

# **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 (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**