



# Symposium on Trade Facilitation

*Ease of Doing Business:  
Progress in the APEC  
Region*

*Charles A. Barrett*



# Themes

1. Progress by public sectors in APEC economies to enhance the ease of doing business in the region.
2. How does APEC fare in terms of overall ease of doing business—what are the patterns, what are the issues?
3. What is being done and what could be done?



# Key Conclusions of the Symposium on Private Sector Development Montreal in May 2006

1. Regulation matters – particularly for SMEs. Strong link between the quality of regulatory environment and economic performance.
2. Some economies have already benefited from strong growth as a result of regulatory reform
3. Both developed and developing economies would benefit from ongoing attention to how to take advantage of improved quality of regulation.
4. World Bank's work on "Ease of Doing Business" provides an excellent conceptual framework and data for benchmarking.



## Priorities for APEC Work

- Regulatory Burden
- Taxation Complexity
- Access to Finance
- Labour Law Complexity

To build awareness and understanding APEC's 2007 work plan includes a series of capacity building activities on priority themes related to "Ease of Doing Business", the first of which took place in Hobart, Australia in March.



# Relevant ABAC Priorities

- Increased focus on capacity building and market opening initiatives, including enhancing access to capital for SMEs.
- Transparency and ease of doing business.
- Promotion of small to medium enterprises.



# The Big Picture

How APEC Economies Fared in the World  
Bank's Latest Ease of Doing Business  
Ranking

Top Rank 1

Bottom Rank 135

Median Rank 28



# Observations

1. The top 5 ranking economies are all APEC members—6 out of the top 10 are in APEC.
2. Since there are 21 APEC economies (20 of which are scored by the World Bank) and another 20 + OECD members, a median score of 28 is a very credible showing.
3. Some APEC economies (e.g. Mexico, Peru, China) have shown strong improvements in rankings.



## Observations Cont.

4. However, some APEC members do not fare nearly as well—not surprising, given the diversity among APEC’s membership.
5. As was noted last year in Montreal, some other regions of the world have improved their performance faster—notably Central and Eastern Europe.
6. These trends underscore the opportunity for strengthening the overall performance of the Asia-Pacific region through the sharing of good practice.





# Where is APEC doing well?

...and where are the opportunities to do better?

- It is obviously difficult to generalize, given the size and diversity of APEC's membership.
- Benchmarking with OECD economies is one way of identifying areas of relative strength.



# Entrepreneurship Thrives, but Red Tape Needs to be Cut

*Starting a Business —APEC's\* Rank out of 175 Economies*

Highest	1
Lowest	161
Median	33

\* excluding Brunei-Darussalam



## *Starting a Business*

<b>Indicator</b>	<b>APEC</b>			<b>OECD</b>
	Best	Worst	Median	Overall
Procedures (#)	2	13	8	6.2
Time (days)	2	97	27	16.6
Cost (% of income per capita)	0.2	86.7	7.5	5.3

*Source: World Bank (2006)*



# Approvals are Quick but Expensive

*Dealing with Licenses—APEC's\* Rank out of 175 Economies*

Highest	2
Lowest	163
Median	32

\*excluding Brunei-Darussalam



## *Dealing with Licenses*

Indicator	APEC			OECD
	Best	Worst	Median	Overall
Procedures (#)	7	32	17	14.0
Time (days)	52	183	160	149.5
Cost (% of income per capita)	11.1	337.9	104.5	72.0

*Source: World Bank (2006)*



# Labour Markets are Complex and Not Always Flexible

*Employing Workers—APEC's\* Rank out of  
175 Economies*

Highest	1
Lowest	158
Median	58

\*excluding Brunei-Darussalam



# *Employing Workers*

<b>Indicator</b>	<b>APEC</b>			<b>OECD</b>
	Best	Worst	Median	Overall
Difficulty of Hiring (1)	0	78	11	27.0
Rigidity of Hours (1)	0	60	20	45.2
Difficulty of Firing (1)	0	80	20	27.4
Employment Rigidity (1)	0	61	24	33.3
Non-wage labour cost (2)	1	44	10.5	21.4
Firing costs (2)	0	108.3	52	31.3

(1) Index (2) Weeks

*Source: World Bank (2006)*



# Obtaining Title to Real Estate is Straightforward

*Registering Property—APEC's\* Rank out of 175  
Economies*

Highest	1
Lowest	120
Median	32

\* excluding Brunei-Darussalam





## *Registering Property*

<b>Indicator</b>	<b>APEC</b>			<b>OECD</b>
	Best	Worst	Median	Overall
Procedures	2	8	5	4.7
Time (days)	2	74	31	31.8
Cost (% of property value)	0.1	10.5	4.1	4.3

*Source: World Bank (2006)*



# Credit Markets Need to be More Transparent and Better Regulated to Protect Borrowers and Lenders

*Getting Credit—APEC's\* Rank out of 175  
Economies*

Highest	2
Lowest	159
Median	33

\* excluding Brunei-Darussalam



## *Getting Credit*

<b>Indicator</b>	<b>APEC</b>			<b>OECD</b>
	Best	Worst	Median	Overall
Legal Rights Index	10	2	5	6.3
Credit Information Index	6	0	5	5.0
Public				
registry coverage (%)	31.3	0	0	8.4
Private				
bureau coverage (%)	100.0	0	33.6	60.8

*Source: World Bank (2006)*



# Investors Protection Varies Considerably

*Protecting Investors—APEC's\* Rank out of  
175 Economies*

Highest	1
Lowest	170
Median	33

\*excluding Brunei-Darussalam



## *Protecting Investors*

<b>Indicator</b>	<b>APEC</b>			<b>OECD</b>
	Best	Worst	Median	Overall
Disclosure Index	10	1	8	6.3
Director Liability Index	9	0	5	5.0
Shareholder Suits Index	10	2	7	6.6
Investor Protection Index	9.7	2	6	6.0

