



**Asia-Pacific
Economic Cooperation**

APEC's Ease of Doing Business – Interim Assessment

**A collaborative report between the APEC Economic
Committee and the APEC Policy Support Unit**

APEC Policy Support Unit
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Advancing Free Trade for Asia-Pacific Prosperity

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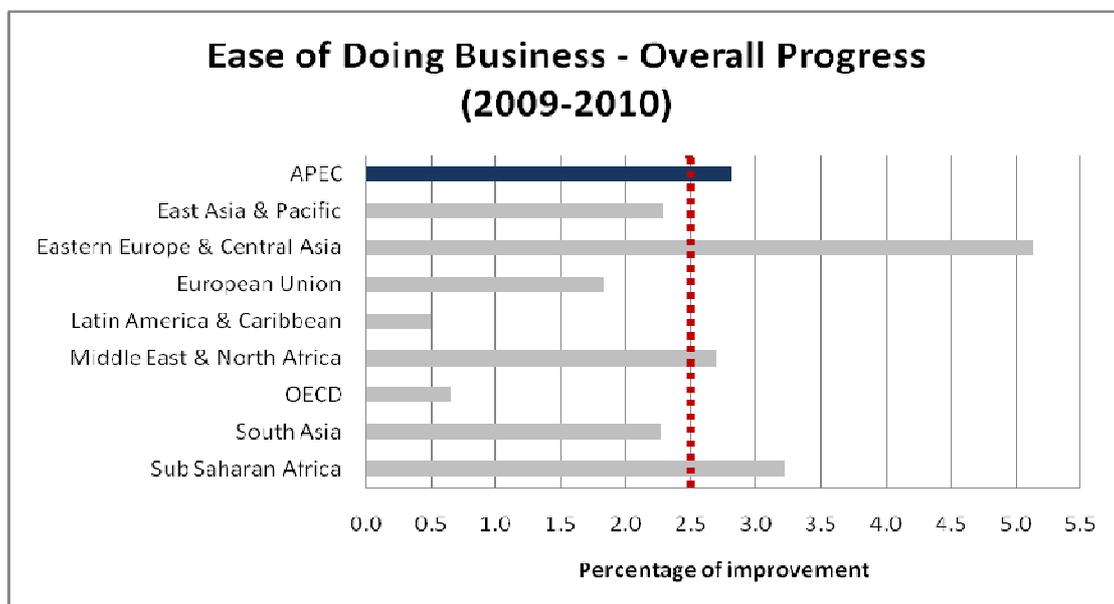
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EXECUTIVE SUMMARY

APEC Leaders in 2009 endorsed an APEC-wide improvement of 25 percent by 2015 in five key areas of doing business: 1) Starting a Business; 2) Getting Credit; 3) Enforcing Contracts; 4) Trading Across Borders; and 5) Dealing with Permits, with an interim 5 percent improvement by 2011. A quantitative assessment based on the World Bank’s Doing Business indicators from 2009-2010, the latest data available, shows APEC is making good progress toward the 5 percent interim improvement target by the end of 2011.

In the absence of 2011 data in September and early October when this report was completed, this interim assessment uses a pro rata benchmark of 2.5 percent to evaluate APEC’s progress. APEC’s combined improvement across the five priority areas between 2009 and 2010 is equivalent to 2.8 percent, exceeding the pro rata benchmark. APEC demonstrated the third best improvement among nine key regional and economic blocks.



Source: World Bank – Doing Business

APEC demonstrated the strongest improvements in Starting a Business and Getting Credit, well above the pro rata benchmark, and APEC’s performance in Trading Across Borders also improved, although below the pro rata benchmark.

Performance held steady in terms of Enforcing Contracts. APEC’s performance declined in only one area, Dealing with Construction Permits, and this decline was driven solely by the negative performance of a single sub-indicator – the cost of obtaining a construction permit.

APEC - Overall Progress at Ease of Doing Business Initiative (2009-2010)**Pro Rata Benchmark = 2.5 percent**

Region	Starting a Business	Dealing with Construction Permits	Getting Credit	Trading Across Borders	Enforcing Contracts	Overall Progress
APEC	7.5	-0.8	5.6	1.8	0.0	2.8
East Asia & Pacific	4.7	-6.6	12.1	0.9	0.4	2.3
Eastern Europe & Central Asia	8.9	3.9	11.3	1.6	-0.1	5.1
European Union	2.2	-0.5	5.6	1.8	0.0	1.8
Latin America & Caribbean	0.9	1.6	-1.2	1.2	0.0	0.5
Middle East & North Africa	4.0	1.8	4.2	3.2	0.1	2.7
OECD	1.4	-0.7	1.1	1.5	0.0	0.7
South Asia	8.6	3.9	3.4	-4.5	0.0	2.3
Sub Saharan Africa	3.2	4.5	8.7	-0.2	-0.1	3.2

Source: World Bank - Doing Business

Note: All components have been calculated by using simple averages. Improvements are shown with positive values.

Despite the good start, however, there is room for improvement across the APEC region in all EoDB priority areas. For example, in 2010, it took around 7 procedures and 25 days to start a business in APEC; while it took only 6 procedures and 15 days in the European Union. Similarly, obtaining a construction permit in APEC cost on average 316.1 percent of APEC's income per capita; while in Latin America & Caribbean, the cost was equivalent to only 191.1 percent of its income per capita.

APEC must intensify and accelerate its efforts, including through capacity-building programs, in order to meet the ambitious goal of a 25 percent improvement in the ease of doing business by 2015. The interim improvement rate of 2.8 percent achieved in 2010, although strong, is insufficient to ensure APEC's success in reaching its longer-term improvement goal.

APEC economies independently are already taking steps to create more favourable environments for doing business in their markets and collectively are implementing APEC capacity building activities in the five EoDB priority areas to take progress forward. For example, APEC last year held successful overview seminars in each EoDB priority area and now is implementing programs tailored to the improvement needs of individual economies. These programs directly benefit participating economies and contribute to moving APEC collectively closer to its goal of making it 25 cheaper, faster and easier to do business in the Asia-Pacific region by 2015.

This report is a collaborative effort between the Economic Committee and the Policy Support Unit. The 2012 APEC Economic Policy Report, to be published by the Economic Committee next year, will incorporate the World Bank's 2011 Doing Business indicators and updated qualitative information to assess APEC's full-year 2011 progress toward the 5 percent interim improvement target.

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1. APEC'S EASE OF DOING BUSINESS

HISTORY

APEC's Ease of Doing Business (EoDB) initiative dates back to February 2009, when Senior Officials meeting in Singapore agreed to put in place an Action Plan to improve the business environment in the APEC region through regulatory reforms that make it cheaper, faster and easier to do business.¹

This initiative is based on the World Bank's Doing Business project, which developed indicators in 11 areas for 183 economies (including all APEC member economies) to provide objective measures on business regulations and their enforcement. These indicators offer measurable benchmarks for reform.²

APEC Ministers Responsible for Trade agreed in July 2009 to focus on five priority areas of Doing Business, namely: 1) Starting a Business; 2) Dealing with Permits; 3) Getting Credit; 4) Trading Across Borders; and 5) Enforcing Contracts.

Later, APEC Leaders agreed in November 2009 to set an APEC-wide improvement target of 25 percent by 2015 in these five areas, with an interim 5 percent improvement target by 2011.

The EoDB initiative also includes capacity-building programs in order to assist APEC member economies in their efforts to improve their business environment. APEC's EoDB capacity-building activities to date have proceeded in two phases:

- Phase 1: Activities to share information and experiences, such as seminars and workshops.
- Phase 2: Technical experts conduct a diagnostic study, tailored to an individual economy's priority area for improvement, and develop customized, practical recommendations for creating a more favorable environment for doing business in that area.

Under the EoDB initiative, APEC has identified champion economies in each of the priority areas to lead capacity-building activities. Champion economies by priority areas are:

- Starting a Business: New Zealand and the United States
- Dealing with Permits: Singapore
- Getting Credit: Japan
- Trading Across Borders: Hong Kong, China³ and Singapore
- Enforcing Contracts: Korea

¹ See APEC (2009), "Discussion Paper on Ease of Doing Business (EoDB)", 2009/CSOM/023, Concluding Senior Officials' Meeting - Plenary Session, 9 November 2009.

² See <http://www.doingbusiness.org/about-us>

³ Hong Kong, China served as champion economy during Phase 1 only.

TARGETS FOR 2011 AND 2015

When the EoDB initiative was launched, its framework highlighted the importance of measuring results APEC-wide, in the sense that the aim is for an improvement in the APEC average.

A document produced by the APEC SOM's Chair Office in 2009 showed that APEC economies had made substantial progress in many Doing Business areas from 2005 to 2009. For example, during that period, starting a business got 28 percent cheaper and 26 percent faster on average in APEC. Dealing with permits got 20 percent cheaper and credit information improved by 23 percent.⁴

More revealing, this 2009 document found that if all APEC economies performing below the median level of APEC were to improve up to the median, this would have resulted in substantial improvements such as making it 50 percent cheaper and 45 percent faster on average to start a business; 37 percent cheaper to enforce contracts and 29 percent easier to deal with permits.⁵

The results between 2005 and 2009 showed that despite the good progress by APEC, there was room for improvement and therefore, potential for reform. Based on those results and the strong commitment to conduct regulatory reforms across APEC, the target equivalent to a 25 percent improvement by 2015 was endorsed by APEC Leaders and Ministers, with an interim target of a 5 percent improvement by 2011.

Achieving the target by 2015 will represent substantial gains for businesses, as it could potentially reduce on average the cost of importing and exporting a container of goods by up to US\$450; reduce on average the time taken to start a business by one week; and remove on average five procedures to obtain a construction permit.⁶

INTERIM ASSESSMENT MEASUREMENT APPROACH

Since the World Bank's Doing Business indicators for year 2011 are not available at the time of this assessment, the report seeks to establish if APEC is on track to meet the interim target of 5 percent by 2011, by using a pro rata benchmark of a 2.5 percent improvement for year 2010.⁷

The report also compares the performance of the APEC region *vis-à-vis* other regions or economic blocks to show how well the APEC region is doing relative to the rest of the world.

The results in this report show that the APEC region in 2009 and 2010 has performed well in the majority of the priority areas identified by the EoDB initiative.

⁴ APEC (2009), op. cit.

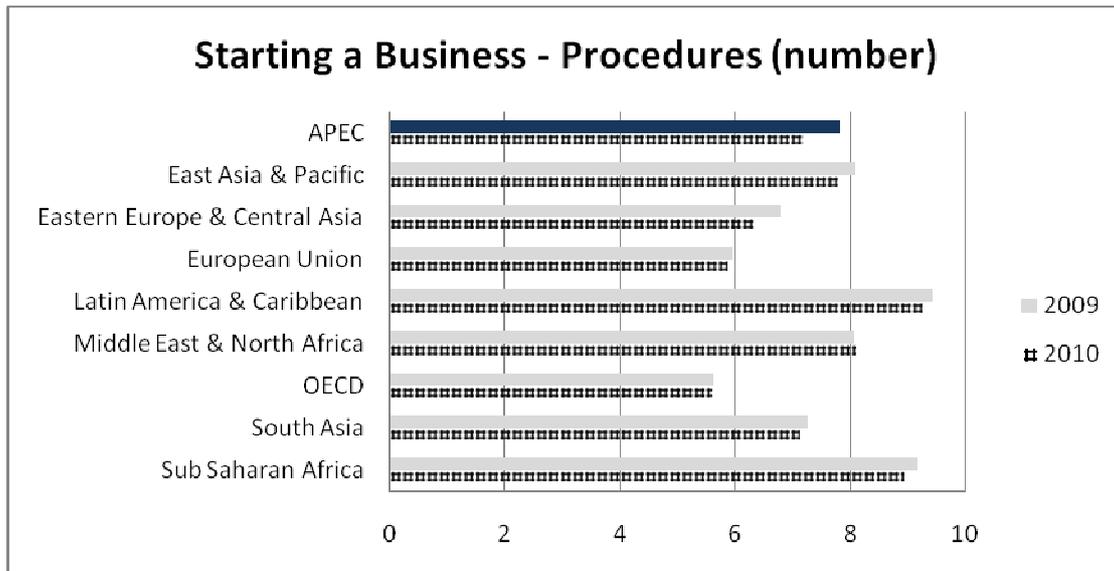
⁵ Ibid.

⁶ APEC (2009a), "2009 APEC Ministerial Meeting: Joint Statement – Sustaining Growth, Connecting the Region", http://www.apec.org/en/Meeting-Papers/Ministerial-Statements/Annual/2009/2009_amm.aspx

⁷ This study provides an interim assessment of APEC's collective efforts towards the agreed target and does not seek to introduce rankings among APEC members.

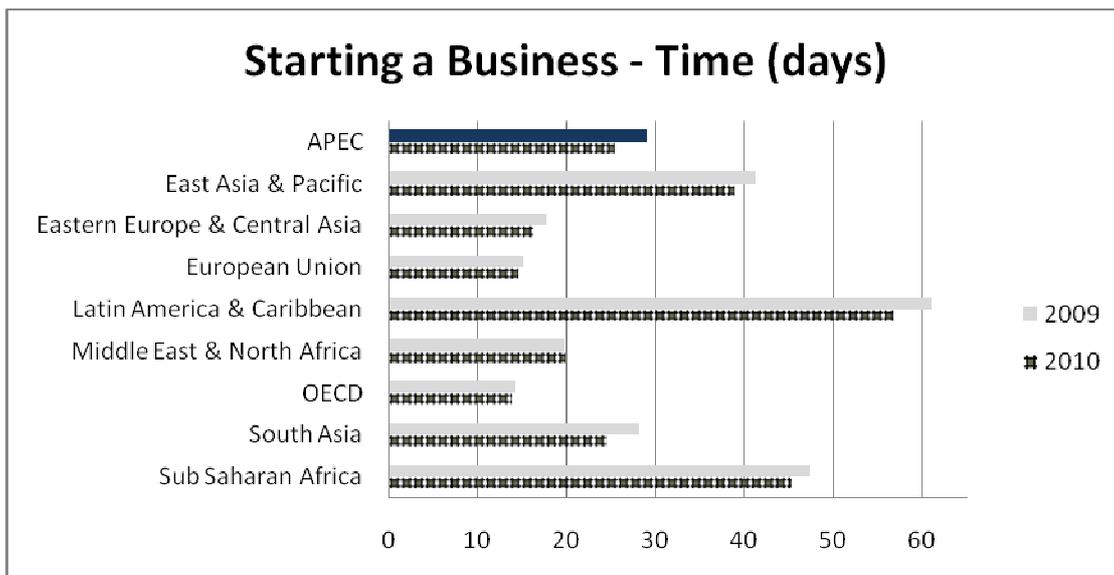
2. STARTING A BUSINESS

APEC made progress in the four indicators included in this priority area. Between 2009 and 2010, the number of average procedures required to start a business in the APEC region declined from 7.8 to 7.2. APEC was the region that made the most significant progress in reducing the number of procedures.



