



Economic Committee

Structural Reform in APEC Economies

Prepared for:

APEC Peru 2008 Thematic Seminar
Lima, Peru, 27-28 November 2007

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Presentation outline

- What is structural policy reform (behind-the-border barriers)?
- How does structural reform support APEC's economic agenda?
- What are the structural impediments to growth in the APEC region?
- Why is APEC a good place to promote improved structural policies?
- What is APEC doing to promote improved structural policies?
- What are some key challenges to promoting improved structural policies in the APEC region?

What is structural policy reform (“behind-the border barriers”)?

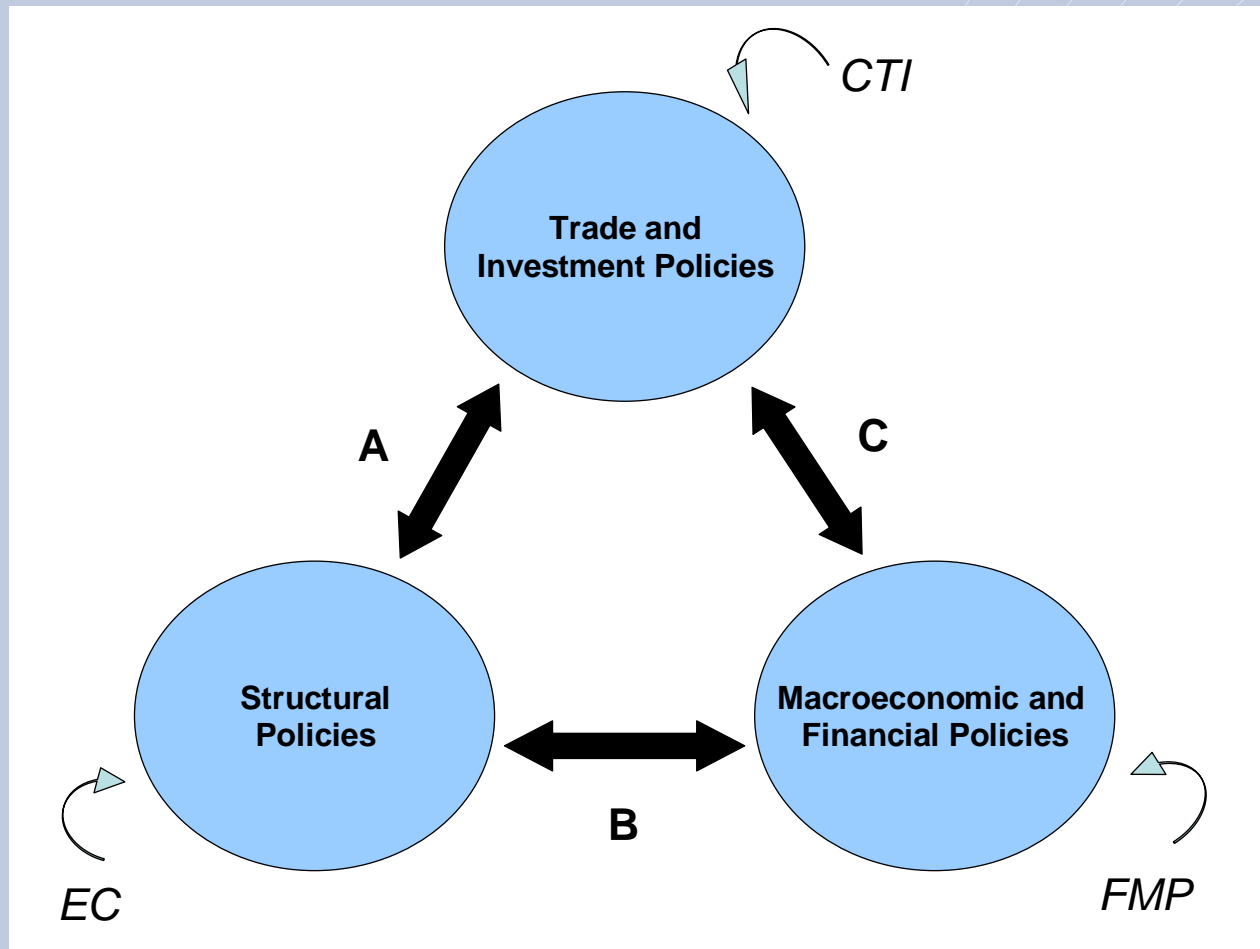
- Measures to improve market efficiency
- Relates both to institutions (“rules of the game” and policy institutions) and to transactions costs of doing business
- Priority areas identified by LAISR 2004



