

Overview of Structural Reform in the APEC Region

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Outline

1. **The Importance of Structural Reform in APEC**
2. **Structural Reform Concerns of APEC Economies**
3. **Structural Reform Activities in APEC**
4. **Ways Forward: Some Issues**

Importance of Structural Reform in APEC (1)

- **“Behind the border” reform to complement TILF measures to remove impediments at the border**
 - Regulatory and legal frameworks
 - Policy frameworks
 - Institutional arrangements
- **Key is to improve functioning of markets (“strengthening markets”)**
- **Essential complement for successful TILF outcomes**
- **Priority Issue for APEC: Structural Reform Action Plan**

Importance of Structural Reform in APEC (2)

Relation to the Bogor Goals

Structural reform needed to:

- **Improve efficiency and productivity**
 - **Essential response to globalisation**
 - **Facilitates delivery of benefits of TILF**
- **Facilitate structural adjustment and avert avoidable costs**
 - **Liberalisation without structural reform can have severe costs**
 - **Crucial importance of sequencing**
- **Develop economic resilience to absorb future external shocks**
 - **Reduce potential vulnerabilities from implementing TILF**
- **Contribute to reduction of business costs**
 - **Reinforce Shanghai Accord**

Structural Reform Concerns of APEC Economies (1)

- **16 APEC economies included “structural reform” (or equivalent) sections in Economy Reports for 2003 Economic Outlook (remaining 5 members also engaged in structural reforms)**
- **Key impressions**
 - **Diversity in both range and selection of policy issues and priorities covered**
 - **Differences in approach to some policy areas**

Structural Reform Concerns of APEC Economies (2)

- **Diversity reflects**
 - Reporting coverage (e.g. education)
 - Immediate policy priorities (eg aftermath of crisis)
 - Initial starting point – differences in
 - Level of development
 - Capacity
 - Economic structure
 - Progress already made
- **Different approaches eg to**
 - Public expenditure reform
 - Tax reform
 - Aspects of financial reform
 - State owned enterprises (SOEs)
 - Labour market issues
 - Safety nets and welfare systems

Structural Reform Concerns of APEC Economies (3)

Areas of Concern most Widely Emphasised

- **Strengthening financial sectors**
 - Addressing aftermath of crises (e.g. NPLs, balance sheet and shareholder restructuring, recapitalisation)
 - Modernisation of financial systems
 - Improving supervisory and regulatory frameworks
 - Improved governance, transparency
 - Increasing competition, market discipline
- **Strengthening corporate sectors**
 - Addressing problems of distressed firms
 - Corporate governance
 - SME issues

Structural Reform Concerns of APEC Economies (4)

Areas of Concern most Widely Emphasised (*cont*)

- Improving investment environment
 - Cutting red tape, simplifying procedures
 - Reduce “crowding out” of private investment
- Competition Policy
 - Implementing APEC principles
 - Guidelines for good regulatory practice
 - Focus on key sectors (e.g. communications, transport, energy)
- Legal Framework
 - Insolvency and debt collection
 - Securities law
 - Commercial law

Structural Reform Concerns of APEC Economies (5)

Areas of Concern most Widely Emphasised (*cont*)

- **Public Sector Reform**

- Administrative reforms
- Improved public expenditure management
- Increased accountability for outcomes

- **Reform of Fiscal Systems and Promotion of Macroeconomic Stability**

- Crucial for increasing resilience to shocks
- Improved budgetary procedures
- Sound (non-inflationary) fiscal policy
- Tax reform
- Inflation targeting

Structural Reform Concerns of APEC Economies (6)

Areas of Concern most Widely Emphasised (*cont*)

- **Sector Specific Policies**
 - Some economies target key sectors for competition policy and governance reforms
- **Labour Market and HRD Policies**
 - Labour market reform
 - Education, skills development, retraining
 - Crucial for structural adjustment
- **Social Safety Nets**
 - Capacity building
 - Design of efficient social safety nets

Structural Reform Concerns of APEC Economies (7)

Other areas of concern

- **SOEs (very important in some economies)**
- **Anti-corruption**
- **Agriculture**
- **Forestry Management**
- **Health**
- **Trade Agreements**
- **Government Procurement**
- **Upgrading infrastructure**

Structural Reform Activities in APEC (1)

- **CTI subfora**
 - **Strengthening Economic Legal Infrastructure (SELI)**
 - Competition policy
 - Corporate law
 - Insolvency and debt-collecting
 - Capacity building
 - **Competition Policy and Degulation**
 - Competition policy training programmes
 - Focus on key sectors (transport, electricity, communication)
 - **Group on Services (GOS) and Standards and Conformance Subcommittee (SCSC)**
 - Guidelines for good regulatory practice
 - **APEC/OECD Project on Regulatory Reform**

Structural Reform Activities in APEC (2)

- **Economic Committee (EC)**
 - Corporate Debt Restructuring
 - Corporate Governance
- **Finance Ministers' Process**
 - Corporate governance in financial sector
 - Insolvency systems
 - Voluntary Action Plan (VAP) for Freer and More Stable Capital Flows
 - SME Financing Issues
- **Social Safety Network Capacity Building Network (SSN CBN)**
 - Social safety net planning
 - Accountability in social safety net measures
 - Workforce retraining issues

Ways Forward: Some Issues (1)

- **Coverage**

- **APEC coverage of structural reform issues is relatively narrow compared to range of issues highlighted by member economies**
- **Is this relatively narrow coverage optimal? (e.g. are other issues satisfactorily covered elsewhere?)**
- **Should further issues be added?**
- **Are there potential contributions from other APEC fora or subfora (e.g. IEG, GP, HRD)?**
- **Should “structural reform” be defined more clearly? In general? For APEC purposes?**

Ways Forward: Some Issues (2)

- **Coordination and Focus**
 - **Low visibility of structural reform action plan**
 - **Overlap and duplication among fora and subfora (e.g. SELI/CPDG, EC/Finance Ministers' Process)**
 - **Links to programmes of other institutions (e.g. OECD, IFIs)**
 - **Overall responsibility and lines of accountability**

Ways Forward: Some Issues (3)

- **Modalities**

e.g. may be useful to differentiate between

- **Areas where consensus possible on common programme with clearly-defined targets**
(voluntary commitments reinforced by peer pressure)
- **Areas where divergent approaches and priorities mitigate against consensus on targets and means to attain them**
(need sharing of experiences, capacity building)

Both modalities ideally suited to APEC strengths