Source: World Bank – Doing Business⁸

In the same way, APEC reduced the time it takes to start a new business, as the average number of days went down significantly from 29.1 to 25.5. APEC’s improvement was the second largest among all regions, slightly below the progress by South Asia.



Source: World Bank – Doing Business

⁸ The details on the list of economies considered for each economic or geographic group can be found in Appendix 2.

Simplified business start-ups in Brunei Darussalam; Chile; Indonesia; Mexico and Viet Nam

The Government of Brunei Darussalam introduced *e-Registry*, a system that uses new information technologies to simplify business start-up, international trade, and property registration. As such, it reduced the time to register companies under the purview of the Registrar of Companies (ROC), Brunei Darussalam. In addition, the government established a committee to facilitate coordination among the agencies involved in processing business applications to create a more conducive business environment. The “Business Licensing System”, which is currently under implementation, brings together 13 licensing processes into a single online window. This system will ensure government agencies process business applications concurrently, thus reducing the number of days taken to approve the application.

The Chilean government has been making continuous efforts in this area. Business start-up is now easier with the introduction of an online system to register a company in the Commercial Registry and submit electronically the excerpt of the company’s public deed to the Official Gazette.

In Indonesia, the Ministry of Law and Human Rights shortened the business start-up process by improving efficiency in each step of the process. It also improved its internal procedures so that in case of conflict, resolution can be reached more quickly. In addition, the Jakarta Government endorsed in May 2011 a simplified Standard Operational Procedure (SOP) for business licenses. This allows simultaneous filing of applications, processing and issuance of licences and trade licenses for micro and SMEs; and filing of applications, processing and issuance of business licenses for all types and scales of enterprises via the Municipal Level One Stop Shop.

The Mexican government created an online site to simplify business establishment. With the use of this portal, the time and administrative costs of business start-up have fallen. In particular, administrative cost went down by 65 percent.

Viet Nam established new business registration procedures, where the enterprise founder can choose to register directly at the provincial-level business registration office or through the Internet. In this online one-stop shop entrepreneurs can get their business license as well as their tax license.

Sources:

Ease of Doing Business Secretariat, Brunei Darussalam.

Doing Business 2011. Making a Difference for Entrepreneurs, pp.18-25. 4 November 2010.

Davis, John R. and Justin Hygate (2010). *Making it Easier to Start-up Business in Indonesia, an APEC Diagnostic Study 2010*. USAID and the New Zealand Ministry of Foreign Affairs and Trade

“Versión estenográfica de las palabras del Secretario de Economía, Bruno Ferrari, durante la reunión con empresarios del estado de Sonora.” (*Words of the Minister of Trade of Mexico, Mr. Bruno Ferrari during his meeting with businessmen of Sonora*). Ministry of Economy. 20 July 2010.

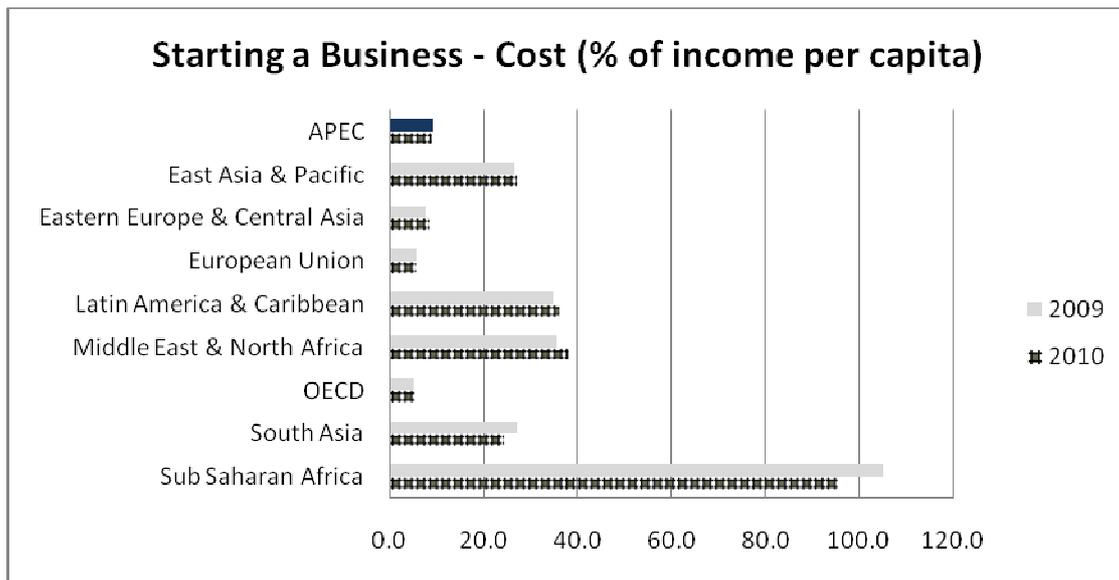
Doing Business 2011. Chile. Making a Difference for Entrepreneurs. World Bank. 2011.

Doing Business 2011. Viet Nam. Making a Difference for Entrepreneurs. World Bank. 2011.

“Enhancements to business registration procedures in Viet Nam”. Ministry of Foreign Affairs of Denmark. Embassy of Denmark , Hanoi. 3 August, 2011.

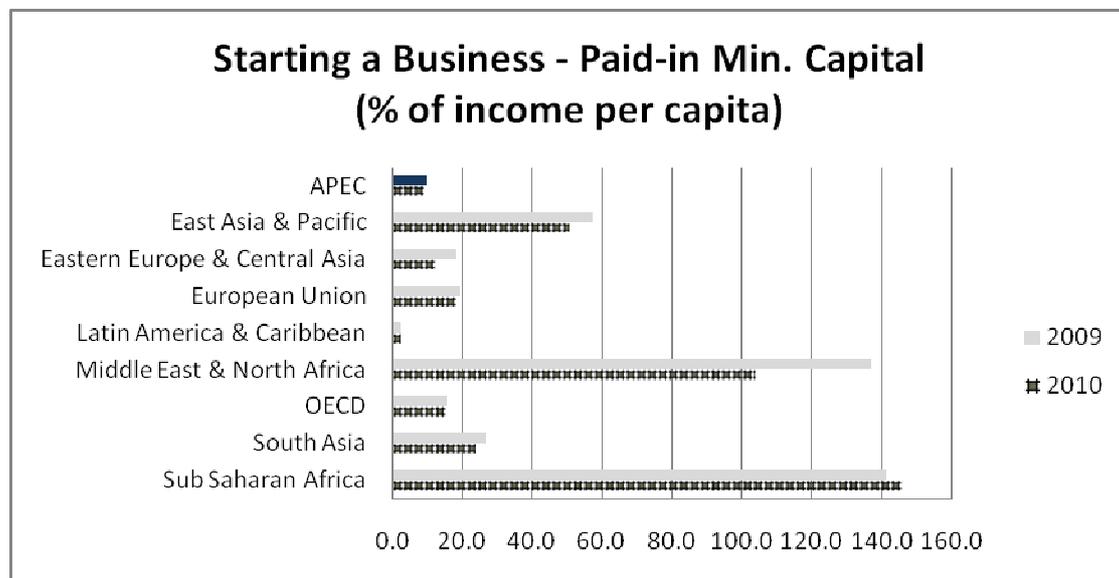
In terms of the cost of starting a business measured by the percentage of income per capita, APEC was one of only three groups that experienced a decline in cost (from 9.2 percent to

9.1 percent). APEC’s progress in this indicator is remarkable considering that the cost of starting a business is already very low compared to most other regions, which makes it more challenging to achieve greater progress, as opposed to other regions still facing higher costs.



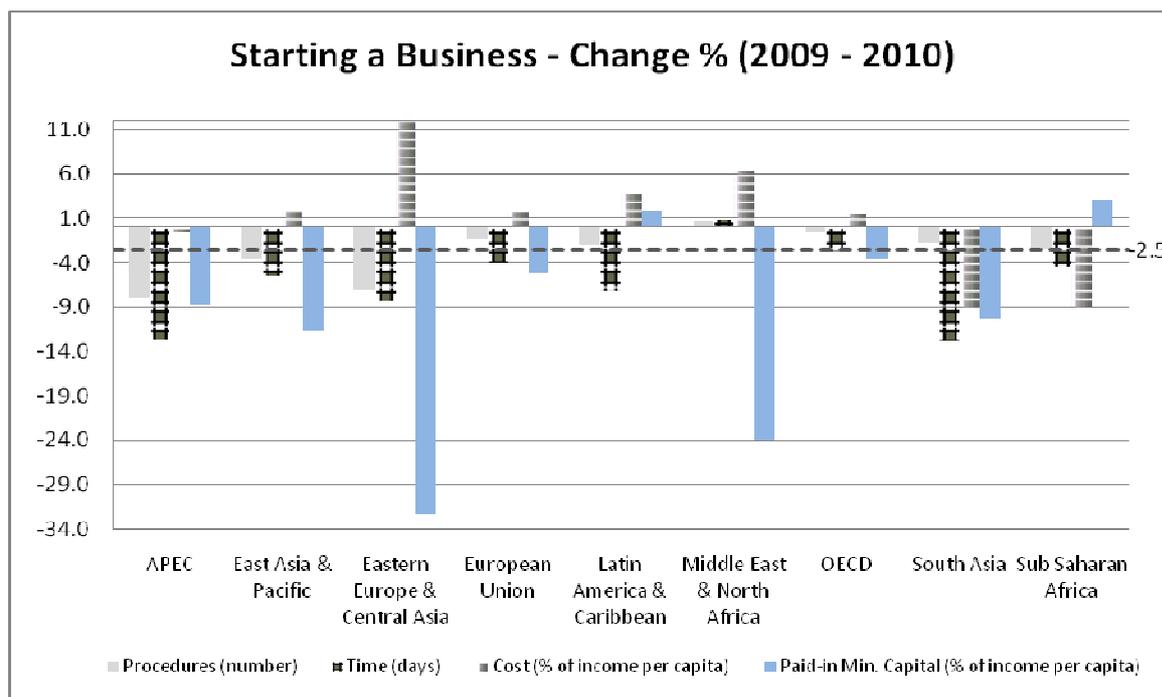
Source: World Bank – Doing Business

Regarding the paid-in minimum capital requirement for deposit in a bank or with a notary to start a business, measured in terms of the percentage of income per capita, the average paid-in minimum capital requirement in APEC went down from 9.8 percent to 9.0 percent, which is remarkable, considering that APEC already has the second best average after Latin America & Caribbean.



Source: World Bank – Doing Business

APEC was the only region, together with South Asia, to experience an improvement in the four Starting a Business’ indicators, which is outstanding given that APEC’s average values already showed that the region had made significant efforts to facilitate stating a business before the EoDB initiative was launched.



Source: World Bank – Doing Business.

Note: Improvements are shown with negative values.

Business registration, multilevel efforts in Japan and The Philippines

Government and private sector partnerships in Japan

The New Growth Strategy approved by the Japanese Cabinet in June 2010 suggested a stronger cooperation between JETRO and the central government in order to encourage company location in Japan. Some of the suggested initiatives seek to enhance the appeal of services such as the provision of a one-stop service on corporate location, offering opportunities to visit and inspect business locations in the field, and a matching service to find partner companies for foreign firms that plan to invest in Japan.

Central and local government efforts in The Philippines

The Philippines' efforts to improve in the Ease of Doing Business are taking place both at the central and local level. The Department of Trade and Industry this year launched its 15 minute business registration program to attract more investors in the country. Government officials consider that simplifying the processes to register businesses and issue permits would foster the establishment of more businesses and increase confidence.

In addition, Metro Manila cities also have joined efforts to standardize business registration and implementing processes that aim to encourage the informal sector to enter the official market as these processes will be predictable, consistent, and accessible to all who need to use them.

Sources:

"Measures to Encourage Company Location in Japan". JETRO. 18 June 2010.

"IFC-WB report cites RP for enhancing access to credit and cutting taxes". Manila Bulletin Publishing Corporation. 10 September 2009.

"DTI launches 15-minute business name registration". Philstar.com. 07 July 2011.

APEC has implemented a number of activities in this priority area. In March 2010, the workshop “Reducing Start-up and Establishment Time of Business” was organized in Hiroshima, Japan to exchange information and experiences. Similarly, the “Seminar on the First Steps of Successful Reform in Doing Business”, which included a session on starting a business, took place in Chinese Taipei in October 2010.

Additionally, New Zealand and the United States as champion economies in Starting a Business, organized field visits to Indonesia in July 2010, Peru in March 2011 and Thailand in June 2011 to conduct diagnostic studies in order to develop recommendations that would help these economies to improve their performance in this priority area⁹.

Fostering SMEs in Australia

Australia has been recognized as one of the best places to start a business as it only requires two procedures and two days. Nevertheless, the Australian government recognizes that there is always more to be done and as such it has developed an ongoing reform agenda, which includes among others, the establishment of the Small Business Support Line to provide a free one-stop-shop where small business can get in touch with specialist advisers.

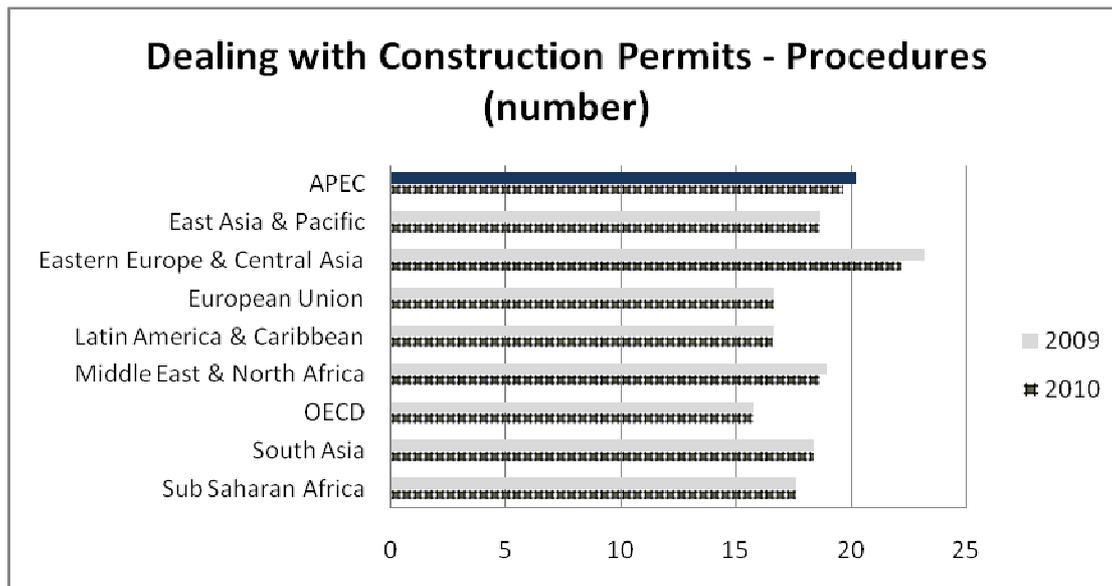
Source:

“Australia Tops for Starting a Small Business”. Minister for Small Business. 10 November 2010.