How does SR support APEC's economic agenda?

- Progress in reducing border barriers (tariffs and trade facilitation), but barriers behind the border are still significant
- Trade, macro, and structural policies are mutually reinforcing for economic growth
- Policy coherence is important – the example of Chile

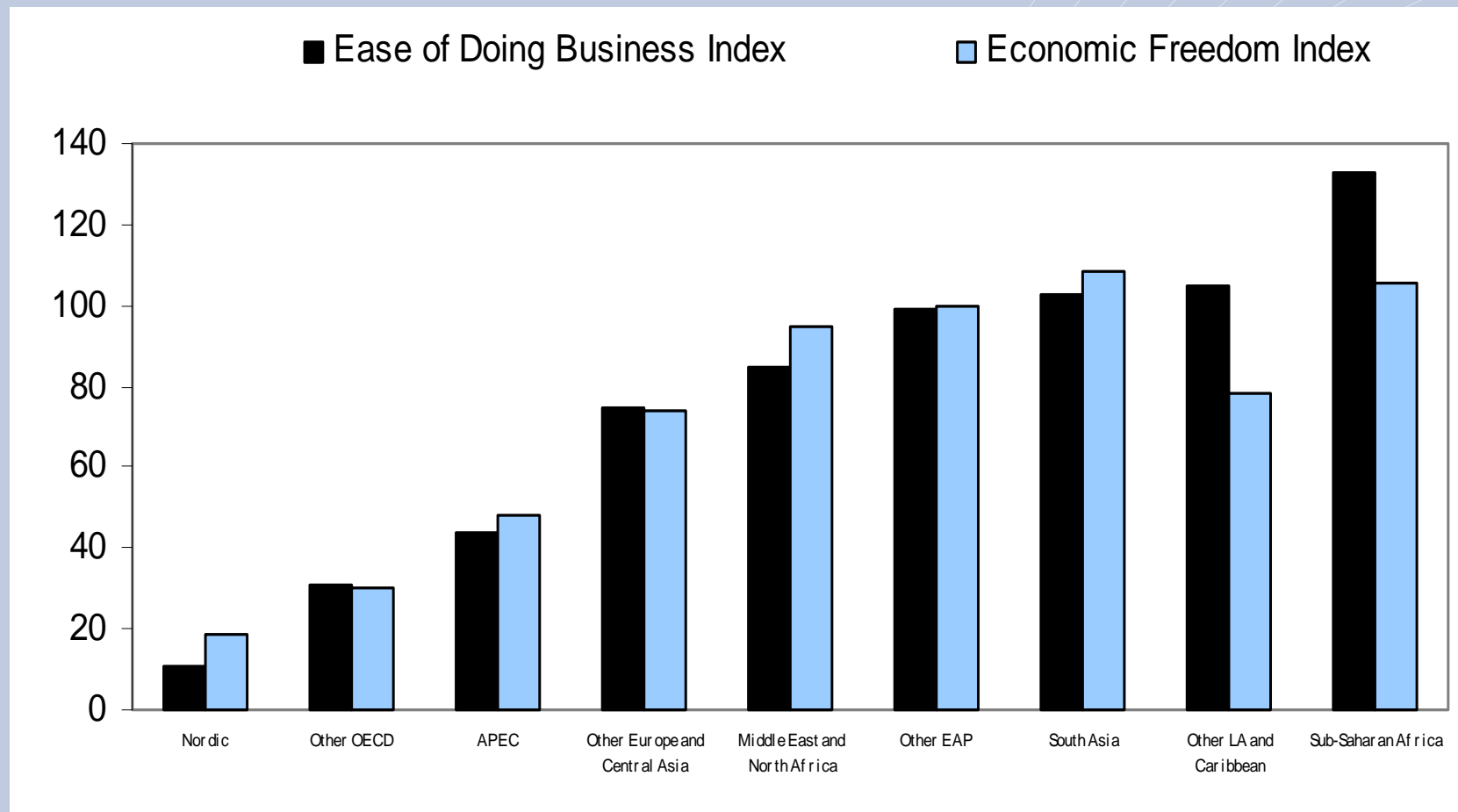
Three elements of APEC's economic agenda are reinforcing



