



Asia-Pacific  
Economic Cooperation

# APEC Economic Policy Report 2012

APEC Economic Committee

**EXECUTIVE SUMMARY**

Advancing Free Trade for Asia-Pacific Prosperity



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Economic Cooperation**

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# Acknowledgments

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# Executive Summary

APEC Leaders in 2009 endorsed the APEC's Ease of Doing Business (EoDB) initiative, which establishes the goal of an APEC-wide improvement of 25 percent by 2015 in five key areas of doing business: (1) starting a business; (2) dealing with permits; (3) getting credit; (4) trading across borders; and (5) enforcing contracts, with an interim target of 5 percent improvement by 2011.

## APEC'S EODB OVERALL INITIATIVE PERFORMANCE

Last year, a preliminary assessment based on the World Bank's Doing Business indicators for the period 2009-2010 indicated that APEC made a promising start by showing a combined improvement equivalent to 2.8 percent in these five priority areas, which was above the 2.5 percent pro rata benchmark toward the 2011 interim target.

This interim assessment covers the period 2009-2011 and takes into account the new dataset released by the World Bank's Doing Business by end-October 2011. APEC has continued to make collective progress in the EoDB initiative between 2009 and 2011. By using APEC average values and 2009 as the baseline year, the interim assessment shows that the accumulated progress in all areas by the end of 2011 went further in comparison with 2010. APEC's combined improvement across the five EoDB priority areas between 2009 and 2011 is equal to 8.2 percent, exceeding the 2011 interim target of 5 percent improvement.

**Table ES-1**

*APEC: Accumulated Overall Progress of Ease of Doing Business Initiative (Average Values)*

	<b>Starting a Business</b>	<b>Dealing with Construction Permits</b>	<b>Getting Credit</b>	<b>Trading Across Borders</b>	<b>Enforcing Contracts</b>	<b>Overall Progress</b>
Improvement 2009–2010 <sup>a</sup>	7.5	-0.8	5.6	1.8	0.0	2.8
Improvement 2009–2011 <sup>b</sup>	18.3	10.3	8.8	3.1	0.7	8.2
Difference 2010–2011	10.8	11.1	3.2	1.3	0.7	5.4

*Notes* Benchmark 2009–2011 = 5 percent improvement  
Improvements are shown with positive values.

<sup>a</sup>Figures were taken from APEC's Ease of Doing Business: Interim Assessment published in October 2011.

<sup>b</sup>Figures were computed from the Doing Business 2012 dataset released by the World Bank at the end of October 2011.

Source: PSU calculations using data from World Bank, Doing Business 2011 and 2012 and updates to Doing Business Database.

Starting a Business, Dealing with Construction Permits and Getting Credit were the three priority areas, which in average terms, improved the most. Improvement in the Starting a Business priority area was particularly strong, with remarkable progress across the whole

APEC region. A comparison between changes in the average and median values<sup>1</sup> for each of the priority areas between 2009 and 2011 shows that averages improved significantly in the areas of Dealing with Construction Permits and Getting Credit, but median values barely changed. A closer look to the data indicates that most of APEC's average progress in these two priority areas was explained by improvements in some economies that did not perform well and were located in the bottom half in 2009.

Within APEC, only Starting a Business and Trading Across Borders registered an increase in its median value equal or above the 5 percent improvement benchmark.

### Table ES-2

*APEC and Rest of the World (RoW): Collective Progress in Average and Median Values per EoDB Priority Area (2009-2011)*

	Starting a Business	Dealing with Construction Permits	Getting Credit	Trading Across Borders	Enforcing Contracts	Overall Progress
<b>APEC</b>						
Average Values	18.3	10.3	8.8	3.1	0.7	8.2
Median Values	24.7	-1.0	0.9	5.0	0.0	5.9
<b>RoW</b>						
Average Values	14.7	10.3	17.4	0.4	-0.2	8.5
Median Values	6.5	4.1	13.3	1.0	0.4	5.1

*Notes* Benchmark 2009–2011 = 5 percent improvement  
Improvements are shown with positive values.

*Source:* PSU calculations using data from World Bank, *Doing Business 2012* and updates to *Doing Business Database*.