⁹ The diagnostic study on Indonesia is available at http://aimp.apec.org/Documents/2011/EC/EC1/11_ec1_020.pdf. The diagnostic studies on Peru and Thailand are expected to be completed soon.

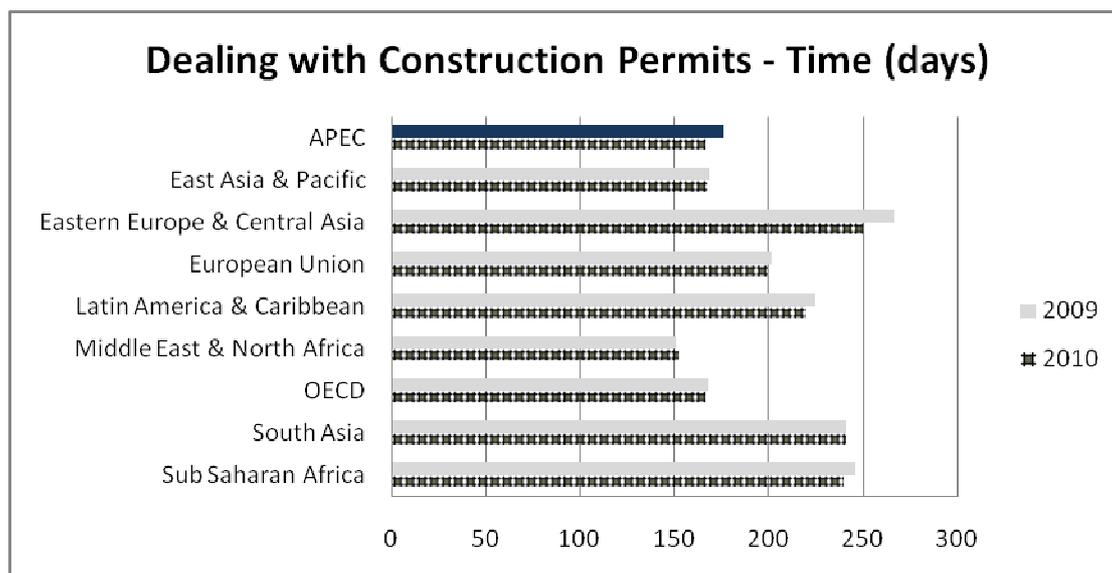
3. DEALING WITH CONSTRUCTION PERMITS

APEC made significant progress in two out of three indicators included in this priority area. In terms of the number of procedures required to start the construction of a standardized warehouse, the APEC average number of procedures went down from 20.2 to 19.7 between 2009 and 2010. APEC's improvement was the second best among the regions, after Eastern Europe & Central Asia.



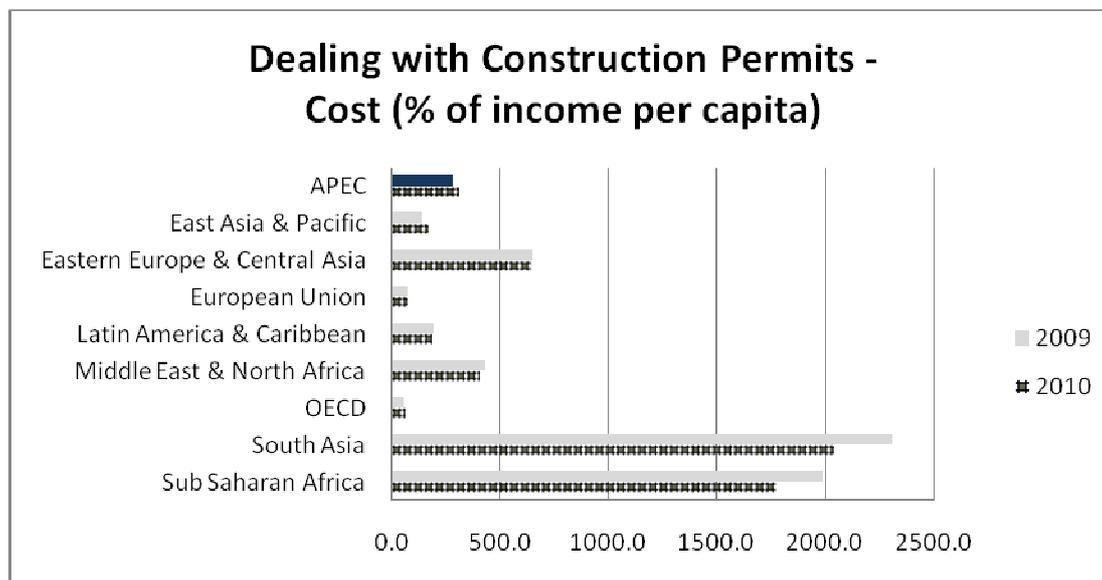
Source: World Bank – Doing Business

In spite of dealing with more procedures to get a construction permit in APEC, the time to obtain a construction permit in APEC is relatively fast. The time to obtain a construction permit is faster only in the Middle East & North Africa and OECD. The number of days required on average to obtain this type of permit in APEC fell from 176 to 166.7.



Source: World Bank – Doing Business

Nonetheless, the cost of obtaining a construction permit as a percentage of the income per capita in APEC went up from 286.3 percent to 316.1 percent, making APEC the group with the second-largest increase after East Asia & Pacific.



Source: World Bank – Doing Business

The use of IT in Canada; Peru; Russia and Chinese Taipei to obtain a construction permit

Canada has continuously fostered the use of technologies in their administrative system. For example, the process to obtain a construction permit in Toronto was revamped by introducing time limits for different stages of the process and presenting a unique basic list of requirements for each project. It also provided for electronic information and risk-based approvals with fast-track procedures.

The Peruvian government implemented an online system to register and start businesses. This has led to several achievements in the Ease of Doing Business with particular focus on construction permits. The reforms allowed the elimination of two procedures for obtaining construction permit and a time reduction from 205 days to 188 days.

Russia eased the process to apply for a construction permit by implementing a single window for all procedures related to land use.

In Chinese Taipei, the government implemented a one-stop website for online application to start a business, and streamlined administrative procedures to obtain construction permits and register property. Interdepartmental collaboration was fundamental to streamlining application procedures and expanding and enhancing single-window services for construction permit applications.

Sources:

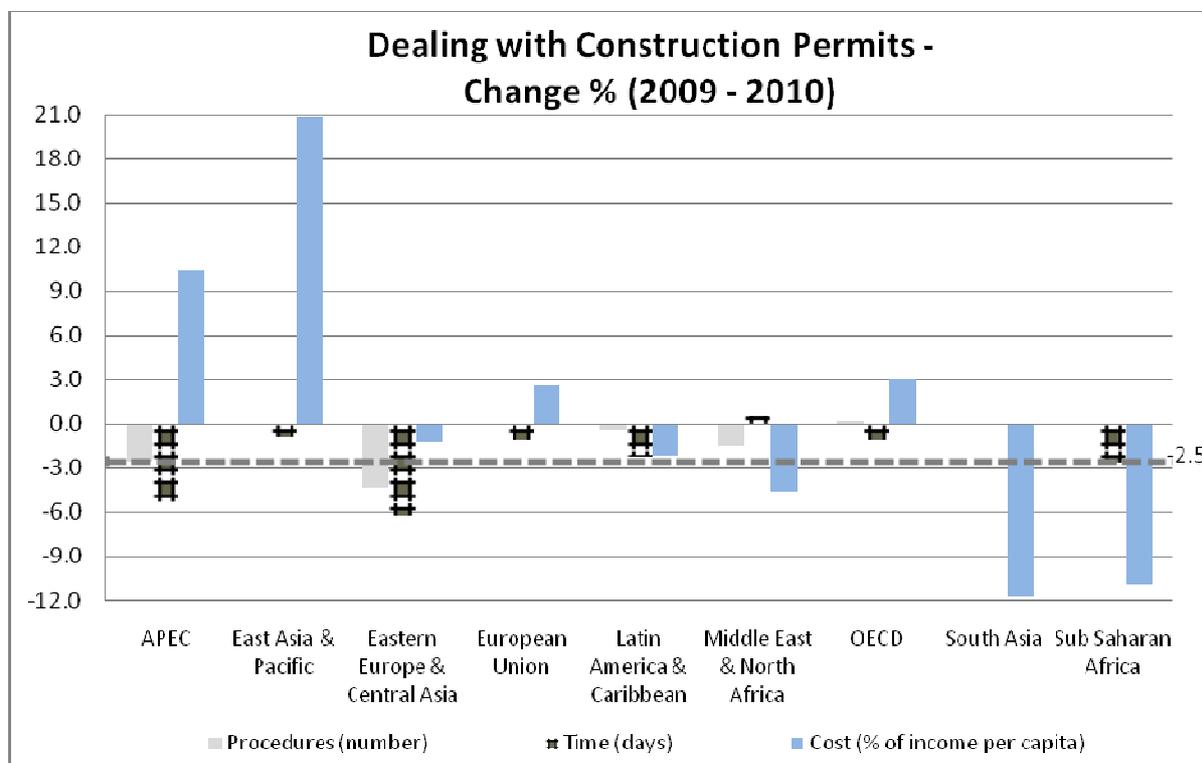
Doing Business 2011. Canada. Making a Difference for Entrepreneurs. World Bank. 2011.

“El Perú es el mejor país para invertir en Sudamérica, según ranking Doing Business”. (*Peru is the best country to invest in South-America according to Doing Business ranking.*) ElComercio.pe. 04 November 2010.

Doing Business 2011. Russia. Making a Difference for Entrepreneurs. World Bank. 2011.

“Taiwan continues to make reforms in its business environment”. Council for Economic Planning and Development. 1 August 2011.

Overall, APEC's performance in this priority area has been noteworthy. Together with Eastern Europe & Central Asia and Sub Saharan Africa, APEC is one of the three regions that registered an improvement beyond the pro rata benchmark of 2.5 percent in at least two of the indicators included in the priority area of Dealing with Construction Permits.



Source: World Bank – Doing Business.

Note: Improvements are shown with negative values.

As champion economy in Dealing with Construction Permits, Singapore organized the workshop “Reforming the Regulatory System for Construction Permits” in October 2010. Regulators and relevant practitioners participated in this event, which included sessions on regulatory strategies and innovations to promote regulatory reform in the area of construction permits.¹⁰

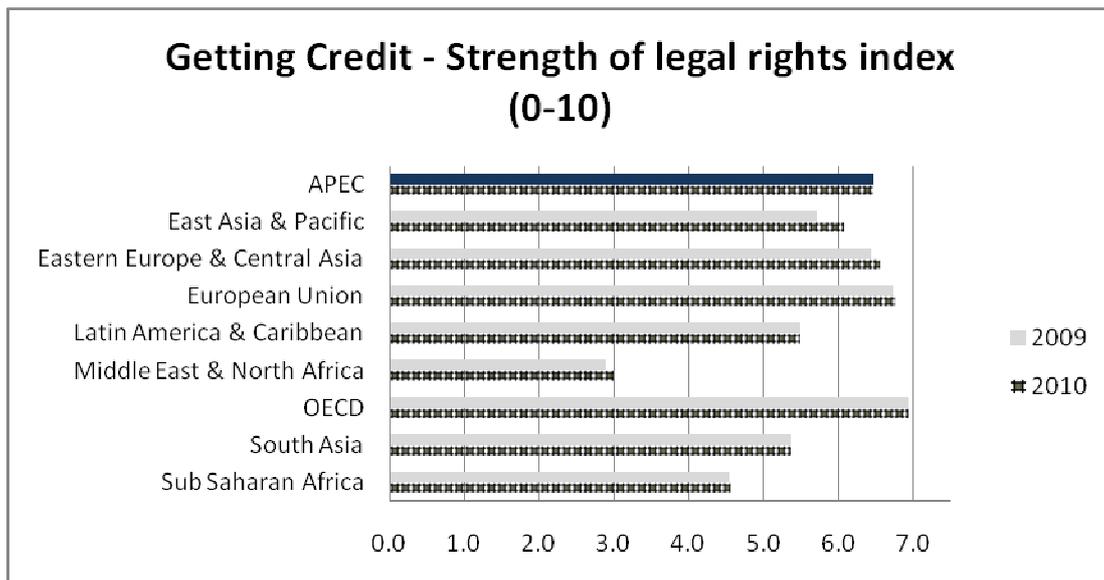
Singapore also is involved in Phase 2 EoDB activities in this priority area. In particular, Singapore is preparing a tailored program for one APEC economy, which is expected to take place by the end of 2011.

¹⁰ See http://aimp.apec.org/Documents/2011/EC/EC1/11_ec1_015.pdf

4. GETTING CREDIT

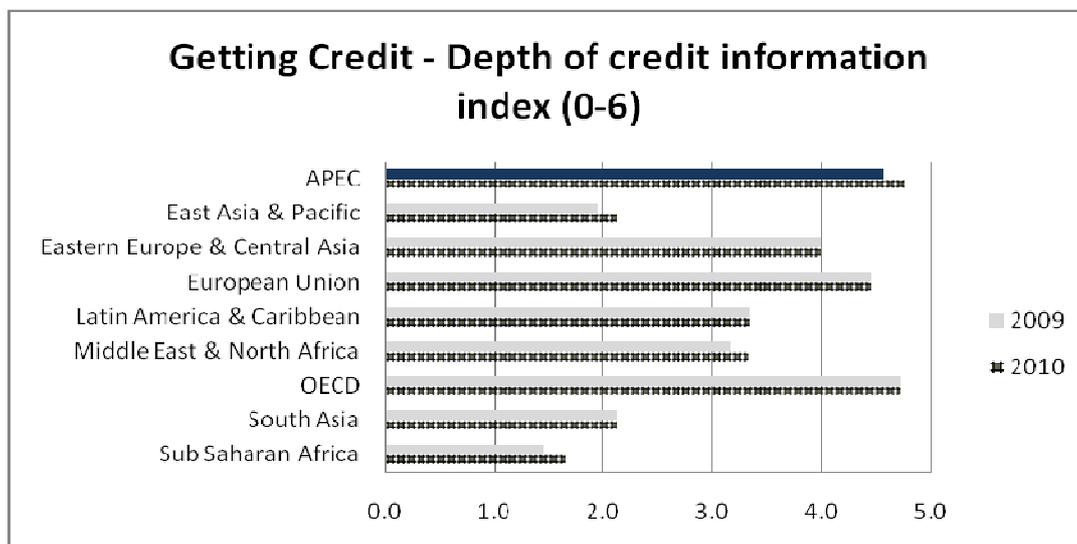
APEC made major progress in three out of four indicators included in this priority area. In general, the indicators show that APEC has experienced an improvement in making credit information available, which facilitates lenders' decisions to extend credit to borrowers.