Structural impediments to growth in the APEC region

- Stages of development and priorities
- International benchmarking of business compliance costs
- International studies of the payoffs from structural reforms
- Case study of comprehensive reform: New Zealand

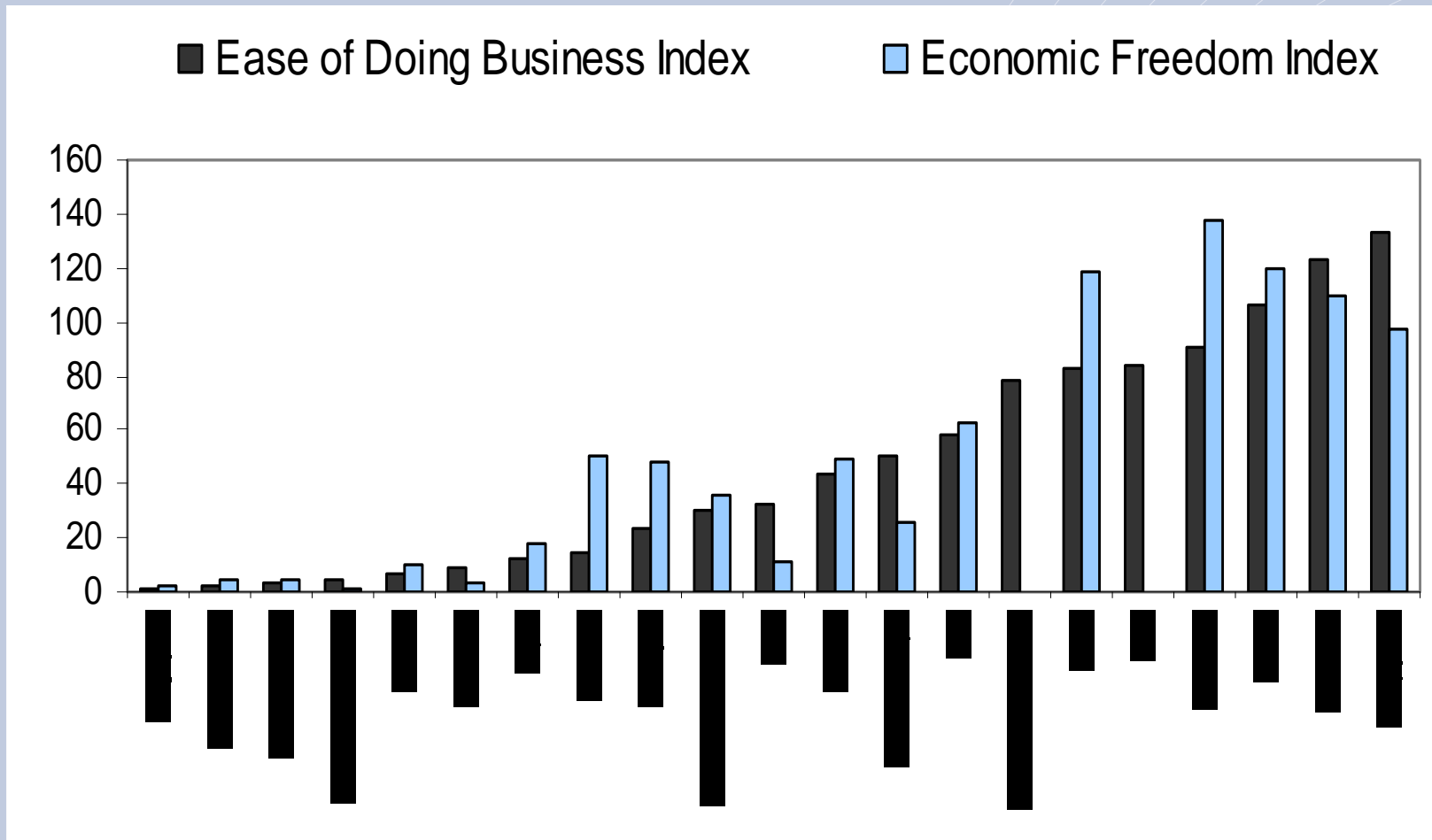
Costs of doing business: APEC performs well as a group ...



