building awareness through seminars and workshops to share information and experience in each of the 5 priority areas. The APEC Secretariat and the champion economies organized 6 topic-specific seminars and workshops.⁹

In phase 2 (2012–15) the focus is on developing more customized capacity building programs for economies seeking specific assistance in their regulatory reform efforts. In these programs technical experts conduct diagnostic studies of an economy's priority area and develop practical recommendations for improvement. While designed to directly benefit the participating economies, the programs also help move APEC closer to its collective goal of making it 25% cheaper, faster and easier to do business by 2015.¹⁰

Several programs focus on the area of starting a business. One is in Indonesia, where an expert from New Zealand and another from the United States made a joint visit in July 2010 to collect data and information. The diagnostic report, issued in August 2010, contains 8 concrete recommendations. Among them is a recommendation to consolidate the procedure for labor and social insurance registration

with those for issuing the trade license and registering the business at the one-stop shop.¹¹

In Thailand an assessment by U.S. experts in July 2011 went beyond the aspects of business start-up measured by *Doing Business*, resulting in a comprehensive report and policy recommendations. The study found that Thailand, by creating a customer-friendly and demand-driven system for business registration, had made it substantially easier to start a business as measured by *Doing Business*. It also recommended that the government broaden the focus of its efforts to improve business registration beyond the aspects captured by the *Doing Business* indicators.¹²

Korea, a champion for the topic of enforcing contracts, is assisting Indonesia and Peru in developing customized solutions. A Korean delegation visited Indonesia in January 2011 and Peru in July 2011 to review the systems and procedures in place for enforcing contracts. In addition, international seminars were held in the 2 countries on ways to improve such systems. Together, these attracted more than 100 participants, including judges, attorneys, professors and government officials. In October 2011 the Korean government brought together legal experts and high-level policy makers from Indonesia and Peru to discuss the future of both countries' systems for enforcing contracts.¹³

Japan, a champion for the topic of getting credit, is preparing a study on financing for small and medium-size enterprises in Thailand. Singapore is preparing a diagnostic study on trading across borders for Peru and planning similar ones for Mexico and Vietnam. Singapore is also planning diagnostic studies on dealing with construction permits for Indonesia, Peru and Thailand.¹⁴

The next phase of capacity building activities will focus on converting the diagnostic studies' recommendations into actions. Champion economies will

again play a role, by assisting other member economies in implementing regulatory reforms.

CONCLUSION

APEC has focused on institutional, regulatory and policy reforms to encourage efficient functioning of markets and reduce barriers to regional trade since the early 2000s. The APEC Ease of Doing Business Action Plan represents only one set of targets that APEC uses to encourage regulatory reforms. But it provides a useful example of the application of *Doing Business* indicators in setting concrete collective targets and in monitoring and assessing progress.

The framework of capacity building activities created through the action plan has proved useful in promoting exchanges between member economies. Here, the diversity of APEC's 21 member economies—with different income levels and located in different geographic regions—has contributed to success. By sharing experience and providing assistance to other APEC members, those identified as champions in each of the priority areas can lift the APEC-wide performance.

Other regional bodies can learn from this model of capacity building. *Doing Business 2012* found that in many economies the degree to which regulations and institutions are business-friendly varies fairly widely across different areas of regulation.¹⁵ Regional bodies can take advantage of these differences, encouraging each member economy to capitalize on its strengths by providing assistance in areas of strong performance to members with weaker performance.

APEC appears poised to continue its capacity building efforts, with talks already under way on a new phase related to policy implementation. Because APEC is a voluntary and nonbinding forum, sustained engagement by top government officials from every APEC member is needed to accelerate progress toward the goals it has set for itself.

NOTES

This case study was written by Mikiko Imai Ollison, Paula Garcia Serna and Anastasia Shegay.

1. APEC 2010a.
2. APEC 2010b. The founding members of APEC are Australia, Brunei Darussalam, Canada, Indonesia, Japan, Korea, Malaysia, New Zealand, the Philippines, Singapore, Thailand and the United States. China; Hong Kong SAR, China; and Taiwan, China, joined in 1991. Mexico and Papua New Guinea followed in 1993, Chile in 1994 and Peru, Russia and Vietnam in 1998—bringing the current membership to 21.
3. WTO Statistics Database, Trade Profile, <http://stat.wto.org/>.
4. WTO Statistics Database, Tariff Profile, <http://stat.wto.org/>.
5. APEC 2005.
6. APEC 2011a.
7. As *Doing Business 2013* was going to press, the *2012 APEC Economic Policy Report* was scheduled to be released in early October 2012.
8. APEC 2011b.
9. Based on information provided by the APEC Policy Support Unit as of June 2012.
10. APEC 2011b.
11. USAID and New Zealand Ministry of Foreign Affairs and Trade 2010.
12. APEC 2012.
13. Republic of Korea, Ministry of Justice 2011.
14. Based on information provided by the APEC Policy Support Unit as of June 2012.
15. World Bank 2011a, p. 7.