Despite the combined progress achieved by the APEC region between 2009 and 2011 in the EoDB initiative, APEC members need to continue their individual and collective efforts to make doing business easier, faster and cheaper. APEC's average and median improvement rates show that APEC has taken important steps to improve the conditions for doing business, but more work is needed, as progress has been uneven across APEC member economies and EoDB priority areas.

APEC economies at all levels of economic development stand to benefit from additional improvements. APEC developing economies made remarkable progress between 2009 and 2011, but they still have room for improvement. Progress in APEC industrialized members was slower, in part because of the good business conditions that are already in place. Nevertheless, APEC industrialized members also have room for improvement in specific areas, such as the cost of exporting/importing a container (Trading Across Borders).

In terms of the EoDB priority areas, most of the improvement experienced by APEC was explained by the efforts made in one area: Starting a Business. Therefore, APEC economies need to strengthen their work in other priority areas in order to achieve the ultimate goal of an APEC-wide 25 percent improvement by 2015.

<sup>1</sup> The median is represented by the middle value in any data series, separating the upper half with the lower half of the values. Since APEC has 21 member economies, the APEC median for any EoDB indicator is equivalent to the value registered by the member economy located in the 11th position.

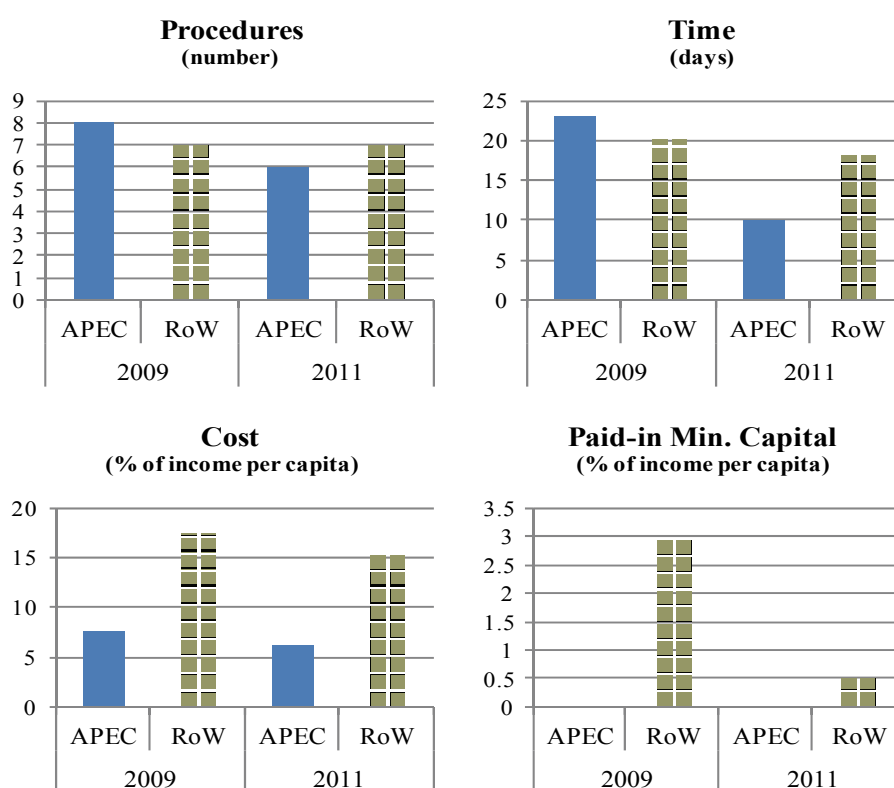
## HIGHLIGHTS BY APEC'S EODB PRIORITY AREA<sup>2</sup>

### Starting a Business

Progress in this priority area was remarkable across the whole APEC region, which performed much better in comparison to the rest of the world. For example, between 2009 and 2011, the median time to start a business fell remarkably from 23 to 10 days in APEC (56.5 percent). In addition, the median number of procedures and cost to start a business in APEC also declined faster than in the rest of the world. Another interesting feature is that APEC's median paid-in minimum capital is zero, which means that more than half of APEC members do not require paid-in minimum capital to start a business.