The Strength of Legal Rights Index, which measures the degree to which collateral and bankruptcy laws protect the rights of borrowers and lenders, did not show any change between 2009 and 2010. Nevertheless, it is important to stress that APEC average values were already high in 2009, which is evidence of APEC having a relatively strong legal rights system compared to many other regions.



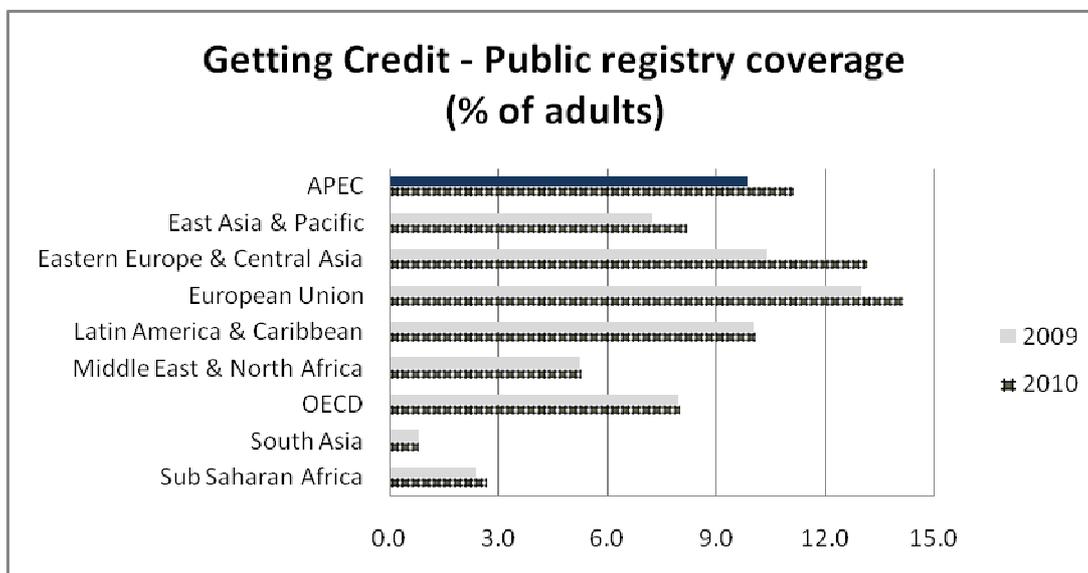
Source: World Bank – Doing Business

In terms of the rules affecting the scope, accessibility, and quality of credit information available, APEC's performance measured by the Depth of Credit Information Index has improved substantially, to the extent of becoming the highest performing region in 2010.



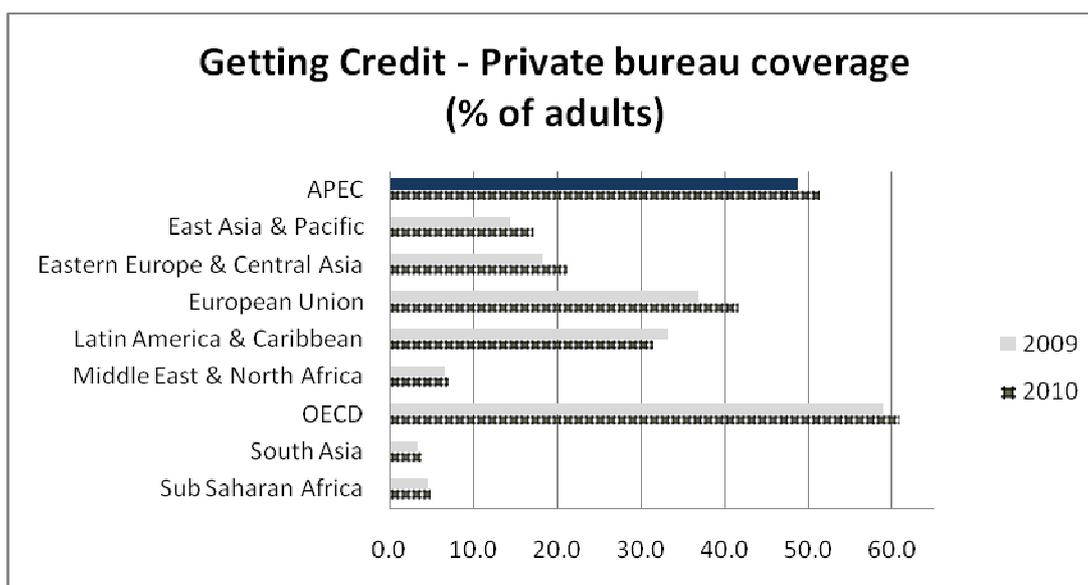
Source: World Bank – Doing Business

The public credit registry coverage in APEC, measured by the percentage of adult population listed in a public credit registry with information on repayment history, unpaid debts, or credit outstanding from the past five years, increased from 9.9 percent to 11.1 percent, becoming the region with the third-most comprehensive public coverage, behind the European Union and Eastern Europe & Central Asia.



Source: World Bank – Doing Business

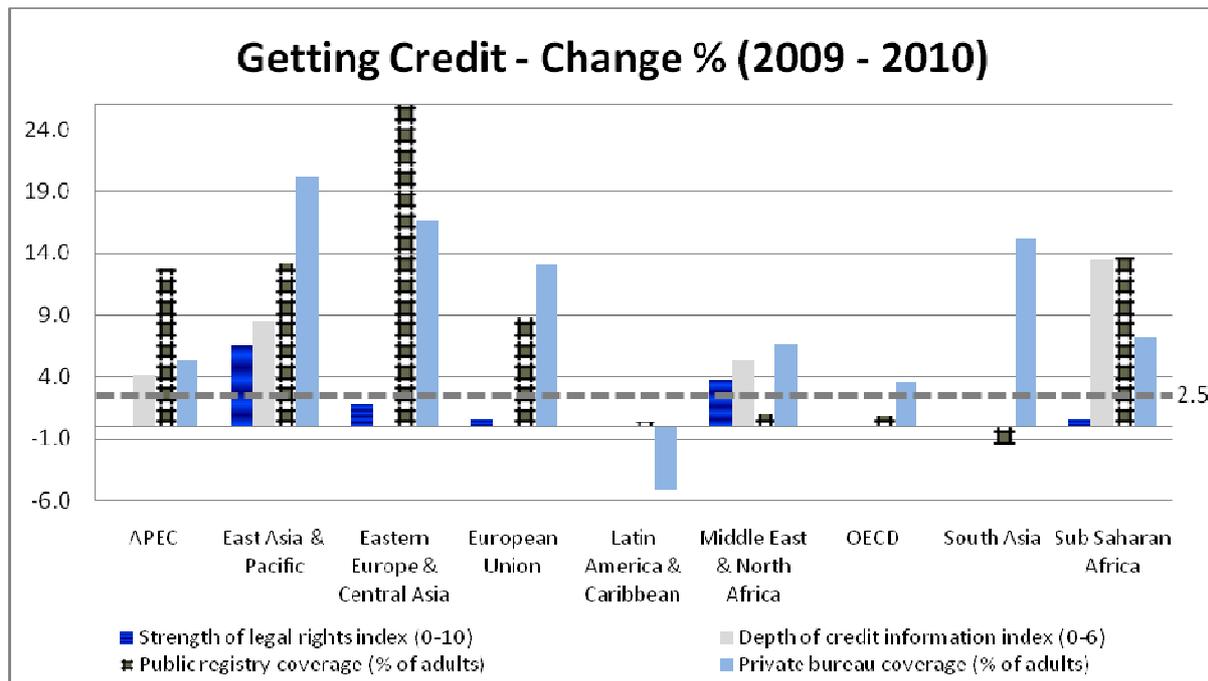
As for the private bureau coverage in APEC, measured by the percentage of the adult population listed in a private credit bureau with information on repayment history, unpaid debts, or credit outstanding from the past five years, this indicator shows that more than half of the adult population in APEC is listed in a private credit bureau. Only OECD registers a higher coverage.



Source: World Bank – Doing Business

Compared to other regions, APEC's performance is positive, as only East Asia & Pacific experienced an improvement in all four indicators above the 2.5 percent rate. Besides APEC,

only Sub-Saharan Africa improved beyond the pro rata benchmark in three out of the four indicators. However, APEC's case is remarkable as its Getting Credit indicators already showed relatively high values in 2009, as opposed to Sub-Saharan Africa.



Source: World Bank – Doing Business

Note: Improvements are shown with positive values.

New measures to access credit in China and The Philippines

Since 2005, China has introduced 14 regulatory changes to improve the ease of doing business. Among them, China implemented the New Measure of Registration and Administration of Bank Credit which has allowed 64 percent of adults to have credit records.

The government of The Philippines strengthened business regulations by enhancing access to credit and cutting corporate income taxes in 2008-2009. Access to credit was possible through a new credit information law that regulates the operations and services of a credit information system.

Sources:

“IFC-WB report cites RP for enhancing access to credit and cutting taxes”. Manila Bulletin Publishing Corporation. 10 September 2009.

世行报告: 中国内向投资环境改善 (*World Bank Report: China to improve investment environment*). IBtimes.com. 05 November 2010.

“China picks up pace in improving business regulation: World Bank”. People’s Daily Online. 05 November 2010.

Japan, as champion economy in the area of Getting Credit, organized the “EoDB Seminar on Getting Credit for Small and Medium Enterprises” in Sendai in September 2010. The seminar included sessions on ease of getting credit, SMEs and access to credit, as well as breakout discussions on the strength of legal rights and the depth of credit information. Participants

found that good legal infrastructure and credit information systems are two of the keys to facilitating credit to SMEs.¹¹

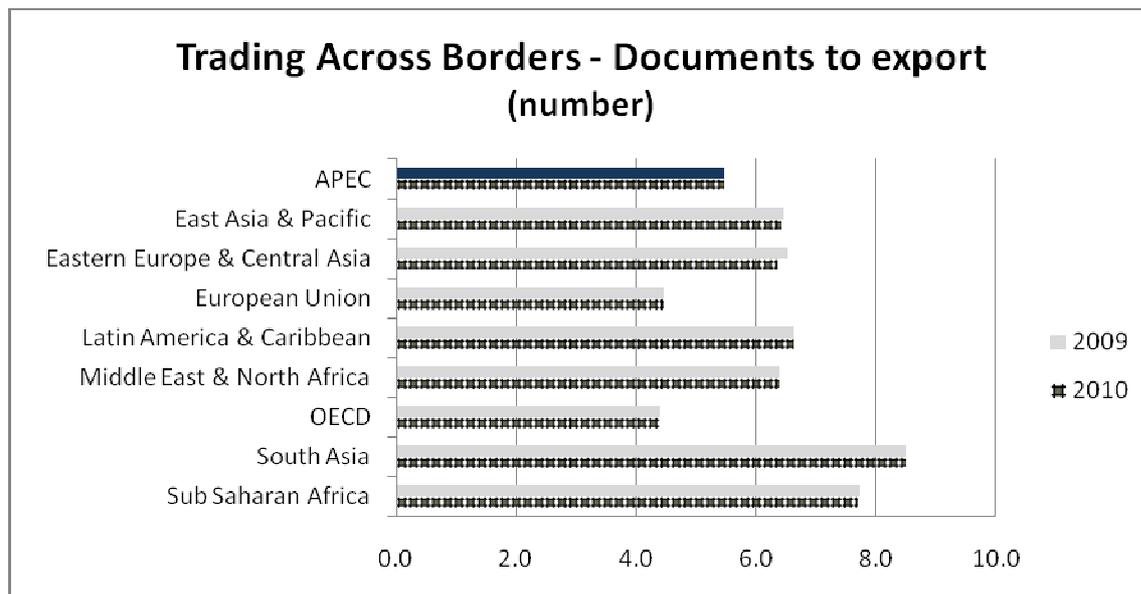
At present, Japan is developing EoDB Phase 2 programs in this area. For example, a study on SME financing and funding in Thailand is being conducted. Based on the results of the study, tailored capacity-building assistance will be provided to the relevant government entities in Thailand.

¹¹ See http://aimp.apec.org/Documents/2011/EC/EC1/11_ec1_017.doc

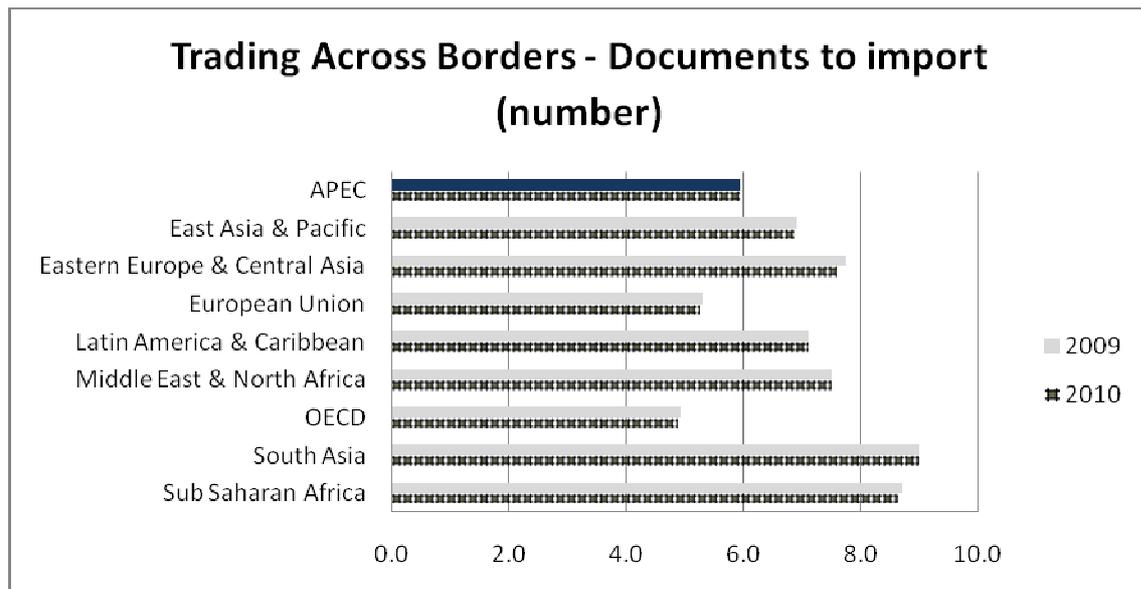
5. TRADING ACROSS BORDERS

APEC registered an improvement in four out of six indicators included in the Trading Across Borders priority area. The most significant progress was achieved in terms of the time to trade. The cost to trade also declined in 2010, albeit below the pro rata benchmark; whereas the number of documents required to trade held steady.

In terms of the average number of documents required in APEC to export and import, there was no change between 2009 and 2010. However, the number of documents required in APEC was the third lowest, behind only the OECD and the European Union.