Source: Index of Economic Freedom 2007, IMD Business School; Ease of Doing Business Index 2007, World Bank

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... but significant variations across APEC



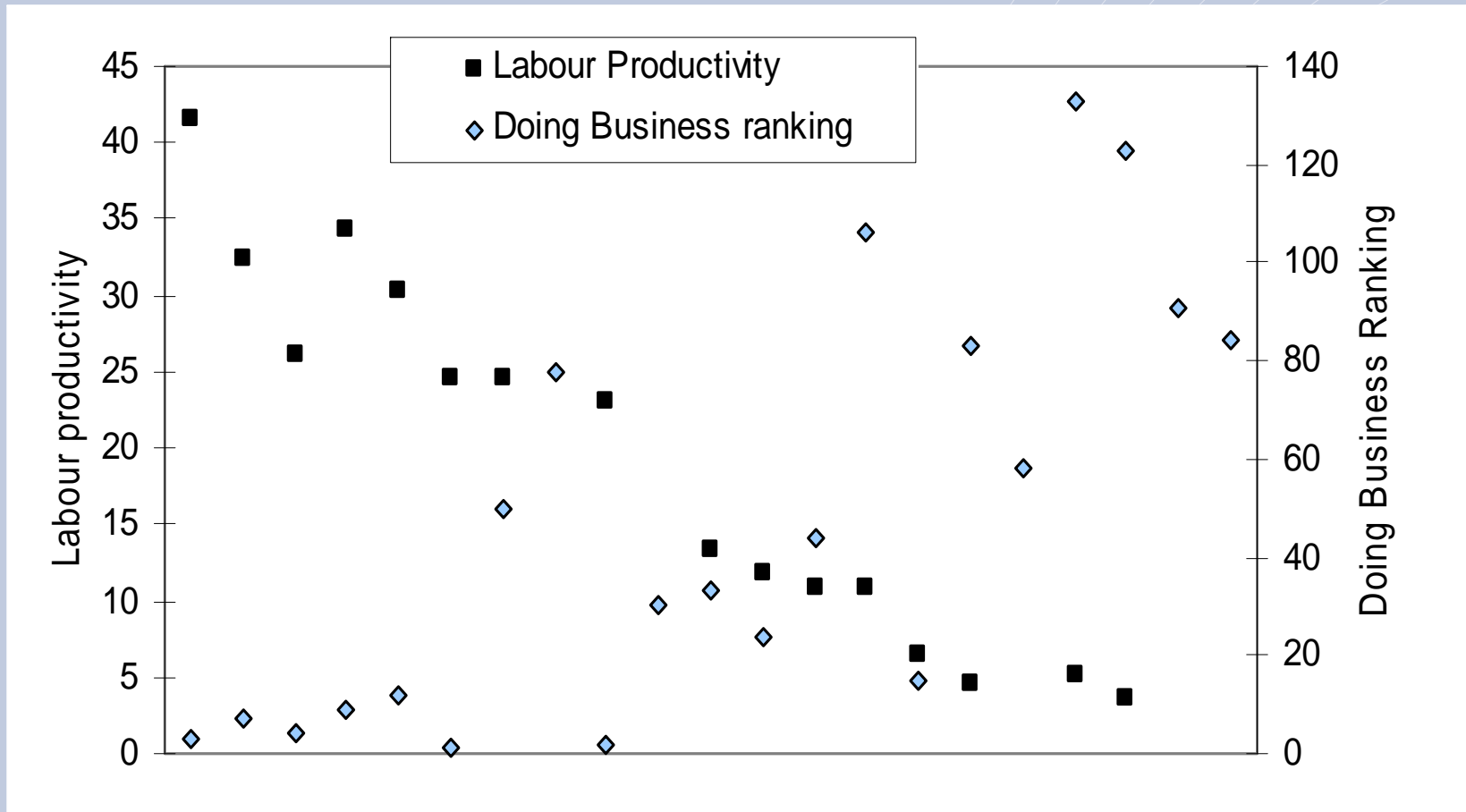
International studies

- Higher compliance costs:
 - *Static effects*: Divert resources from productive uses
 - *Dynamic effects*: Reduce returns from investment
 - Reduce rate of firm entry and exit and contestability of markets
 - Impedes regional integration

International studies

- Payoffs from regulatory reform:
 - Economies with better regulations grow faster.
 - Improving from worst quartile of business regulations to best implies a 2.3% increase in annual growth (World Bank, 2005).
 - Ongoing regulatory reform has improved productivity in developed economies.
 - Large payoff to unilateral regulatory reform in APEC (Dee, 2005)