**Figure ES-1**

*Starting a Business – Median Values for APEC and RoW*



*Note: Low values indicate better performance.*

*Source: PSU calculations using data from World Bank, Doing Business.*

In recent years, multiple initiatives across APEC to make the process to start a business more efficient are explaining APEC's improvement in this area. For instance, Hong Kong, China; Mexico; Singapore; and Chinese Taipei have reported one-stop shops to facilitate necessary paperwork to start a business. Brunei Darussalam; Chile; Indonesia; Korea; and Malaysia also reported the simplification of procedures to start a business.

<sup>2</sup> The information in this section only highlights some key features in each priority area. In this regard, APEC median values are shown in those areas with the highest growth rates in average values (Starting a Business) and outliers (Dealing with Construction Permits). APEC average values are shown in the rest of the priority areas.



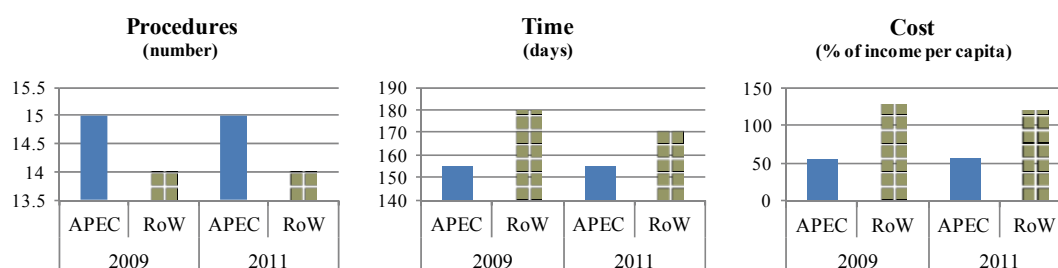
## Dealing with Construction Permits

In this area, most of the progress in APEC, during the period 2009-2011, was explained by those economies that did not perform well in 2009. More work needs to be done in this area. For instance, the median number of procedures in APEC (15) remained steady but was slightly larger than that of the rest of the world (14). The median time to obtain a construction permit in APEC also remained steady, even though it took less time compared with the rest of the world. On the opposite, APEC's median cost as percentage of income per capita is around half the cost experienced by the rest of the world, but increased in 3 percent between 2009 and 2011.

Some recent efforts to improve the application process to get a construction permit were reported by Brunei Darussalam; Hong Kong, China; Japan; and Chinese Taipei. These efforts include the introduction of online systems or the re-engineering of the procedures to obtain the approval.

**Figure ES-2**

*Dealing with Construction Permits—Median Values for APEC and RoW*



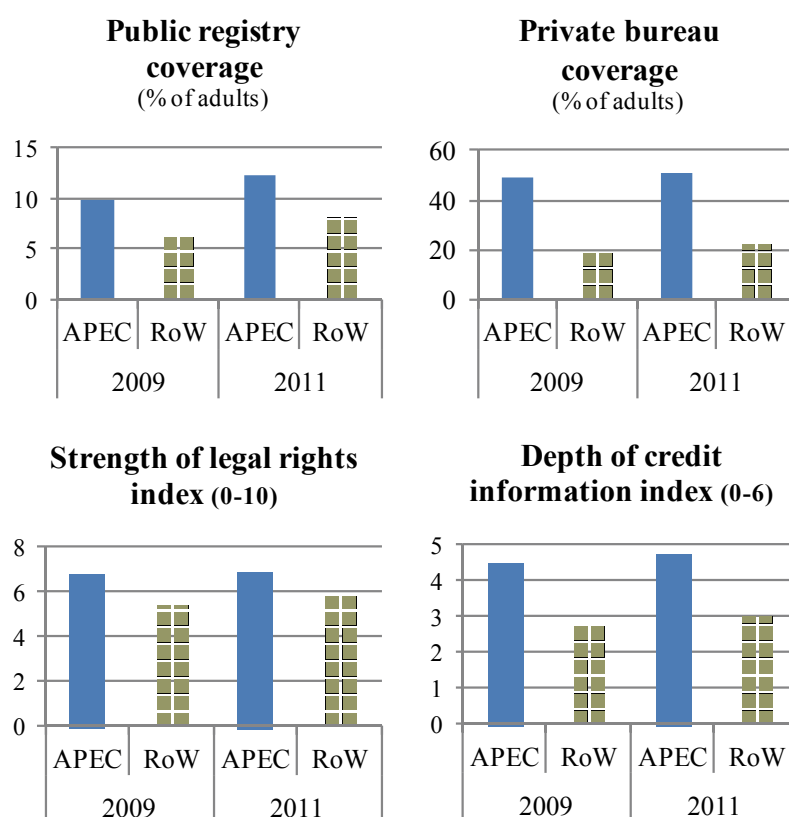
*Note: Lower values indicate better performance.*

