

# 2012 APEC Economic Policy Report



The APEC Economic Policy Report (AEPR) for 2012 assesses the progress made by APEC in the priority areas included in the Ease of Doing Business (EoDB) initiative.

The goal of the EoDB plan is to foster a more favorable business environment in the Asia-Pacific region by achieving an APEC-wide improvement of 25 percent by 2015 in five key areas of doing business:



APEC set an interim target of a 5 percent improvement in doing business that was to be achieved in 2011.

This report finds that APEC's combined progress across the five EoDB priority areas between 2009 and 2011 has **exceeded the 5 percent target and is equal to 8.2 percent.**



## APEC Ease of Doing Business plan

APEC adopted the EoDB plan in 2009 to make doing business in the region 25 percent cheaper, faster and easier by 2015, with an interim target of a 5 percent improvement by 2011. Numerous capacity building workshops have been conducted on the EoDB's five priority areas. Through these workshops, APEC economies exchanged best practices to undertake regulatory reforms to reduce the cost of doing business, from modifying taxation to simplifying licensing procedures.

## APEC's Ease of Doing Business Overall Performance

By using the World Bank's Doing Business data set, APEC average values show that APEC's combined improvement across the five EoDB priority areas was equal to 8.2 percent during the period 2009-2011, which exceeds the 2011 interim target of a 5 percent improvement.

Despite the combined progress achieved, the report recommends that APEC economies need to continue their individual and collective efforts to make doing business easier, faster and cheaper, since progress has been uneven across APEC members and priority areas.

Starting a Business was the priority area that advanced the most in average terms. Dealing with Construction Permits and Getting Credit also improved significantly, but unevenly across APEC economies. In fact, median values in these two priority areas barely changed.

Contrarily, Starting a Business and Trading Across Borders experienced the most uniform progress in APEC among all priority areas, as their median values improved by or above 5 percent.

APEC members at all levels of economic development stand to benefit from additional improvements. The report finds that progress in APEC industrialized members was slower than those of APEC developing members, in part because of the good business conditions that are already in place. Nevertheless, those industrialized members also have room for improvement in specific areas, for example, by lowering the cost of exporting and importing a container (Trading Across Borders).

## Achievements by Individual Economies

The AEPR also took into account submissions by APEC member economies, with information concerning the implementation of specific measures to improve the efficiency of doing business. This deeper look provides more than the indication of underlying health of a business enabling environment.

## Advancing Free Trade for Asia-Pacific Prosperity

## Highlights of APEC's EoDB Priority Areas

### 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. Some economies have taken steps to provide businesses with regulatory tools they need to prosper. Others have designed programs to support aspiring entrepreneurs.

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.

The report also finds that more than half of APEC members do not require paid-in minimum capital to start a business.

### Dealing with Construction Permits

Most of the progress in APEC during the period 2009-2011 on Dealing with Construction Permits was explained by economies that did not perform well in 2009. The progress was found in the reduction of cost as a percentage of the income per capita, which decreased in 20 percent from 2009 to 2011. Several members have instituted reforms to increase efficiency and creating one-stop shops to obtain a construction permit.

The report finds that more work needs to be done in this area. For instance, the median number of procedures in APEC (15) remained steady but was slightly higher than that of the rest of the world (14). Also, while the median cost to obtain a permit in APEC was lower in comparison with the rest of the world, it increased 3 percent.

### Getting Credit

Despite lower improvement rates within APEC compared to those from around the world in all Getting Credit indicators, the report finds that APEC's conditions to obtain credit are far better than the rest of the world.

In this sense, legal rights are generally strong in APEC economies, which means that collateral and bankruptcy laws in APEC tend to better protect the rights of borrowers and lenders. Many APEC economies are open to non-traditional forms of financing and have implemented reforms to strengthen the legal rights in the credit system, including the establishment of control standards for credit rating agencies.

Similarly, the depth of credit information and percentage of the adult population listed in public or private credit bureaus is higher

in APEC, which facilitates financial institutions in the decision-making process concerning credit applications.

### Trading Across Borders

APEC is one of the regions that performs best when it comes to Trading Across Borders. APEC's performance indicators improved dramatically between 2009 and 2011 and fared better than the rest of the world.

The comparison of the time and cost to trade demonstrates APEC's outstanding 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. Single windows have been established throughout the Asia-Pacific to increase the efficiency of trade across borders.

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, makes it easier, faster and cheaper for businesses in APEC economies to trade across borders.

### 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, as juridical systems usually have, by law, certain levels of autonomy to prevent interference from the governments. However, as improvements are implemented, the benefit of efficient and transparent courts could facilitate deeper reforms. Most APEC economies have implemented measures to improve access to justice, together with reforms to enhance the legal and institutional frameworks. The use of electronic systems in some courts, have helped to reduce costs and time from documentation.

APEC has done better than the rest of the world in this area. While the average number of procedures and costs 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 time for the rest of the world.



## APEC Economic Committee

The Economic Committee has a mandate to progress structural reform within APEC by undertaking policy analysis and action-oriented work, in coordination with other relevant APEC groups. The Economic Committee advances this mandate in accordance with the APEC New Strategy for Structural Reform that aims to promote balanced and sustainable growth by fostering transparency, competition and better functioning markets in the Asia-Pacific – as well as the EoDB plan and other structural reform initiatives.