Cost of doing business and productivity



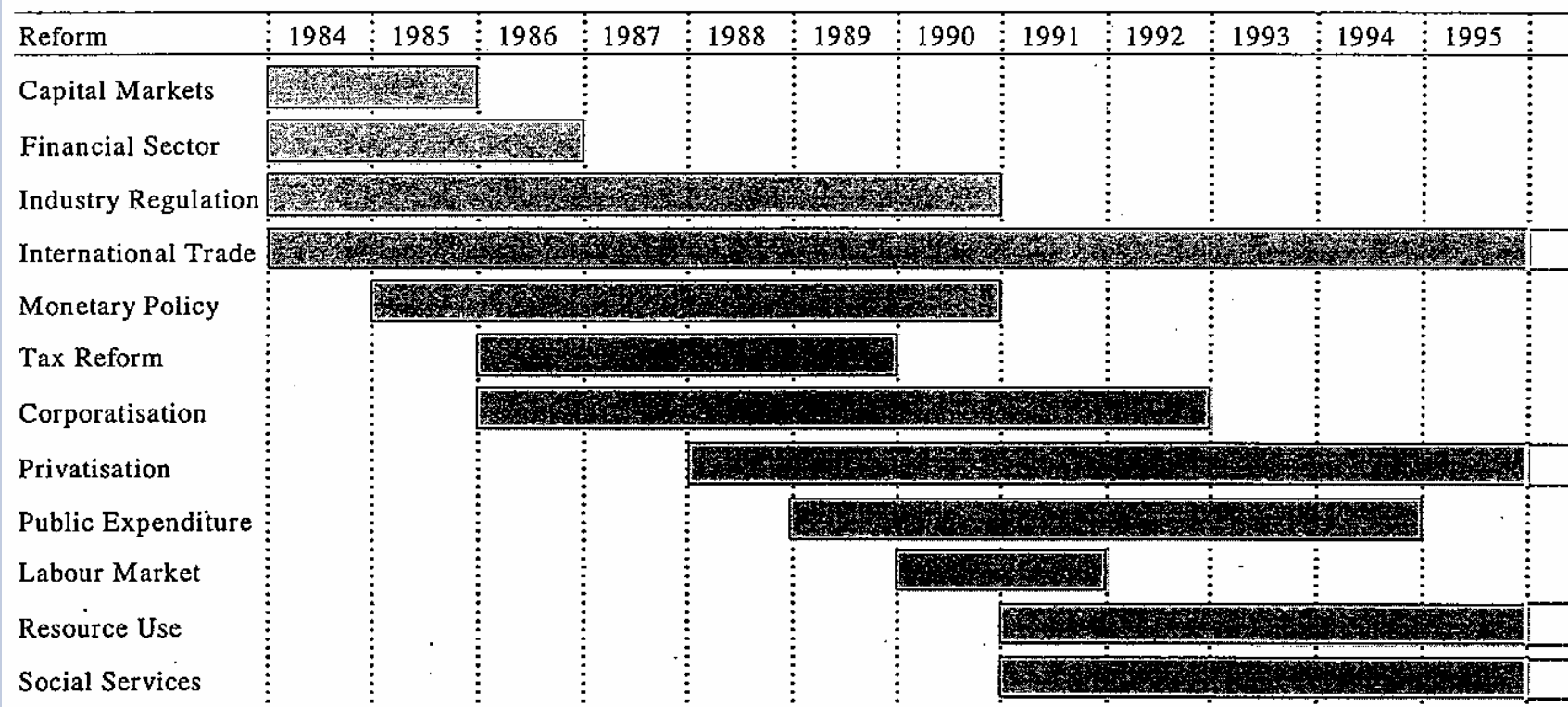
Source: Ease of Doing Business Index 2007, World Bank.

A Case study of reform: New Zealand

- Structural reforms resulted in improved economic performance in New Zealand.
- Phasing of reforms and adjustment challenges.
- New Zealand's growth performance since the reforms.