Source: World Bank – Doing Business



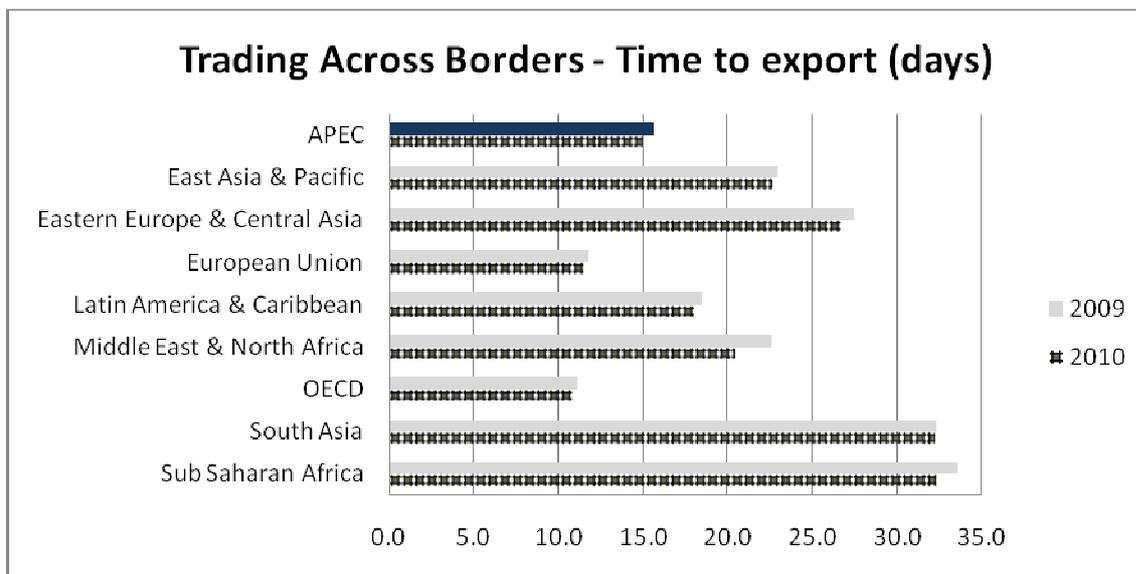
Source: World Bank – Doing Business

Programs to facilitate SMEs' export activities in the United States

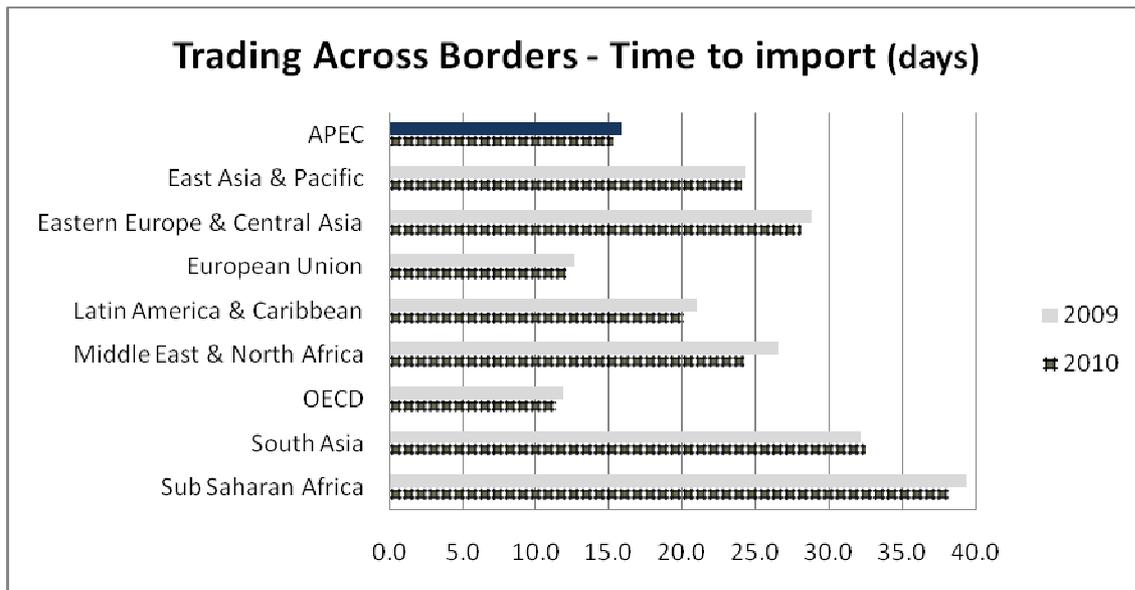
The United States as part of its National Export Strategy is realigning its programs and services to more effectively identify, prepare, connect, and support SME exporters. For example, www.export.gov was enhanced in late 2010 to provide SMEs easier access to training materials and information on market opportunities, both for new exporters and exporters seeking to expand. Some application and review processes for U.S. exporters, particularly SMEs, also are being streamlined.

Source:
 2011 National Export Strategy: Powering the National Export Initiative. United States of America, Trade Promotion Coordinating Committee. June 2011.

Most of APEC's progress in Trading Across Borders is explained by the reduction in terms of time to export and import. APEC is the third best, after the OECD and the European Union. In relative terms, APEC's average time to export and import (around 15 days) is at least one week faster than the average time in East Asia & Pacific and roughly twice as fast as Sub-Saharan Africa and South Asia.



Source: World Bank – Doing Business



Source: World Bank – Doing Business

In terms of the cost per container to export and import, APEC's average cost is the lowest among all regions. In addition to already having the lowest costs to export and import, APEC also realized a decline in the costs to export and import equivalent to 1.2 percent and 1.3 percent, respectively, which is one of the best improvement rates among all the regions.

Processing data electronically in Brunei Darussalam and Korea

Brunei Darussalam made improvements in the area of trading across borders through the introduction of an electronic data interchange system. This is speeding up the submission of documents including online payment of fees and duties.

Korea has made full use of IT for cargo clearance as part of their effort to streamline trade. The Korean Customs Service (KCS) adopted the Radio Frequency Identification (RFID) technology so that cargo can be processed electronically, and up-to-the-minute information can be received through the KCS internet clearance portal site. As such, predictable cargo processing times as well as rapid turnover by ports and warehouses provide a benefit to the Korean economy of approximately \$2 billion annually.

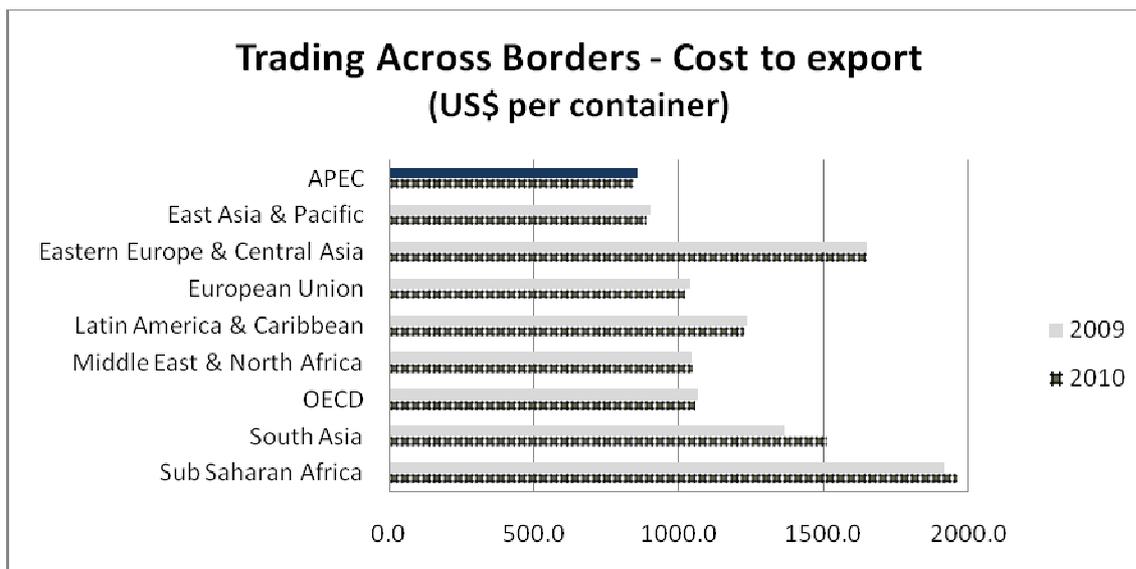
Sources:

Doing Business 2011. Brunei Darussalam. Making a Difference for Entrepreneurs. November 2010.

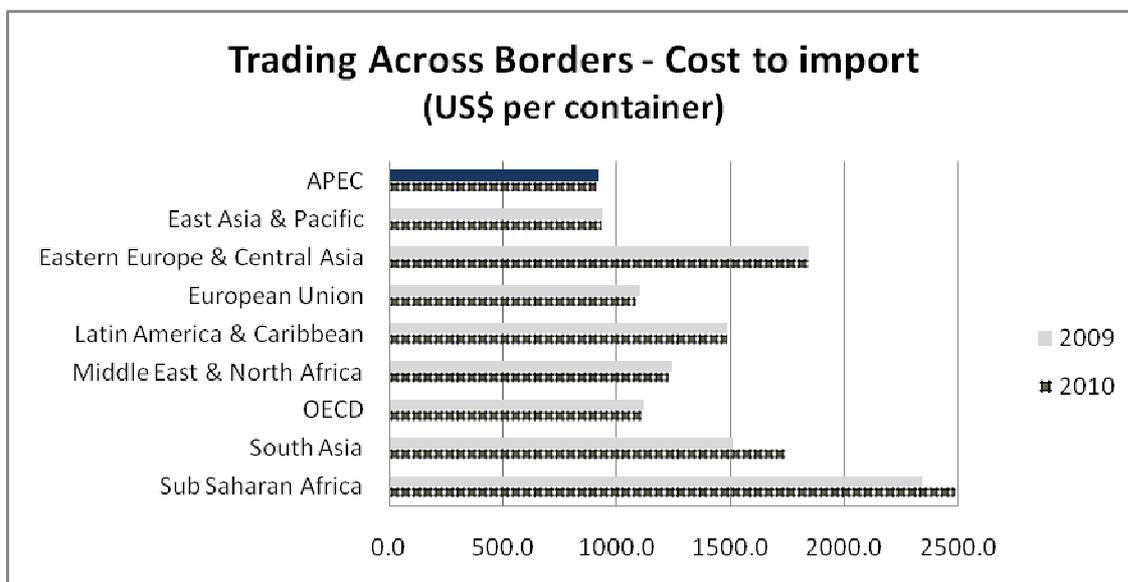
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Yang, Junsok (2009). Small and Medium Enterprises Adjustments to the Information Technology in Trade Facilitation: The South Korean Experience. Asia-Pacific Research and Training Network on Trade.



Source: World Bank – Doing Business



Source: World Bank – Doing Business

APEC's rate of improvement *vis-à-vis* the pro rata benchmark of 2.5 percent is higher in two out of the six Trading Across Borders' indicators (time to export and time to import). However, it is relevant to note that no other region, with the exception of Eastern Europe & Central Asia, achieved the pro rata benchmark in more than two of the Trading Across Borders' indicators.

Opening windows for trade in Singapore; Indonesia and Thailand

Singapore's TradeNet, the world's first Electronic Data Interchange System, was established in 1989 and has been upgraded overtime. It has integrated import, export and transshipment documentation processing procedures. It reduces the cost and turnaround time for preparing, submitting and processing trade and shipping documents and expedites clearance of cargo. In addition, Singapore also implemented TradeXchange, a neutral and secure trade platform launched as a Public Private Partnership (PPP) in 2007, which provides a single interface to multiple systems; facilitates the exchange of information between the trade and logistics community; and offers a comprehensive array of services such as Business-to-Government (B2G) transactions, Business-to-Business (B2B) trade, among others.

Indonesia fully implemented in 2010 the National Single Window in five ports to facilitate trade. Between January and June 2010, 63,655 import documents and 14,749 export documents were processed via the portal.

In Thailand, e-government will provide the public and local businesses with more convenient access to one-stop information and services. The first service to be introduced in 2011 will be the National Single Window, which will integrate 35 state agencies and private organisations in the areas of import, export and logistics. The system is expected to reduce time-consuming manual processes and cut transport costs for the current 125,000 exporters and importers in Thailand by at least US\$3.2 billion annually.

Sources:

"Keynote Address at International Customs Day by Mrs Lim Hwee Hua, Minister of State for Finance and Transport, on 25 January 2008, 11.15am, Suntec Convention Centre". Singapore Customs, January 2008.

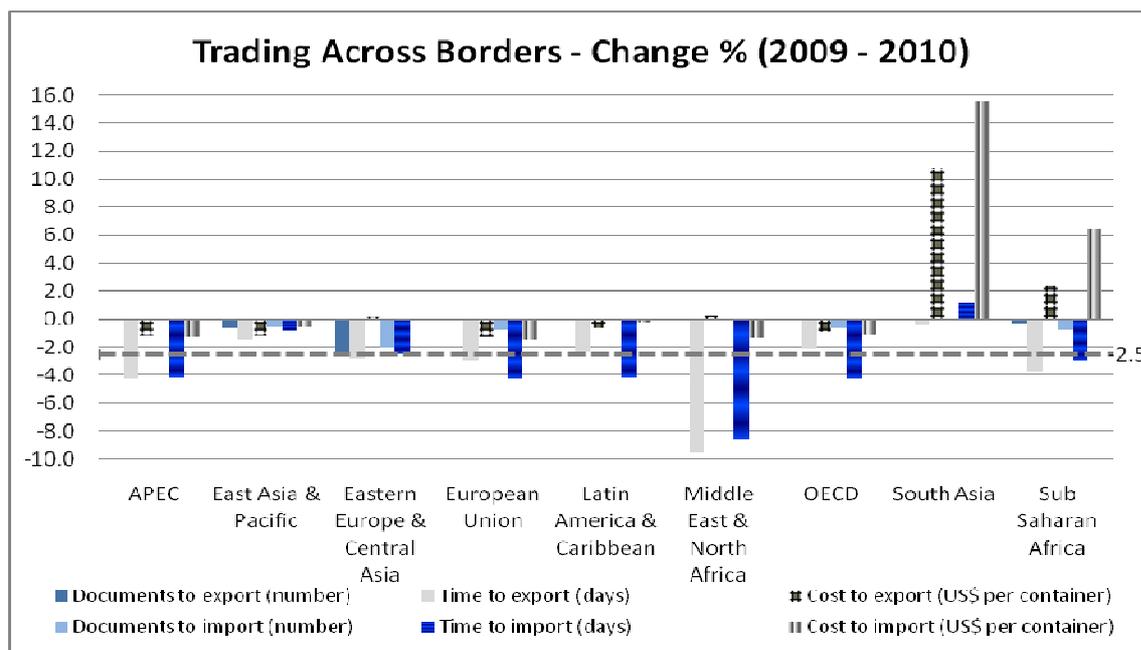
"Towards a Single Window Trading Environment". UNNEX.T. Brief No. 02, March 2010.