*Source: PSU calculations using data from World Bank, Doing Business.*

## Getting Credit

Despite APEC's improvement rates were lower than those for the rest of the world in all getting credit indicators, APEC's conditions to obtain credit are better than those in the rest of the rest of the world. In this sense, the strength of the legal rights is generally stronger in APEC, which means that collateral and bankruptcy laws in APEC tend to protect more the rights of borrowers and lenders. Similarly, the depth of credit information and percentage of the adult population listed in public or private credit bureaus is usually higher in APEC, which facilitates financial institutions in the decision-making process concerning credit applications.

Within APEC, some economies reported reforms to strengthen their legal rights. For instance, Australia introduced an economy-wide law governing the creation and priority of security interest in personal property. New Zealand is authorizing Court Registrars to register financing change statements for secured property that has been sold by the court.

**Figure ES-3***Getting Credit—Average values for APEC and RoW*

*Note: Higher values indicate better performance.*

*Source: PSU calculations using data from World Bank, Doing Business.*

## Trading Across Borders

APEC is one of the regions with the best performance in trading across borders. APEC's performance indicators improved between 2009 and 2011 and fared better than those of the rest of the world. In terms of average number of documents to trade, APEC economies needed one document less to export and import with respect to the rest of the world.

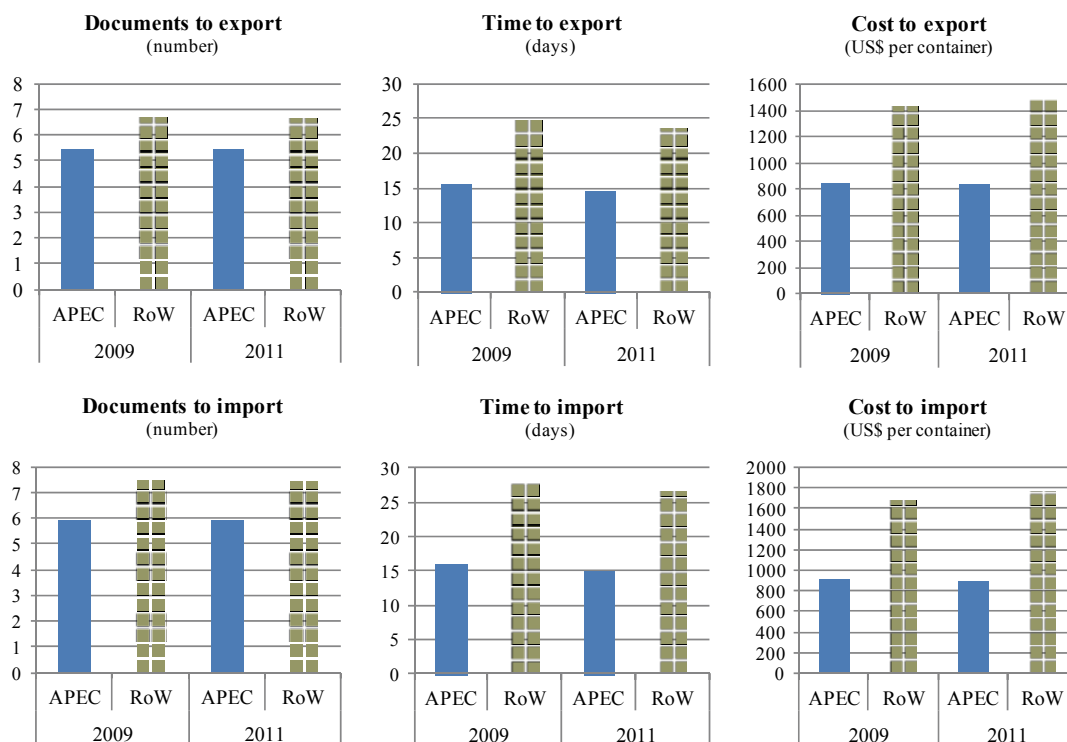
The comparison of the time and cost to trade shows much better APEC's good performance in this area. In 2011, the average time to export by APEC economies was nine days shorter than that of the rest of the world. Similarly, the average time to import by APEC economies was nearly eleven days shorter than that of the rest of the world. With regards to the cost to trade, the average cost to export a container in APEC was equal to USD 835, which was 44 percent (or USD 651) cheaper than that in the rest of the world. In the same way, the average cost to import in APEC amounted to USD 896, which was 49 percent (or USD 872) cheaper than that in the rest of the world.