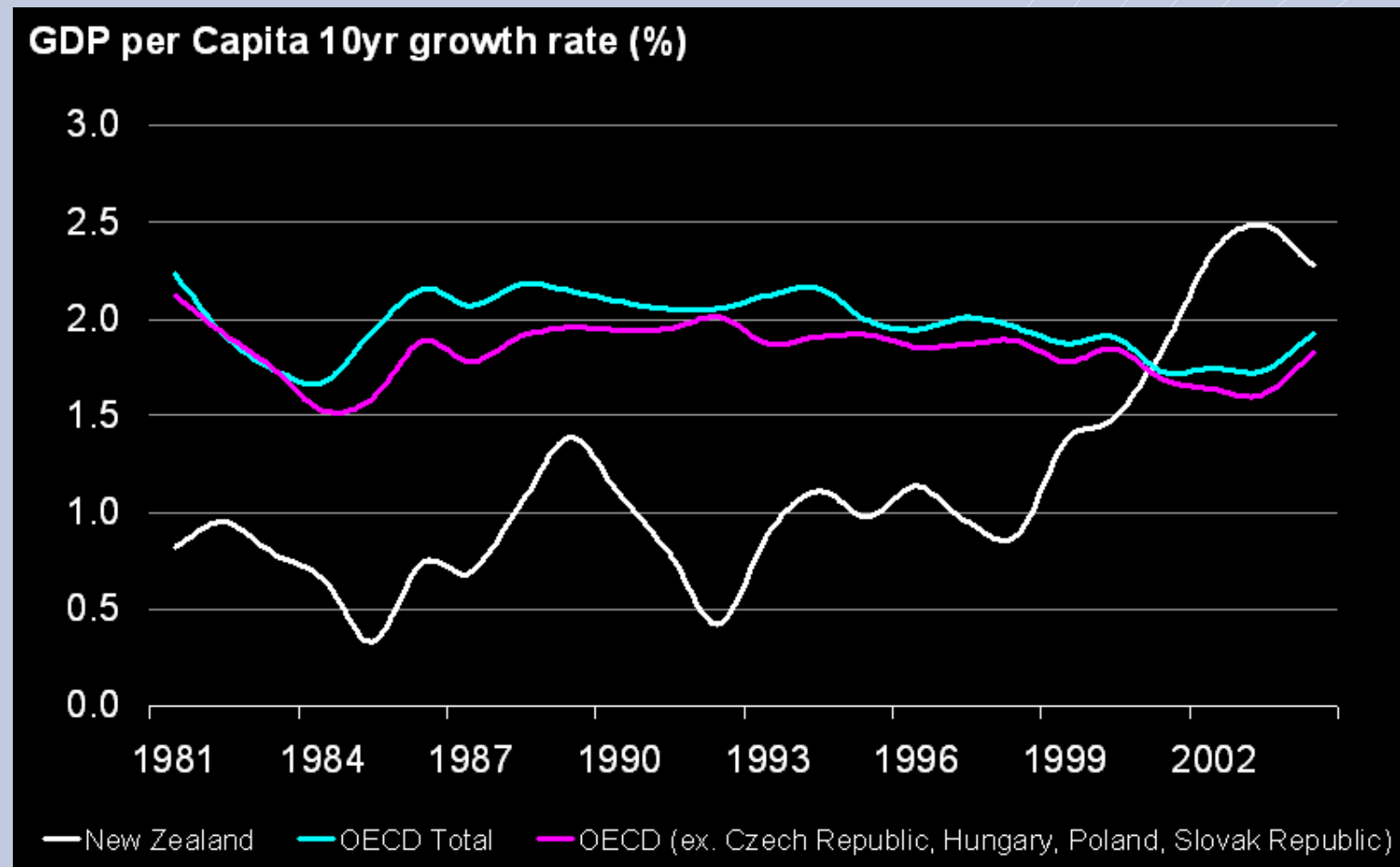
Stages of New Zealand's reforms

Figure 1. Actual Phasing of Economic Reforms in New Zealand from 1984



Note: This figure is conceptual in nature. Each bar represents the approximate duration of each reform (although the impact clearly took longer). The dotted lines indicate continuing reform. The appendix to this chapter contains a chronology of the main developments within each reform.