Tradexchange. www.tradexchange.gov.sg

"Single Window clearance system covers 5 major ports". The Jakarta Post. 27 September 2010.

"E-portal to the future". Bangkok Post. 17 August 2011

APEC registered an improved performance in terms of the cost to export and import, being the best performing region, followed by East Asia & Pacific. In addition, APEC's performance in the number of documents to export and import held steady between 2009 and 2010, as it did in most regions.



Source: World Bank – Doing Business

Note: Improvements are shown with negative values.

In terms of capacity building, Singapore and Hong Kong, China, as champion economies in Trading Across Borders, organized the “APEC EoDB Workshop on Trading Across Borders” in Sendai in September 2010. The event shared experiences of APEC economies that had implemented successful reforms in this area and highlighted APEC initiatives that economies could use to improve their performance in trade facilitation (for example: APEC Single Window and APEC Private Sector Development initiative). Also, this workshop provided a forum for APEC economies to offer feedback on key obstacles to making progress in reforms.¹²

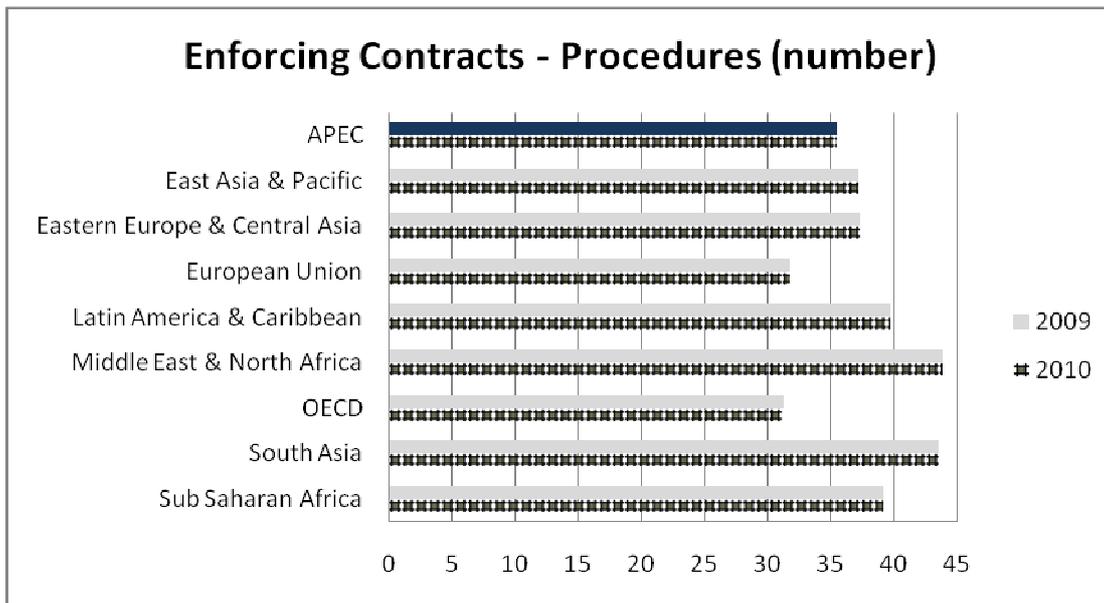
Singapore has invited Mexico and Peru to participate in tailored Phase 2 programs in Trading Across Borders. Singapore expects to complete these two programs by the end of 2011, pending further discussions and views from the two participating economies.

¹² See http://aimp.apec.org/Documents/2011/EC/EC1/11_ec1_016.doc

6. ENFORCING CONTRACTS

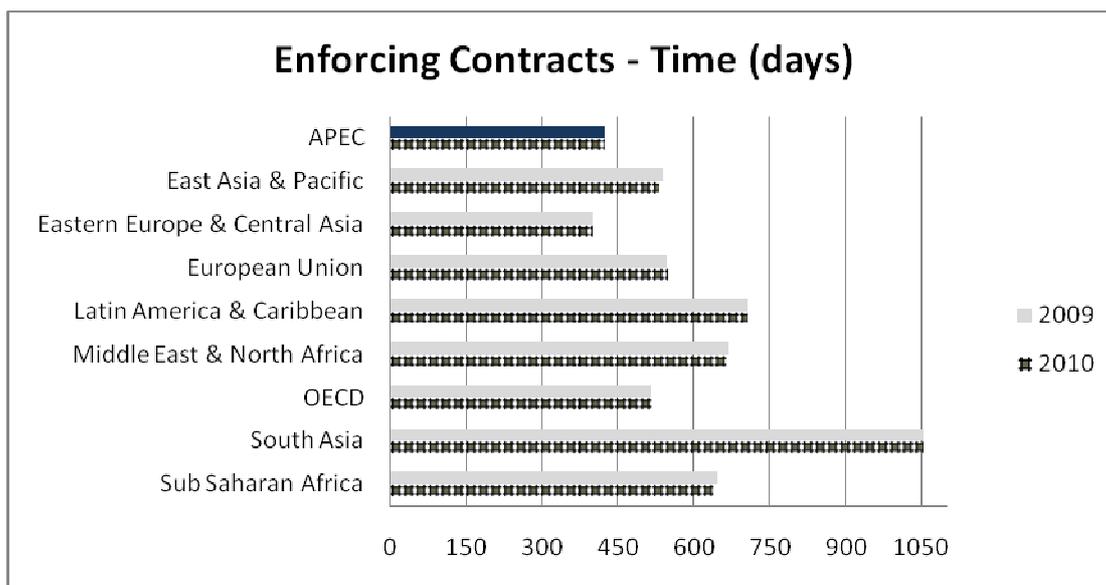
APEC's performance in this priority area held steady, as it did for most other regional groupings. In fact, APEC is one of only three regions that did not experience any deterioration in the indicators for this priority area.

Improvements in the number of procedures to enforce contracts were registered in only three regions (European Union, OECD and Sub-Saharan Africa) and improvements there were small at no more than above 0.2 percent. APEC's performance was the third best, only behind OECD and the European Union.



Source: World Bank – Doing Business

In terms of the number of days required to enforce contracts, APEC's performance has been among the best, with only Eastern Europe & Central Asia outperforming APEC. APEC's performance in this area held steady and only East Asia & Pacific, Middle East & North Africa and Sub-Saharan Africa showed progress.



Source: World Bank – Doing Business

Faster procedures to enforce contracts in Hong Kong, China; Malaysia; New Zealand and Papua New Guinea

Hong Kong, China made reforms in the civil justice system in order to help increase the efficiency and cost-effectiveness of commercial dispute resolution.

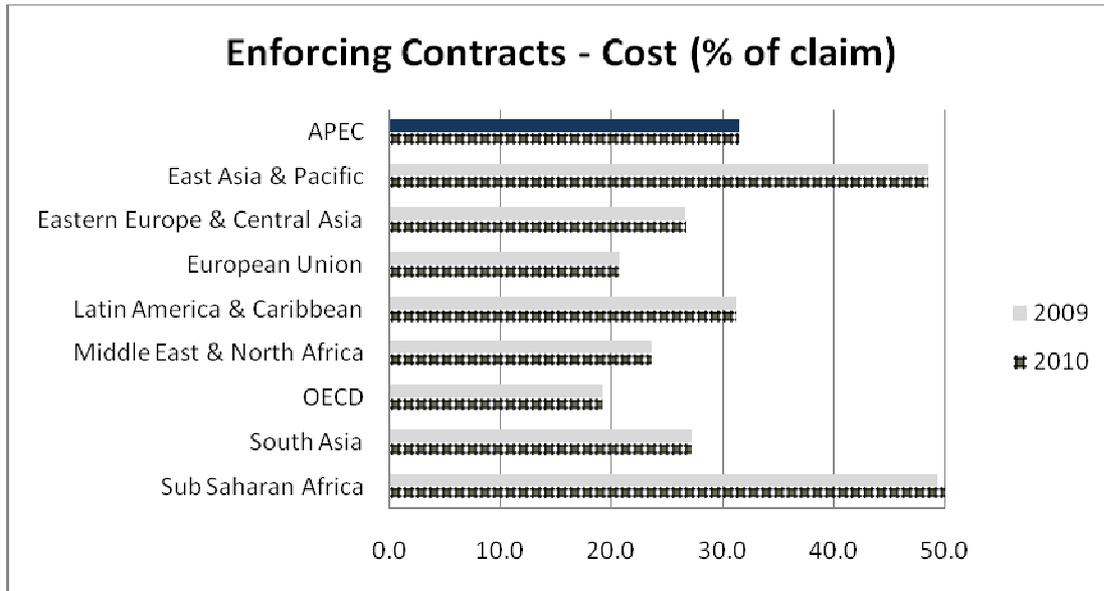
The government of Malaysia implemented changes in its filing and service systems that reduced by 15 days the time to enforce contracts. In addition, the caseload allocation has improved by creating a fast track in the commercial division of the Kuala Lumpur high court.

The New Zealand government enacted new district court rules that make the process for enforcing contracts user friendly.

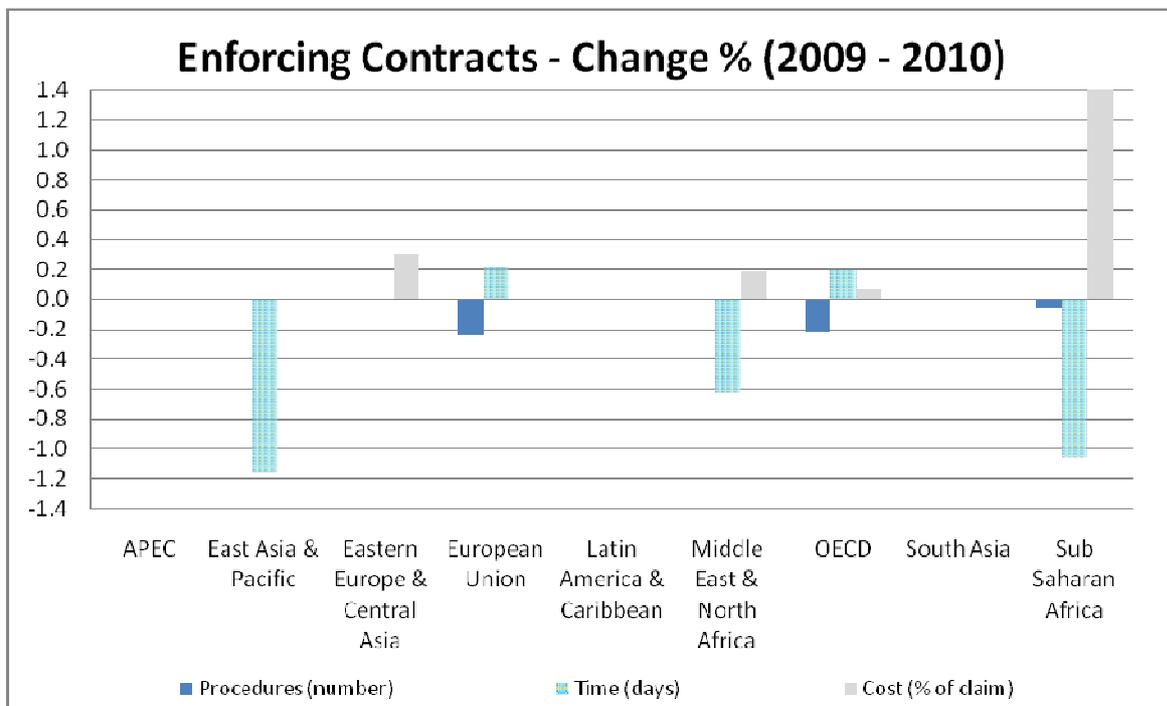
In Papua New Guinea improvements have been possible due to the introduction of a specialized commercial division at the national courts.

Source: World Bank - Doing Business 2011

In terms of the cost of enforcing contracts as a percentage of the claim, no region registered any improvement in 2009 and 2010. However, the actual average level of the cost of enforcing contracts in APEC is relatively high, as only East Asia & Pacific and Sub-Saharan Africa register higher costs as percentage of the claim.



Source: World Bank – Doing Business



Note: No region reached the pro rata improvement in any of the Enforcing Contracts' indicators (-2.5). APEC, Latin America & Caribbean and South Asia did not register any change in the indicators included in this priority area. Improvements are shown with negative values.

Source: World Bank – Doing Business

As part of the workshop activities within APEC on Enforcing Contracts, an “In-Depth Seminar on Enforcing Contracts” took place in Seoul in June 2010. Participants concluded that due to the differing circumstances economies face, there is no single prescription that applies to all economies to improve their contract enforcement systems.

In order to provide customized suggestions for reform, Korea, as champion economy in this area, organized visits to Indonesia in January 2011 and Peru in July 2011 to analyze the particular problems facing these economies in their contract enforcement systems. Korea plans to present the research results from these two visits at a seminar in October 2011, in the

presence of high-level government officials, relevant legal experts and judges from Indonesia and Peru.

