Overview of Structural Reform in the APEC Region

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APEC High Level Conference on Structural Reform
Tokyo, 8-9 September 2004
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 (e.g. 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
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
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