New Zealand's growth post-reform



APEC is a good place to promote improved structural policies

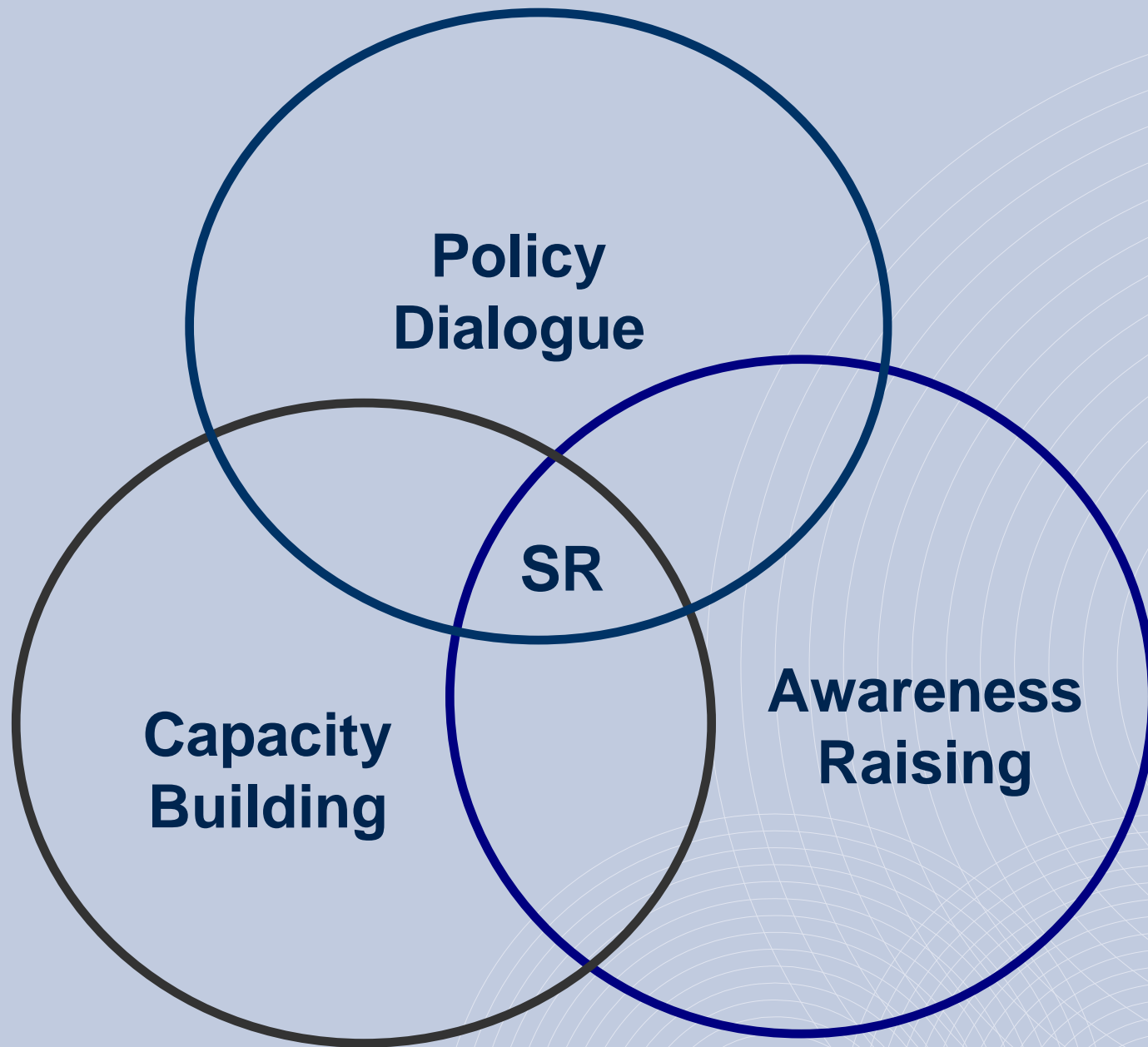
- Forum for senior officials to discuss policy challenges, share experiences and good practices, and provide technical support where necessary
- Existing institutional structure
- Different stages of development of members - lots of different experiences to share.
- Connection with business community via ABAC
- No one-size-fits-all approach

Mandate and milestones: EC and APEC's structural reform agenda

- **2004:** Leaders' Agenda to Implement Structural Reform (LAISR) 2004
- **2005:** APEC Work Plan on LAISR towards 2010 (LAISR 2010)
- **2007:** Forward Work Programme for LAISR
- **2008:** Structural Reform Ministerial Meeting
- **2010:** Stocktake of progress on structural reform including how it has contributed toward the *Bogor Goals*

APEC is working to promote improved structural policies

- Economic Committee leads and coordinates APEC's structural reform agenda.
- Other APEC fora also involved eg, CPDG, SELI, IEG, FMP, SME-WG and other sectoral working groups



Key initiatives for 2008

- Initiatives being progressed related to the five LAISR themes
- Senior Official Policy Dialogue on Structural Reform, February 2008
- Ministerial Meeting on Structural Reform, August, Melbourne, Australia

Challenges to promoting structural reform

- Building domestic support for reform
- Policy sequencing
- Optimal policies change over time
- Measurement and identification of priorities