7. APEC'S OVERALL EODB INITIATIVE PERFORMANCE

APEC's progress in the performance of each EoDB indicator belonging to the five priority areas is summarized in the following table:

Benchmark: 2.5 percent improvement	Improvement equal to or above benchmark	Improvement, but below benchmark	No change	Declining conditions
Starting a Business	<ul style="list-style-type: none"> • Procedures (number) • Time (days) • Paid-in Minimum Capital (% of income per capita) 	<ul style="list-style-type: none"> • Cost (% income per capita) 		
Dealing with Construction Permits	<ul style="list-style-type: none"> • Procedures (number) • Time (days) 			<ul style="list-style-type: none"> • Cost (% of income per capita)
Getting Credit	<ul style="list-style-type: none"> • Depth of Credit Information Index • Public Registry Coverage (% of adults) • Private Bureau Coverage (% of adults) 		<ul style="list-style-type: none"> • Strength of Legal Rights Index 	
Trading Across Borders	<ul style="list-style-type: none"> • Time to Export (days) • Time to Import (days) 	<ul style="list-style-type: none"> • Cost to Export (USD per container) • Cost to Import (USD per container) 	<ul style="list-style-type: none"> • Documents to Import (number) • Documents to Export (number) 	
Enforcing Contracts			<ul style="list-style-type: none"> • Procedures (number) • Time (days) • Cost (% of claim) 	

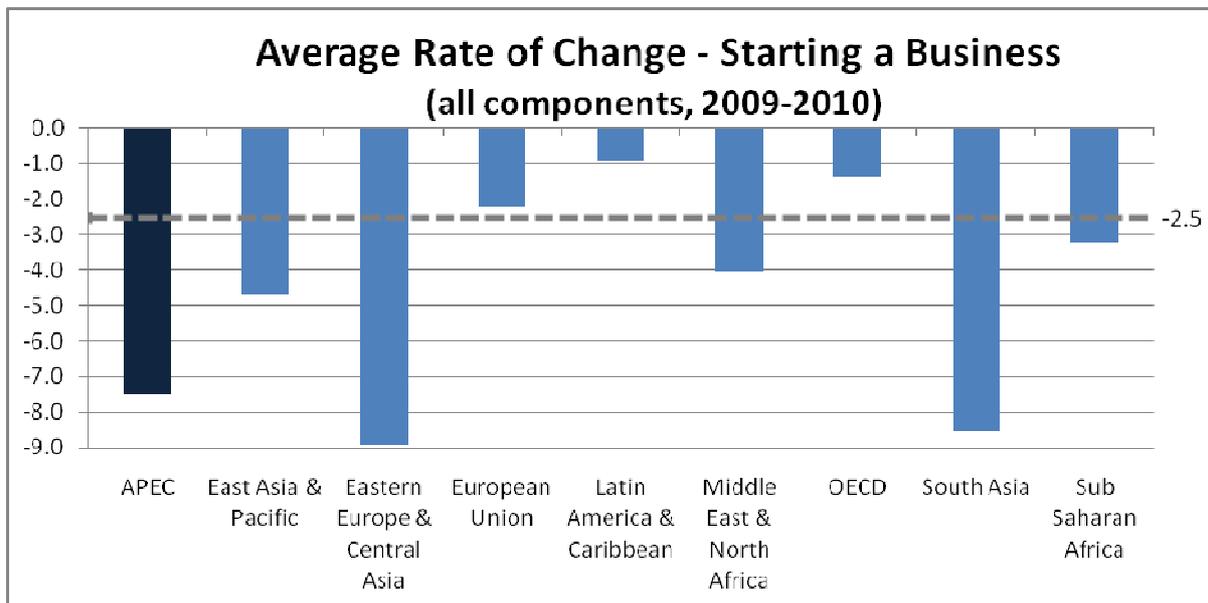
Some of highlights of APEC's EoDB initiative performance are:

- 4 out of 5 priority areas showed an improvement in the majority of their indicators. These priority areas are Starting a Business, Dealing with Construction Permits, Getting Credit and Trading Across Borders.
- 13 EoDB indicators registered improvements (65% of the EoDB indicators)
- 10 EoDB indicators improved beyond the benchmark (50% of the EoDB indicators)
- No change in 6 EoDB indicators (30% of the EoDB indicators)
- Only 1 EoDB indicator showed declining conditions (5% of the EoDB indicators)
- Most of the progress has been in terms of doing business faster (time). Progress in terms of time has been more evident compared with cost and procedures.

APEC's combined progress in each of the priority areas has been mixed. Two priority areas (Starting a Business and Getting Credit) already have surpassed the 5 percent interim improvement target for 2011.

In the case of Starting a Business, APEC's combined improvement rate by 2010 reached 7.5 percent, well beyond the 2.5 percent pro rata benchmark. This improvement is mostly explained by the faster time to start a business, as well as the smaller number of procedures

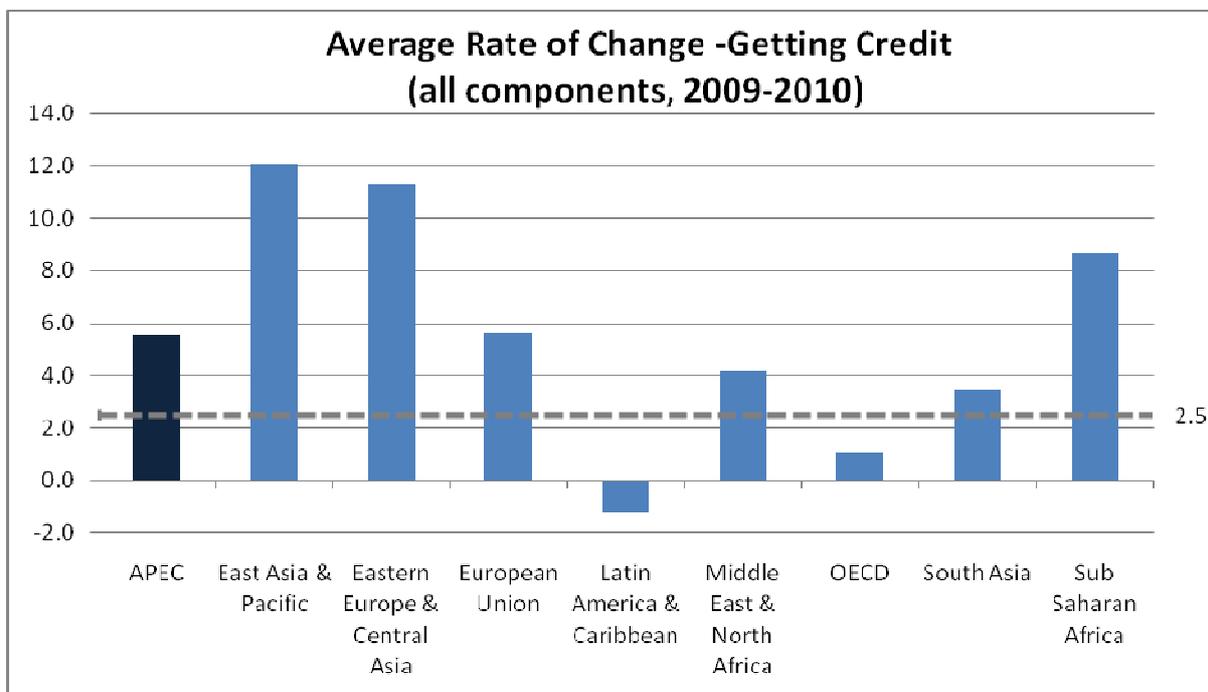
and lower paid-in minimum capital required in terms of percentage of income per capita. APEC's progress by 2010 also has been outstanding when compared with other regions.



Source: World Bank – Doing Business

Note: Improvements are shown with negative values.

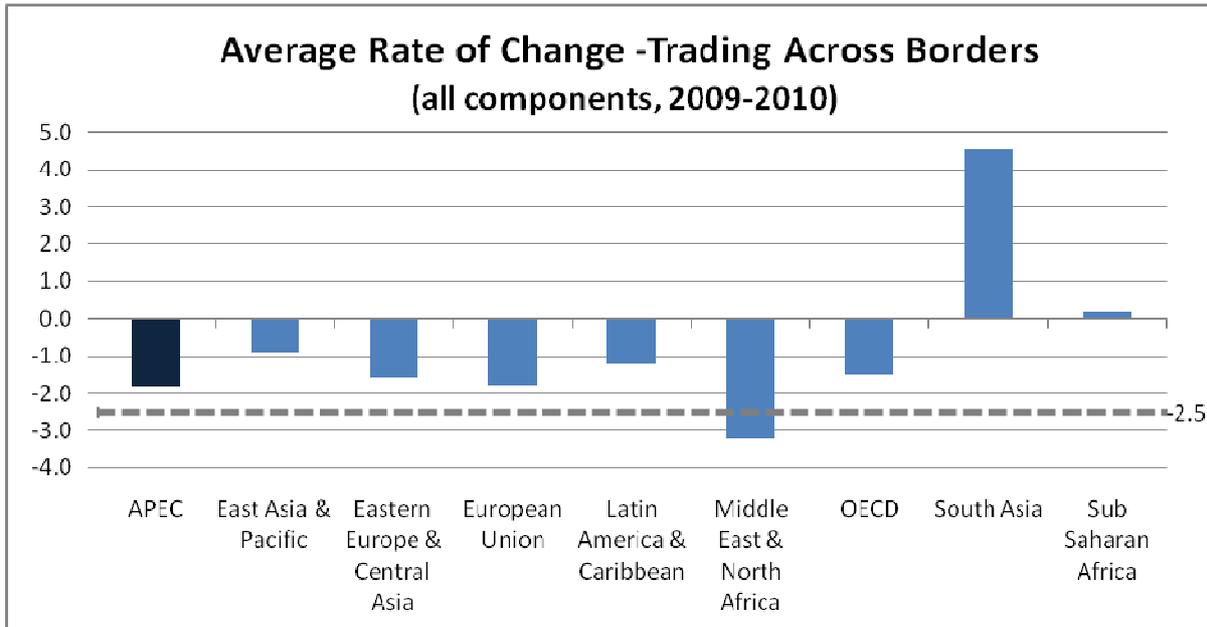
In terms of Getting Credit, APEC's improvement rate by 2010 reached 5.6 percent, which is explained to a great extent by the expansion of public credit registry coverage in the APEC region. The expansion of private credit bureau coverage as a percentage of the adult population and the improvement of the Depth of Credit Information Index also contributed to achieving this result.



Source: World Bank – Doing Business

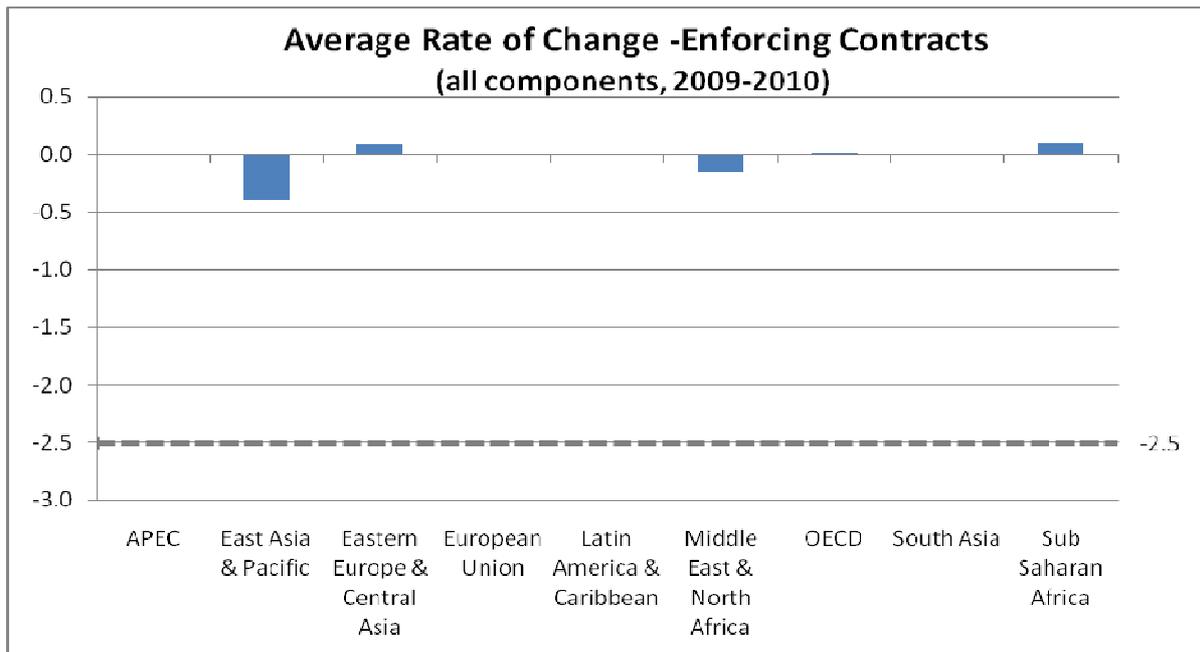
Note: Improvements are shown with positive values.

Combined progress was also achieved in the priority area of Trading Across Borders. APEC's improvement rate in Trading Across Borders was equivalent to 1.8 percent by 2010. This rate was lower than the pro rata benchmark of 2.5 percent improvement, but was second best among all regions, below only the Middle East & North Africa. It is important to mention that global progress in this priority area has been more limited than in Starting a Business and Getting Credit. In fact, APEC's improvement rate was the second best among all regions, only below that of the Middle East & North Africa. APEC's improvement rate was mostly explained by its outstanding performance in reducing the time to export and import.



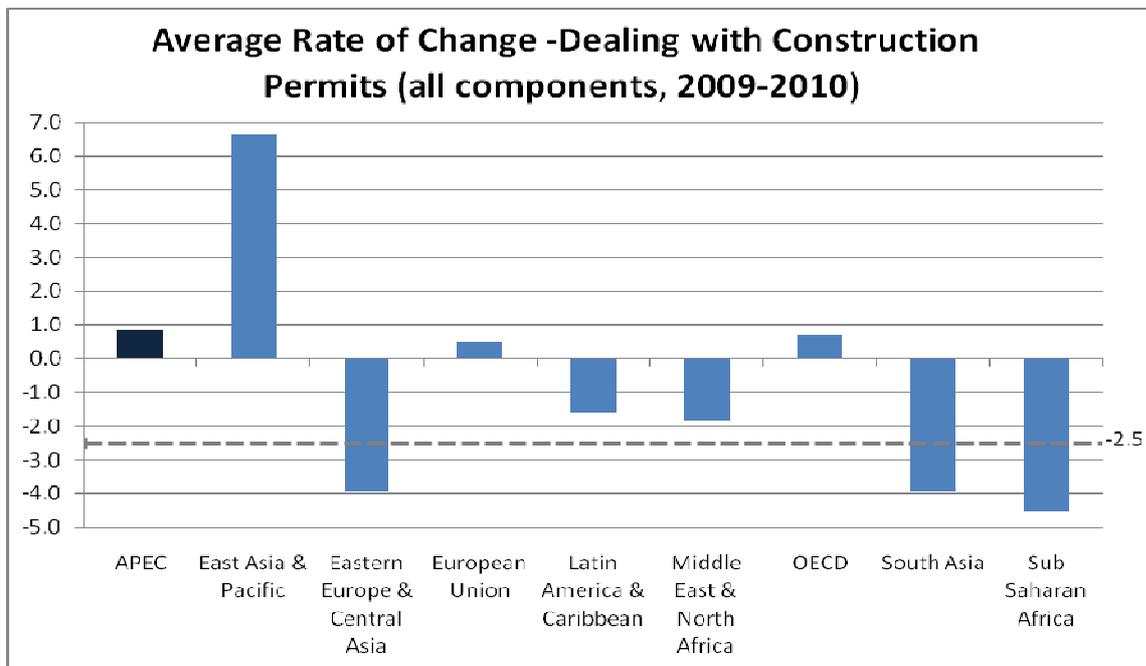
Source: World Bank – Doing Business
 Note: Improvements are shown with negative values.

Regarding Enforcing Contracts, no region experienced significant changes in this priority area, including APEC, and none reached the pro rata benchmark of 2.5 percent. In fact, APEC's indicators on this priority area did not experience any change between 2009 and 2010, and improvements and declines in the other regions were less than 0.5 percent.



Source: World Bank – Doing Business
 Note: Improvements are shown with negative values.

Dealing with Construction Permits registered a 0.8 percent decline in APEC’s performance. Nevertheless, this negative number is explained by a single factor: the increase in the cost of obtaining construction permits as a percentage of the income per capita. This cost increased by 10.4 percent in 2010, which offset the good progress achieved in reducing the number of procedures (2.6 percent reduction) and the number of days (5.3 percent reduction) to get a construction permit.



Source: World Bank – Doing Business
 Note: Improvements are shown with negative values.

