

2011 APEC Economic Policy Report Summary



**Asia-Pacific
Economic Cooperation**

The 2011 APEC Economic Policy Report reviews the progress of the Leaders' Agenda to Implement Structural Reform (LAISR) initiative.

2010 marked the turning point for LAISR, as APEC took stock of the progress member economies and the forum have made on structural reform.

This report highlights these achievements and it is divided into two parts:

Part I presents an overview of LAISR and explains the progress made under the initiative. This section focuses on the LAISR 2010 Forward Work Programme and provides an overall assessment of the progress, impact and benefits of structural reform within APEC and its members.

Part II consists of collated responses from the Friends of the Chair Coordinators and the Convenor of the Competition Policy and Law Group who took the LAISR Stock-take Survey. This section also includes detailed responses from APEC member economies, highlighting their domestic structural reform activities and best practices.

Part 1: Progress in APEC and member economies

Structural reform has become a common agenda for APEC economies. The importance of this agenda was reaffirmed in light of the global financial crisis. Since then, APEC is focused on implementing measures that not only improve market efficiency, but also foster inclusive growth and enterprises.

Leaders' Agenda to Implement Structural Reform



Structural reform is the process of making improvements to institutional frameworks, regulations and government policies with a view to removing behind-the-border barriers to trade and investment. These improvements create an environment which supports the efficient functioning of markets; contributes to macroeconomic stability, productivity and economic growth; and enhances living standards in a sustainable way.

Structural reform activities within APEC and members conducted under clear objectives

Numerous capacity building activities that facilitate structural reform in the five LAISR priority areas have been conducted. The Economic Committee has also employed different approaches such as developing checklists and guidelines to facilitate the LAISR initiative. An APEC Ministerial Meeting on Structural Reform concluded with a commitment by APEC's 21 members to support sustainable economic growth and improved citizen well-being within APEC economies, and around the Asia-Pacific. At the meeting, Ministers requested the Economic Committee to report on members' progress in these reforms under LAISR.

The value of LAISR is best demonstrated by the efforts of APEC members undertaking structural reform in their own economies.

In particular, the report indicates that a number of economies cited regulatory reform as the area in which the most significant progress is made. As a result, economies are making efforts to create business-friendly environments through regulatory reform.

Advancing the rest of the LAISR priority areas, economies undertook initiatives to enhance the effectiveness of competition policy - and, at the same time, members are increasingly aware of the importance of applying good corporate governance.

Advancing Free Trade for Asia-Pacific Prosperity

In addition, various efforts have been made in member economies to improve public sector governance, and economic and legal infrastructure has also been upgraded throughout the APEC region.

The report finds that leadership, along with effective communication and consultation with stakeholders, are the key elements to achieving successful reforms. Institutional frameworks and the use of independent experts and analysis are also considered to be essential.

Structural reforms produce significant economic benefits

Of particular note is an APEC Policy Support Unit study on the impacts and benefits of structural reform that finds that these reforms in key infrastructure industries have resulted in lower prices and differentiation of services. It also estimates that more competition in these industries could lead to gains that would be almost twice the size of the gains from further liberalization of trade.

APEC's work on structural reform should be reenergized, building upon LAISR's progress

As the report outlines, the LAISR initiative has made significant progress. And given that structural reform takes time to produce concrete results and that APEC is faced with new challenges, the report recommends that structural reform should remain a key priority agenda for APEC beyond 2010.

Going forward, the report indicates, capacity building activities can be further strengthened by developing methods for better dissemination, as well as by strengthening collaboration with other APEC groups.

In addition, APEC is complementing its structural reform agenda with an "Ease of Doing Business" initiative that aims to make it 25 percent cheaper, faster and easier to do business within APEC economies by 2015.

What is the LAISR Stock-take Survey?

At the APEC Ministerial Meeting on Structural Reform held in Melbourne, Australia in August 2008, the Economic Committee was tasked to report the progress in implementing the LAISR 2010 Forward Work Programme and the progress by economies in pursuing domestic structural reforms. Since 2009, the Economic Committee has carried out a stock-take of structural reform programmes through various activities. This report is prepared based on the outcomes of these activities.

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 Leaders' Agenda to Implement Structural Reform, which was adopted in 2004. This includes elements of policy dialogue, capacity building and awareness-raising for each LAISR theme. In 2010, an APEC New Strategy for Structural Reform was developed to expand structural reform initiatives in the region beyond the LAISR areas.

The success of this initiative, as the report states, will depend on the active contributions from champion economies, close cooperation with businesses, and high-level leadership.

Taking an approach that combines cross-cutting themes will be important in addressing new challenges and facilitating inclusive growth - and as a forerunner in international cooperation, APEC, and in particular the Economic Committee, is well placed to further pursue the collective structural reform agenda.

Part 2: Members' responses to the LAISR Stock-take Survey

The Stock-take Survey allows members to share with other economies the significant progress they have made in implementing structural reform in the five LAISR areas and other structural policy changes in other areas.

This section highlights the specific examples of reform efforts that have taken place in all of APEC's 21 member economies.

In particular, the survey brings the diverse lessons learned from various economies to the fore, as it provides key information to the success of reform including the impacts they have on the economy, as well as trade and investment flows, and the factors that might impede reform.

It is important to note that this report aims to draw upon lessons from past experiences for APEC economies to learn and to understand the importance of structural reform.