The introduction or upgrade of electronic trading platforms, such as single window systems, is one of the reasons making it easier, faster and cheaper for APEC economies to trade across borders. In recent years, Hong Kong, China; Japan; and Singapore reported the improvement of their electronic platform systems; whereas Peru reported the beginning of the operations of its single window system in 2010. Also, programs to assist exporters and importers to facilitate trade by providing financial services may be reducing the cost of trading in some

APEC economies. Canada and Russia reported recently the implementation of this type of programs.

**Figure ES-4**

*Trading Across Borders – Average values for APEC and RoW*



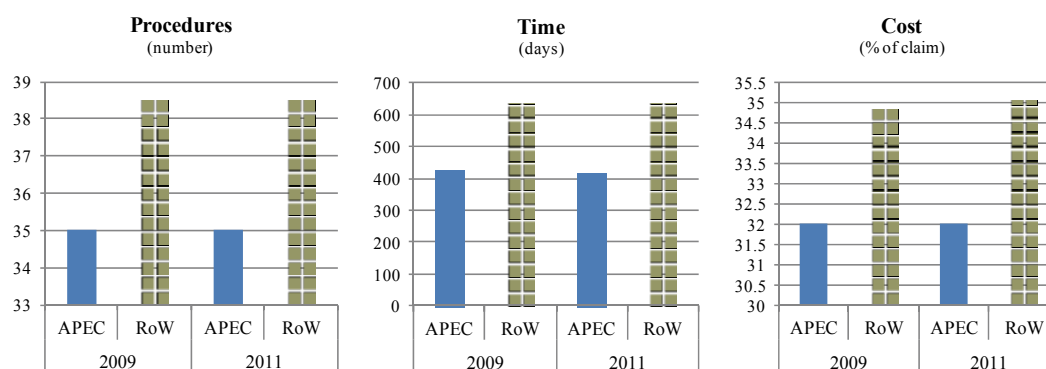
Source: PSU calculations using data from World Bank, *Doing Business*.

Note: Lower values indicate better performance.

## Enforcing Contracts

Overall, this is the priority area in which APEC's performance registered the smallest improvement, as it was the case of the rest of the world. Improving the conditions to enforce contracts through the courts has remained a challenge around the world. Changing long-time habits and procedures in courts has not been an easy task, as juridical systems usually have, by law, certain levels of autonomy to prevent interference from the governments in turn and therefore, several steps of government approval are required to reform juridical instruments. However, as improvements are implemented, the benefit of efficient and transparent courts could facilitate deeper reforms.

APEC has done better than the rest of the world in this area. Nevertheless, most of the progress in this priority area has been marginal. While the average number of procedures and cost to enforce a contract barely changed, it is getting slightly faster to enforce contracts in the APEC region. During the period 2009-2011, the average number of days to enforce a contract declined by 8 days, from 425 to 417 days, which is 218 days faster than the average in the rest of the world.

**Figure ES-4***Enforcing Contracts—Average values for APEC and RoW*

Source: PSU calculations using data from World Bank, *Doing Business*

Note: Lower values indicate better performance.

Some APEC economies reported recent efforts to improve access to justice. Australia, Mexico and Thailand introduced reforms to strengthen protection of consumers and stakeholders, respectively. In addition, Korea and Malaysia introduced electronic systems to submit documents online.