*Source: World Bank (2006)*



## The Tax Burden is about Average, but Tax Administration is Cumbersome

*Paying Taxes—APEC's\* Rank out of 175  
Economies*

Highest	5
Lowest	168
Median	78

\*excluding Brunei-Darussalam



## *Paying Taxes*

<b>Indicator</b>	<b>APEC</b>			<b>OECD</b>
	Best	Worst	Median	Overall
Payments (#)	4	70	27	15.3
Time (hours)	30	1104	290	202.9
Profit tax (%)	5.3	33.4	22.1	20.7
“Payroll taxes” (%)	2	51	12.5	23.7
Other taxes (%)	0.2	19.7	4	3.5
Total tax rate (% of profits)	26.3	77.1	40.8	47.8

*Source: World Bank (2006)*



## Despite APEC's Progress on Trade Facilitation, There is More to Do

*Trading Across Borders—APEC's\*Rank out of 175 Economies*

Highest	1
Lowest	143
Median	42

\* excluding Brunei-Darussalam





# *Trading Across Borders*

<b>Indicator</b>	<b>APEC</b>			<b>OECD</b>
	Best	Worst	Median	Overall
Documents for export (#)	2	9	6	4.8
Time for export (days)	5	39	17	10.5
Cost to export (1)	335	2237	701	811
Documents for import (#)	2	13	8	5.9
Time for import (days)	3	38	20	12.2
Cost to import (1)	333	2237	820	883

(1) US\$ per container

*Source: World Bank (2006)*



# Cost and Burden of Contract Enforcement is Higher than it Could Be

*Enforcing Contracts—APEC's\* Rank out of  
175 Economies*

Highest	5
Lowest	145
Median	44

\* excluding Brunei-Darussalam



## *Enforcing Contracts*

<b>Indicator</b>	<b>APEC</b>			<b>OECD</b>
	Best	Worst	Median	Overall
Procedures (#)	16	37	28	22.2
Time (days)	109	600	300	351.2
Cost (% of debt)	5.5	126.5	16	11.2

*Source: World Bank (2006)*



## Business Reorganization is Relatively Straightforward and Cheap

*Closing a Business—APEC's\* Rank out of 175  
Economies*

Highest	1
Lowest	147
Median	25

\* excluding Brunei-Darussalam



## *Closing a Business*

Indicator	APEC			OECD
	Best	Worst	Median	Overall
Time (years)	0.6	5.7	2	1.4
Cost (% of estate)	1	38	9	7.1
Recovery rate (cents on the dollar)	92.7	4	63.2	74

*Source: World Bank (2006)*



## APEC Lags OECD in the following key areas:

- 1. Starting a Business*
- 2. Obtaining Licenses (especially costs)*
- 3. Employing Workers (specifically termination costs)*
- 4. Getting Credit (specifically scope of coverage of Private Credit Bureaux)*
- 5. Paying Taxes (specifically time burden of Tax Administration)*
- 6. Trading Across Borders (specifically time delays and paper burden)*
- 7. Enforcing Contracts (cost)*



## A Few Ideas Worth Sharing...

There are many examples of innovations in public administration to make it easier to do business in the APEC region. Here are a few of recent note in my own economy, Canada.



# Federal Cabinet Directive on Streamlining Regulation

April 1, 2007

- **Protect and advance the public interest**
- **Promote a fair and competitive market economy**
- **Make decisions based on evidence**
- **Create accessible, understandable, and responsive**
- **Advance the efficiency and effectiveness**
- **Require timeliness, policy coherence, and minimal duplication**





# Reducing Paper Burden

- The Paperwork Burden Reduction Initiative (PBRI) is a public–private sector partnership aimed at reducing the costs of paperwork and regulatory compliance for small businesses, making it easier for them to do business in Canada and around the world.
- Website designed to inform SMEs about the federal government's efforts to reduce the cost of complying with government regulations.



# “Canada Business”—a government service for entrepreneurs

- Information service for businesses and start-up entrepreneurs
- Single point of access for federal and provincial/territorial government services, programs and regulatory requirements for business
- User friendly website covers topics on starting and managing a business, international trade, innovation, dealing with government,...
- Links to e-government services, e.g. business registration



## But there are also some challenges

- The balkanization of economic space is the principal challenge. Canada is a federal system with shared sovereignty between orders of government—indeed, in such a vast land no other system of governance would work.
- But the consequence is that there is not a single internal market. There are differences in internal regulatory systems, barriers on internal trade in services and restrictions on the mobility of labor.



## Internal Barriers...

- ...impose real costs, but much less than do international borders—there is a large literature using gravity models that show that the Canada-US border effect is much larger than internal barriers.
- Nonetheless labor mobility is noticeably lower in Canada than in the US.



...are being addressed

British Columbia – Alberta Trade, Investment, and Labor Mobility Agreement (TILMA) signed in April 2006.

- According to the Conference Board of Canada, lowering trade barriers could narrow the Canada-U.S. productivity gap, and make Canada more competitive. The B.C. and Alberta agreement has the potential to add \$4.8 billion to real GDP and create 78,000 new jobs in B.C. alone.



## In conclusion...

At best APEC member economies perform at the top of the World Bank's rankings, but some APEC economies do not score well.



## In Conclusion Cont.

The region as a whole (measured by its median performance) does well in most categories compared to the OECD, but lags in a number of areas.



## In Conclusion Cont.

While technology no doubt can help, the basic need to promote transparent, honest and competent public administration.

Continuous improvement will be the key.





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