

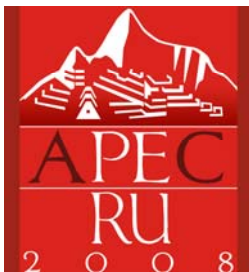


**Asia-Pacific
Economic Cooperation**

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Structural Reform in APEC Economies

Purpose: Information
Submitted by: United States



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Structural Reform in APEC Economies

Overview

- Key outcomes from “Growth and Development Growth Commission” relevant to LAISR 2010 agenda.
- APEC Structural Reform Initiatives
- Tentative Conclusions

Growth and Development Growth Commission

- 21 members from all global regions (from APEC, all three LAC members represented, 7 Asia members), chaired by Mike Spence
- An independent commission of practitioners “talking to their peers in developing countries”
- Emphasis on “what is state of the art in economic policy making,” not a blueprint.

Methodology

- Identified 13 high growth developing economies and sought to identify common policy patterns among them (at least 7% growth for 20-25 years).
- For example, Botswana, Brazil, China, Singapore, Thailand, Taipei (China).

Policies Explored: Five Loose Categories

- Accumulation: includes strong public investment for the economy to accumulate the skills it needs to grow quickly.
- Innovation/imitation: helps an economy to learn to do new things, in new ways (venture into new industries for example)
- Allocation: allowing prices of capital and labor to guide resources to most productive uses (micro).
- Stabilization: Guarding against slumps, inflation, etc (steady macro).
- Inclusion: equity and equality of opportunity

Key Principles/Areas of Analysis

- Global engagement is key
- Marshalling high savings rates to invest in infrastructure development; incorporate informal sector
- Leadership is key; “team of reformers”
- Public provision of education, health, job safety is elemental
- Choose priorities based on biggest payoff for job growth

“Experiential” Lessons

- “We don’t really know what makes growth work...when it does, it’s not clear in hindsight what was the source.”
- Reform is a struggle, takes commitment, a willingness to “fight,” and experimentation.
- As reforms evolve, so must policy responses.
- Never ending process; urge more research on moving from middle to upper income level.

LAISR 2010 Agenda

- Regulatory reform
- Competition policy
- Public sector governance
- Corporate governance
- Strengthening economic and legal infrastructure

Recent initiatives: ROK

Structural Reform Initiatives

- Public sector governance:
Decentralization in Peru and Indonesia
 - both have geographical challenges
 - both aim to improve initiatives and accountability at local level

Public sector governance: Constitution negotiation in Taiwan and Thailand

Structural Reform Initiatives

- Competition policy: ROK Committee for National Competitiveness
- Political strategy:
 - Create “team of reformers” in President’s office
 - Transparent public debate on the range of reforms; public education
 - Present legislature with a package to (1) avoid “reform fatigue” and (2) avoid lengthy approval and implementation time.

ROK Competition Policy, cont.

- Capital Market Integration Act: Break down
- barriers between securities and banking sectors to
- consolidate local financial service firms, reduce commission fees and increase competitive capability in more lucrative areas such investment banking services, where foreign firms now dominate.
- Increase both domestic and foreign capital investment; FDI has fallen for three straight years and cumulative domestic capital investment abroad is a cumulative \$100 billion.

Conclusions

- Recommendation for trial and error approach complements technical expertise and lessons learned
- US financial crisis demonstrates that mature market economies can make bad policy decisions; reform process takes vigilance by all.
- APEC structural reform efforts are on the right track to share dialogue on policies that are not subject to negotiation across borders.