## INDIVIDUAL ECONOMY REPORTS (IERS)

For the Individual Economy Reports (IER), APEC economies agreed to look *beyond* the Ease of Doing Business Indicators and investigate legal and institutional components that are relevant to the five EoDB categories (Starting a Business, Dealing with Permits, Getting Credit, Trading Across Borders, and Enforcing Contracts) but not necessarily directly measured by the World Bank. This deeper look provides more than the *indication* of underlying health of the business enabling environment that the World Bank does. It allows a more qualitative, though less scientific and consistent, analysis of an economy's approach to growth and efficiency, in order to identify both best practices and areas for improvements.

The objective of the APEC EoDB Action Plan for 2015 is to make it easier to do business, in part as measured by the World Bank Doing Business (WBDB) survey. It is important, however, to evaluate and improve on the enabling environment more than what is narrowly measured by that survey. Reforms that improve performance only on World Bank indicators may make doing business easier in one sector but more difficult in others. Reforms that target only the indicators may miss opportunities for other reforms that could have further positive impact on growth. Implementing a reform with only rankings and scores in mind misinterprets an important objective of the survey: to provide an indication of the underlying health of the business enabling environment. Reporting on and reforming only performance related to indicators (the tip of the iceberg) without attending to what lies beneath the surface renders the survey less effective as a measurement tool. Doing so will not only improve DB scores, but also have an enduring impact on growth and the business environment.

APEC comprises some of the most dramatic economic and legal diversity in the world. Two major legal traditions (Civil Law and Common law), virtually every income level, three continents, and production capacity for every good and service known to humankind. This diversity gives APEC tremendous economic energy, but it also means that most of the twenty one economies will have at least slightly, and often significantly, different approaches to their legal and regulatory needs. Nonetheless, as these differences are explored and understood,

and as each economy's best practices and aspirations for reforms are shared, the APEC membership will be in an excellent position to improve not only the EoDB scores, but the more subtle aspects of the business enabling environment.

The economies provided an excellent look into the workings of their legal, regulatory and institutional environments, as well as their priorities for improvements. Below, we outline some of the trends identified in the IERs.

Many APEC member economies are emphasizing increased support to the small and medium enterprise (SME) segment of the economy, particularly in terms of access to finance, advisory services, and incubator programs. This indicates a commitment to creating efficiencies for new entrants into the economy, as well as encouraging formalization of the informal economy. There are also trends in the establishment of one-stop shops for business registration and/or permits, electronic documentation systems eliminating red tape and paperwork, transparent credit reporting systems, single windows for trade across borders, and business advisory services for SMEs and larger entities, both foreign and domestic. These activities tend not only to lead to improvements in the EoDB scores, but ease burdens for businesses more generally if they are equally accessible by all economic actors.

Other important areas of reform involve providing better access to information for businesses, easing financial burdens involved in complying with regulatory requirements, and making credit more accessible through the use of innovative programs and collateralization. As efficient and responsible contracting is a critical business tool, especially in cross border trade, many economies are working on building contracting capacity and providing alternative dispute resolution mechanisms that reduce burdens in cases of breach.

Some specific trends in the five EoDB Action Plan areas are described below.

## Starting a Business

The Government of **Canada** has emphasized steps to address the challenges facing small businesses and entrepreneurs by providing them with the regulatory and institutional tools they need to succeed and prosper. The government has implemented plans to reduce taxes and red tape, ensure access to credit, and offer programs and services that help businesses establish themselves, develop, and stay competitive. In the past two years, **Brunei Darussalam** has reduced both the time and number of steps required to start a business by introducing an electronic name search system, and through the launch of a fast track system for simple business licenses in the municipality of Bandar Seri Begawan. Sole proprietorships are now easier as well, with the introduction of a one-stop shop. **Chile** has undertaken multiple measures to formalize and strengthen MSMEs. The Small and Medium Enterprise Credit Guarantee Fund of Taiwan (in **Chinese Taipei**), founded with contributions from the government and financial institutions, provides credit guarantees for SMEs otherwise lacking sufficient collateral to qualify for loans.

**Advisory services**, largely free of charge, are widely available in many APEC economies—including Australia; Brunei Darussalam; Canada; Hong Kong, China; Japan; Korea; Malaysia; Mexico; New Zealand; Peru; Chinese Taipei; and the United States—for a variety of business types.

