

Business Times - 10 Nov 2011

## Time to make trade regulation reforms

By MUHAMAD NOOR

WITH the global economy once again mired in uncertainty, reform of trade regulations is crucial. Although stimulus packages, interest rate cuts and resistance to protectionism had some impact after the global financial crisis, growth remains sluggish in some, particularly developed, economies.

And the deepening eurozone crisis is heightening fears of another recession. Stepping up regulatory reform across the Asia-Pacific region will add to efforts to build a sustainable economic recovery. Overhauling rules and procedures so that goods, services and investment move more efficiently across borders will help boost returns for exporters, grow businesses and generate jobs.

Asia-Pacific Economic Cooperation (Apec) leaders and ministers gathering in Honolulu, Hawaii will seek updates from officials on progress in this vital area. With success in recent years on removing tariff and other 'at-the-border' barriers to trade, Apec has turned to tackling these numerous and more difficult 'behind-the-border' barriers in the Asia-Pacific.

In particular, Apec, chaired by the United States this year, has made advancing regulatory cooperation and convergence in the region a priority, as part of its efforts to further increase trade and deepen economic integration.

For businesses to make inroads into new markets, economies need to better align their standards, rules and regulations on everything from food to emerging technologies.

A business trying to sell a food product across the region, for example, could face many different labelling standards for the same product. Each standard might require a different label to be printed and affixed. While standards are important for consumer health and safety, meeting such varied requirements is a drag on costs, impedes more efficient methods of production and ultimately pushes up prices for consumers.

Regulations also need to be strengthened so that they are more transparent, meet international obligations and are less burdensome for businesses, especially small and medium ones, trying to navigate them. To improve the quality of rules, Apec economies should adopt and are increasingly adopting good regulatory practices, including in areas such as internal coordination of rule-making activity across government departments and agencies, impact assessments of regulations (including on trade) and public consultation. Adopting such practices will strengthen trust of and confidence in markets, necessary for trade and investment.

The growing complexity of globalisation and modern supply chains makes these reforms all the more imperative. Many goods are no longer made in one economy but produced by sourcing components, services and intellectual property across the region.

Apec is building awareness of the need for reforms as well as the capacity of its members to undertake them. Apec encourages reform through open dialogue and cooperation on multiple levels (from leaders to ministers, senior officials and working groups) and through partnership with the private sector. It also sets targets and takes concrete steps to reach them.

A good example is the Ease of Doing Business Action Plan. Apec has endorsed a 25 per cent improvement region-wide by 2015 in five key areas of doing business; starting a business; getting credit; enforcing contracts; trading across borders; and dealing with permits. An interim target of a 5 per cent improvement has been set for the end of this year. To help achieve this, Apec has carried out projects to transfer skills, knowledge, technical expertise and best practice between officials on these priority areas. Singapore is leading the way on this initiative. The city-state has been assisting its neighbours build capacity to undertake reforms in the key areas of dealing with permits and trading across borders.

Since the action plan started, economies have reported successes. Mexico, for example, has created a website to simplify starting a business, cutting business administrative costs by 65 per cent. And Indonesia has introduced a single window at five ports, with thousands of import and export documents now handled online, saving businesses valuable time. Currently, Apec is implementing programmes tailored to improving the needs of individual economies ahead of the 2015 deadline.

Still more work, however, needs to be done. A survey this year of more than 4,000 business and opinion leaders by the Pacific Economic Cooperation Council cited regulatory impediments in overseas markets as the biggest challenge to doing business in the region, along with corruption.

Apec trade ministers have instructed officials to identify concrete actions, by the time they meet in Honolulu, that economies can take to further strengthen implementation of good regulatory practices. Apec is also developing a cooperation plan so that its myriad of initiatives to spur reform continues to be efficient and effective.

Reducing regulatory barriers to trade and investment will help build sustainable economic growth in the Asia-Pacific region and prosperity for its people.

*The writer is Apec executive director. Leaders of 21 countries in Apec will meet in Honolulu on Nov 12-13 for the summit*

Copyright © 2010 Singapore Press Holdings Ltd. All rights reserved.