If progress of all priority areas is equally combined to obtain an average rate of improvement for the EoDB initiative, APEC's combined improvement rate for year 2010 is equal to 2.8 percent, above the pro rata benchmark of 2.5 percent. This result indicates that APEC is moving in the right direction to meet the interim target of a 5 percent improvement by 2011.

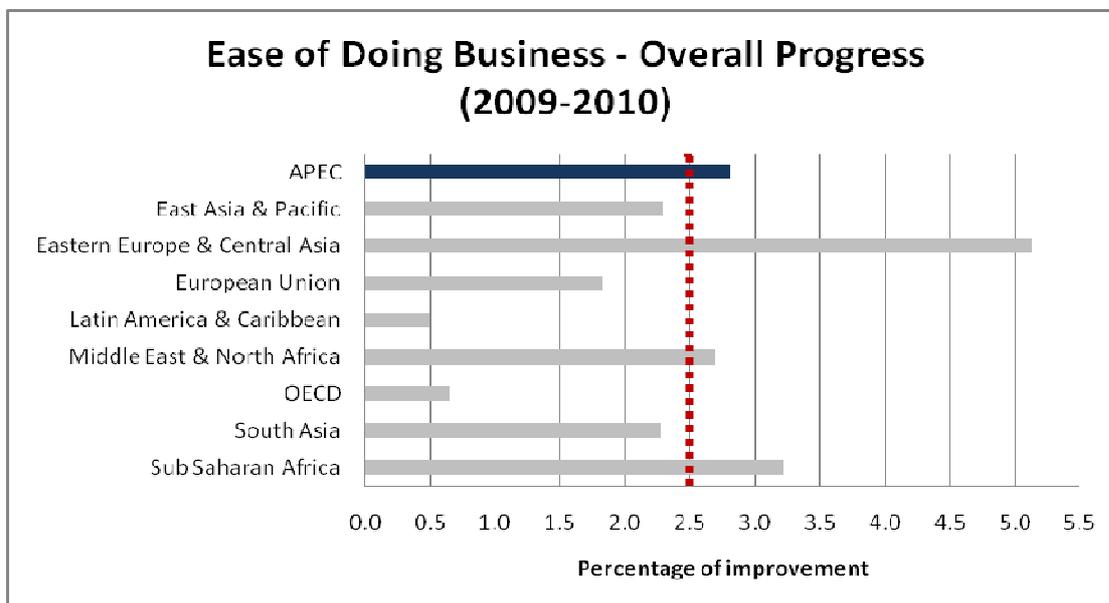
APEC - Overall Progress at Ease of Doing Business Initiative (2009-2010)

Pro Rata Benchmark = 2.5 percent

Region	Starting a Business	Dealing with Construction Permits	Getting Credit	Trading Across Borders	Enforcing Contracts	Overall Progress
APEC	7.5	-0.8	5.6	1.8	0.0	2.8
East Asia & Pacific	4.7	-6.6	12.1	0.9	0.4	2.3
Eastern Europe & Central Asia	8.9	3.9	11.3	1.6	-0.1	5.1
European Union	2.2	-0.5	5.6	1.8	0.0	1.8
Latin America & Caribbean	0.9	1.6	-1.2	1.2	0.0	0.5
Middle East & North Africa	4.0	1.8	4.2	3.2	0.1	2.7
OECD	1.4	-0.7	1.1	1.5	0.0	0.7
South Asia	8.6	3.9	3.4	-4.5	0.0	2.3
Sub Saharan Africa	3.2	4.5	8.7	-0.2	-0.1	3.2

Source: World Bank - Doing Business

Note: All components have been calculated by using simple averages. Improvements are shown with positive values.



Source: World Bank - Doing Business

Note: All components have been calculated by using simple averages

A GOOD START, BUT MORE WORK NEEDED

Despite the combined progress achieved by the APEC region between 2009 and 2010 in the EoDB priority areas, APEC members need to continue their individual and collective efforts to make doing business easier, faster and cheaper.

APEC's performance still lags behind other regions in some aspects of doing business. For example, in Starting a Business, APEC reduced effectively the number of procedures and days, but it still takes more procedures and days to start a business compared with other groupings such as the European Union, OECD and Eastern Europe & Central Asia. Similarly, in the area of Dealing with Construction Permits, the cost as percentage of income per capita in APEC still exceeds levels registered in developing regions such as Latin America & Caribbean.

In terms of Getting Credit, APEC is behind the OECD and the European Union concerning strength of legal rights. These two groups are also in front of APEC in Trading Across Borders regarding the number of documents and days to export and import. In the same way, APEC has room to improve in the field of Enforcing Contracts, as cost as a percentage of the claim is higher in APEC than South Asia, Middle East & North Africa and Latin America & Caribbean.

APEC economies at all development levels stand to benefit from additional improvements. APEC developing economies have made remarkable progress, but more work can be done, for example, in terms of Dealing with Construction Permits; the time and cost incurred in Starting a Business and Enforcing Contracts; and the percentage of adult population listed in credit bureaus. Progress in APEC industrialized members has been slower, because of the good business conditions already established, but there is room to improve in areas such as Trading Across Borders, since the cost of exporting and importing a container is much higher than in APEC developing members.

The combined progress of 2.8 percent improvement in the five EoDB priority areas is a good start for APEC towards the interim goal of 5 percent improvement for 2011. Nevertheless, APEC must intensify and accelerate its efforts, including through capacity-building programs, in order to meet the ambitious goal of a 25 percent improvement in the ease of doing business by 2015. The interim improvement rate of 2.8 percent achieved in 2010, although strong, is insufficient to ensure APEC's success in reaching its longer-term improvement goal. To reach this target, APEC economies should aim to improve, on average, at annual improvement rates equivalent to 4 percent between 2010 and 2015.¹³

The 2012 APEC Economic Policy Report, to be published by the Economic Committee next year, will incorporate the World Bank's 2011 Doing Business indicators and updated qualitative information to assess APEC's full-year 2011 progress toward the 5 percent interim improvement target.

¹³ This figure was calculated by converting APEC's combined performance into an index number. Considering baseline year 2009 as reference (2009=100), as combined progress in 2010 was equal to 2.8 percent, APEC's performance in 2010 would be equivalent to 102.8. In the same way, reaching the 25 percent improvement goal for 2015 would mean obtaining a value of 125 for that year. To progress from 102.8 to 125 in the period 2010-2015, APEC will need to improve its EoDB performance at an average annual rate of $[(125/102.8)^{(1/5)} - 1] = 4$ percent.

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APPENDIX 1: METHODOLOGY

The EoDB initiative requires not only credible targets, but also an assessment of the progress made by the APEC region with a methodology that is easy to understand.

As the target establishes an APEC-wide target of 25 percent improvement by 2015 and 5 percent improvement by 2011, the methodology should measure the evolution of APEC as a whole in the five EoDB priority areas. In this sense, the assessment should compare across time the average values of APEC in the EoDB indicators available from the World Bank Doing Business report.

The indicators divided by priority areas are the following ones:

1. Starting a Business
 - a. Procedures (number)
 - b. Time (days)
 - c. Cost (percentage of income per capita)
 - d. Paid-in Minimum Capital (percentage of income per capita)
2. Dealing with Construction Permits
 - a. Procedures (number)
 - b. Time (days)
 - c. Cost (percentage of income per capita)
3. Getting Credit
 - a. Strength of Legal Right Index (from 0 to 10, being 10 the strongest)
 - b. Depth of Credit Information Index (from 0 to 6, being 6 the deepest)
 - c. Public Registry Coverage (percentage of adults)
 - d. Private Bureau Coverage (percentage of adults)
4. Trading Across Borders
 - a. Documents to Export (number)
 - b. Time to Export (days)
 - c. Cost to Export (USD per container)
 - d. Documents to Import (number)
 - e. Time to Import (days)
 - f. Cost to Import (USD per container)
5. Enforcing Contracts
 - a. Procedures (number)
 - b. Time (days)
 - c. Cost (percentage of claim)

To calculate the APEC average values per year in each of the aforementioned indicators, this study utilizes a simple average across APEC member economies. Simple averages provide a transparent and straightforward method to calculate these values. In addition, they are easy to understand and achievements by all APEC members are treated equally. For example, the calculation of the APEC average number of procedures in the Starting a Business priority area is as follows:

$$\text{APEC avg. procedures}_{2010} = (\# \text{ of procedures in Australia}_{2010} + \# \text{ of procedures in Brunei Darussalam}_{2010} + \dots + \# \text{ of procedures in Viet Nam}_{2010}) / \# \text{ of APEC economies}$$

The APEC-wide annual rate of improvement (or decline) in year 2010 can be calculated by comparing it with the value obtained in 2009. Following the example of the number of procedures in the Starting a Business priority area, the APEC-wide rate of improvement in this indicator is equal to:

$$\text{APEC-wide rate of improvement avg. procedures}_{2010} = \left[\frac{(\text{APEC avg. procedures}_{2010})}{(\text{APEC avg. procedures}_{2009})} - 1 \right] \times 100$$

Since all the priority areas are comprised by indicators with different nature and units of measurement (for instance: numbers, days, percentage of income per capita), the estimation of the APEC-wide rate of improvement in any priority area can be obtained by calculating the simple average of the rates of improvement (or decline) in each of the indicators belonging to the particular priority area. For example, to obtain the APEC-wide rate of improvement in the Starting a Business priority area in year 2010:

$$\text{APEC-wide rate of improvement Starting a Business}_{2010} = (\text{APEC-wide rate of improvement avg. procedures}_{2010} + \text{APEC-wide rate of improvement avg. time}_{2010} + \text{APEC-wide rate of improvement avg. cost}_{2010} + \text{APEC-wide rate of improvement paid-in minimum capital}_{2010}) / \# \text{ of indicators}$$

By using a simple average, the measurement gives the same importance to each of the indicators comprising any specific priority area.

The methodology allows the identification of the priority areas and indicators in which APEC has met or surpassed its aspirational targets and assists APEC in recognizing areas where more work is needed.

This methodology also provides a measure of the overall APEC-wide improvement in the EoDB initiative. In this regard, this measure can be attained by combining the APEC-wide rates of improvement in the five priority areas:

$$\text{APEC-wide rate of improvement EoDB}_{2010} = (\text{APEC-wide rate of improvement Starting a Business}_{2010} + \text{APEC-wide rate of improvement Dealing with Construction Permits}_{2010} + \text{APEC-wide rate of improvement Getting Credit}_{2010} + \text{APEC-wide rate of improvement Trading Across Borders}_{2010} + \text{APEC-wide rate of improvement Enforcing Contracts}) / \# \text{ of priority areas}$$

The intention of the EoDB initiative is to reach an APEC-wide improvement of 5 percent by 2011 and 25 percent by 2015. Measuring the overall improvement by using a simple average of the rates of improvement (or decline) of the five priority areas, reduces the subjectivity of the assessment by considering all priority areas as equally important.¹⁴

¹⁴ If weighted averages are introduced, the overall results could be skewed toward the priority area assigned with the greater weight. Assigning weights could introduce additional complications, such as the criteria to be used. It is also possible that individual APEC economies differ on the importance to assign to each of the priority areas based on its particular realities.

APPENDIX 2: LIST OF ECONOMIES BY GROUPINGS

APEC (21 economies)

Australia; Brunei Darussalam; Canada; Chile; China; Hong Kong, China; Indonesia; Japan; Korea; Malaysia; Mexico; New Zealand; Papua New Guinea; Peru; Philippines; Russian Federation; Singapore; Chinese Taipei; Thailand; United States; Viet Nam.

East Asia & Pacific (24 economies)

Brunei Darussalam; Cambodia; China; Fiji; Hong Kong, China; Indonesia; Kiribati; Lao PDR; Malaysia; Marshall Islands; Micronesia, Fed. Sts.; Mongolia; Palau; Papua New Guinea; Philippines; Samoa; Singapore; Solomon Islands; Taiwan, China; Thailand; Timor-Leste; Tonga; Vanuatu; Vietnam.

Eastern Europe & Central Asia (25 economies)

Albania; Armenia; Azerbaijan; Belarus; Bosnia and Herzegovina; Bulgaria; Croatia; Cyprus; Estonia; Georgia; Kazakhstan; Kosovo; Kyrgyz Republic; Latvia; Lithuania; Macedonia, FYR; Moldova; Montenegro; Romania; Russian Federation; Serbia; Tajikistan; Turkey; Ukraine; Uzbekistan.

European Union (26 economies)

Austria; Belgium; Bulgaria; Cyprus; Czech Republic; Denmark; Estonia; Finland; France; Germany; Greece; Hungary; Ireland; Italy; Latvia; Lithuania; Luxembourg; Netherlands; Poland; Portugal; Romania; Slovakia; Slovenia; Spain; Sweden; United Kingdom.

Latin America & Caribbean (32 economies)

Antigua and Barbuda; Argentina; Bahamas, the; Belize; Bolivia; Brazil; Chile; Colombia; Costa Rica; Dominica; Dominican Republic; Ecuador; El Salvador; Grenada; Guatemala; Guyana; Haiti; Honduras; Jamaica; Mexico; Nicaragua; Panama; Paraguay; Peru; Puerto Rico; St. Kitts and Nevis; St. Lucia; St. Vincent and the Grenadines; Suriname; Trinidad and Tobago; Uruguay; Venezuela.

Middle East & North Africa (18 economies)

Algeria; Bahrain; Djibouti; Egypt; Iran; Iraq; Jordan; Kuwait; Lebanon; Morocco; Oman; Qatar; Saudi Arabia; Syria; Tunisia; United Arab Emirates; West Bank and Gaza; Yemen.

OECD (30 economies)

Australia; Austria; Belgium; Canada; Czech Republic; Denmark; Finland; France; Germany; Greece; Hungary; Iceland; Ireland; Israel; Italy; Japan; Korea, Rep.; Luxembourg; Netherlands; New Zealand; Norway; Poland; Portugal; Slovakia; Slovenia; Spain; Sweden; Switzerland; United Kingdom; United States.

South Asia (8 economies)

Afghanistan; Bangladesh; Bhutan; India; Maldives; Nepal; Pakistan; Sri Lanka.

Sub Saharan Africa (46 economies)

Angola; Benin; Botswana; Burkina Faso; Burundi; Cameroon; Cape Verde; Central African Republic; Chad; Comoros; Congo, Dem. Rep.; Congo, Rep.; Côte d'Ivoire; Equatorial Guinea; Eritrea; Ethiopia; Gabon; Gambia, the; Ghana; Guinea; Guinea-Bissau; Kenya; Lesotho; Liberia; Madagascar; Malawi; Mali; Mauritania; Mauritius; Mozambique; Namibia; Niger; Nigeria; Rwanda; São Tomé and Príncipe; Senegal; Seychelles; Sierra Leone; South Africa; Sudan; Swaziland; Tanzania; Togo; Uganda; Zambia; Zimbabwe.