For SMEs, Invest **Hong Kong** and the Support and Consultation Centre for SMEs (SUCCESS) under the Trade and Industry Department (TID) provide support for startups. SUCCESS provides small and medium-sized enterprises SMEs, including start-ups with free, reliable and practical information and consultation services. SUCCESS also runs a "Meet the Advisors" Business Advisory Service to arrange consultations with experts from various sectors for practical advice on setting up and running businesses. In addition, SUCCESS implements an SME Mentorship Program for SME entrepreneurs. In **Malaysia** SME Corp. Malaysia provides advisory support to SMEs.

In **Korea**, the Youth Entrepreneurship Program is a start-up accelerator designed to support aspiring entrepreneurs aged 39 and younger who wish to establish technology-intensive new businesses. Specifically, the project offers various support measures throughout the process, from initial planning through commercialization.

For foreign companies, the **Invest Japan Business Support Center** provides information, consultation and other services free of charge, as well as a few paid services. IBSC staff and advisors can provide information about such matters as industrial structures and market shares, Japanese business practices in regard to procurement, product sales, and industrial systems, and advice based on the needs of the foreign company.

## Dealing with Permits

In the area of **construction permits**, economies such as Brunei Darussalam; China; Hong Kong, China; Japan; Korea; New Zealand; Singapore; and Chinese Taipei have instituted reforms to increase efficiency, such as consolidated procedures and online one-stop shops. **Singapore**'s Construction and Real Estate Network (CORENET) e-submission system is a one-stop, secure e-service through which project-related electronic plans and documents are submitted to regulatory authorities. **Thailand** has a similar project planned for the future. In **Malaysia**, the establishment of One-Stop-Centre (OSC) and Certificate of Completion and Compliance (CCC) System in 2007, facilitate and speed up the approving processes of development right from conversion and subdivision, planning approval, building plan approval and right up to the self regulation of the issuance of CCC by the professionals.

## Getting Credit

Many APEC economies, including Brunei Darussalam, Chile, Mexico and others, are open to **non-traditional forms of financing**. For example, in **Mexico**, "any special privilege" (leaving room for further creativity in financing) is mentioned in the list of types of collateral that can be registered in the National Register of Security Interests.

APEC economies' **credit reporting systems** are regulated by the public sector but several economies have private credit bureaus in addition to, or instead of, public bureaus (these include Chile; Hong Kong, China; Indonesia; Japan; Malaysia; Singapore; and Thailand). Several economies, including Indonesia, have given special attention to improving the quality of their credit reporting systems and the rights of individuals. The Indonesian Government guarantees the right of borrowers to inspect their credit data, resulting in improved data quality. Singapore intends to make consumer credit scores available to all consumers. Australia will reform the credit reporting system to introduce comprehensive credit reporting, and create a new industry-led Credit Reporting Code of Conduct to support the operation of

the new system. As part of the reforms, the rights of individuals will be enhanced, including rights to access and correct their credit reporting information.

## Trading Across Borders

To increase the efficiency of trade across borders, single windows have been established in **Indonesia, Japan, Korea, New Zealand, Peru** (in progress), **Russia, Singapore**, and **Thailand**, among others. **Electronic customs forms** are used by **Hong Kong, China; Indonesia; Japan; Korea; Malaysia; New Zealand; Singapore; Chinese Taipei; and Thailand**. Korea's Customs Service has launched an e-Submission system that streamlines trade procedures and reduces traders' logistical costs. KRW 30 billion—approximately US\$ 26.5 million—in logistics cost savings, including labor, is expected as a result.

To facilitate foreign investment, in 2009 **Australia** streamlined several of its foreign investment screening thresholds and began indexing these thresholds to ensure they keep pace with inflation. At the same time, the screening of privately-owned foreign investors establishing a new business was removed.

## Enforcing Contracts

Most of the economies have well-established **alternative dispute resolution (ADR) and arbitration institutions**, both public and private. The Arbitration Association of **Brunei Darussalam** (AABD) was formed in 2004, providing advisory and assistance support in the field of arbitration. AABD's panel of arbitrators is kept to a very high standard, and there is a wide choice of leading international arbitrators including several non-Brunei citizens.



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