



ASEAN-BAC

PACIFIC ECONOMIC CONFERENCE COUNCIL (PECC)
"Economic Crisis and Recovery: Enhancing Resilience, Structural Reform, and Freer Trade in the Asia-Pacific Region"

10 October 2009 (2.15pm - 3.45pm), Singapore

Special Session 3: Ease of Doing Business in Asia Pacific

By ARIN JIRA, Chairman, ASEAN Business Advisory Council

Excellencies, distinguished delegates and participants
Ladies and gentlemen,

Good afternoon.

On behalf of the **ASEAN Business Advisory Council (ASEAN-BAC)**, I would like to express my sincere thanks to the **Singapore National Committee for Pacific Economic Cooperation (SINCEPEC)** and the **Institute of Policy Studies (IPS)** for inviting me here today in Singapore for the **PECC Conference**, among other distinguished panelists.

I congratulate this initiative as a well-timed event coinciding with the **Asia-Pacific Economic Cooperation (APEC) Summit** this November in Singapore. The effort to consolidate the concerns of the private sector, as inputs to the Leaders at the APEC Summit, through this Conference among other means, is a bright effort. This is in fact a similar approach that has been performed by ASEAN-BAC.

The theme of this Session is on "**The Ease of Doing Business in Asia Pacific**" and I have been asked to focus my presentation on the *ease and challenges of doing business in the current conditions*. In my various capacities, I have also been asked to share my experience on how I am overcoming the challenges.

Ladies and gentlemen,

Ease of doing business in a particular country is in the most common denominator measured by its **regulations, infrastructure developments, macroeconomic conditions, workforce capacities, and security and stability factors**.

Indices that normally affect the success are measured by transparency over a number of important factors, including (a) *Business Start-Up*; (b) *Licenses/Permits*; (c) *Employment Regulations and Labor Laws*; (d) *Registering Property*; (e) *Credit Financing Scheme*; (f) *Investment Protection*; (g) *Tax Laws*; (h) *Trading Across Borders*; (i) *Contract Enforcements*; and (j) *Business Closures*.

Within the **APEC member countries**, Singapore, New Zealand, United States, Hong Kong, Canada, and Australia are ranked among the top 10 countries in the world for their best performance on the ease of doing businesses in their respective countries. Ranked among the top 20 countries are Japan, Thailand, Malaysia, and the Republic of Korea (ROK). Chile, Mexico, Taiwan and Peru rank between the 50 to 60 countries on the chart, while China, Brunei, Vietnam and Papua New Guinea at the 80-90 levels. Among the **ASEAN member countries**, Indonesia (129), Cambodia (135), Philippines (140) and Lao PDR (165) have recorded lowest with Russia (122), as an APEC member economy. Company closing-shop and bailing-out are common phenomenon in countries with the poorest performance on investment rules and regulations.

From a positive note, **infrastructure** improvements with the betterment of *airports and port facilities, flight inter-connection* between countries, and developments of information technology have facilitated the conduct of businesses. Evidently, many regions are still lagging adequate infrastructure developments. Suffice to say that there is still much room for improvements for *interconnectivity* in some member economies.

Distinguished Delegates and Participants,

On the challenges of doing business in the current conditions!

The private sector has been operating in recurring crises. Not long after the impulsion to accelerate joint efforts to enhance economic cooperation in both the ASEAN and APEC regions in the early 1990s, the ASEAN member countries were severely hit by the **Asian financial crisis of 1997-1998**. Firms around the world are today coping with the effects of yet again another **global financial and economic crisis**, but which started in the richer economies, and caused a global economic downturn. In the intermittent periods, unforeseen **natural disasters** and unavoidable **political struggles** affect the way companies run their businesses. Change of political regimes often results in policy alteration and inconsistency within national boundaries, and adversely increases the lack of investor's confidence in an already confusing legal and governance structures of some countries. **Corruption** most certainly adds to the distress. **Social issues** intensify embroiling Governments in various overlapping challenges.

Notably, there is general motion among **ASEAN companies** to rebalance and diversify export markets that would rely less on the **US and European market consumptions**. In most parts, it is because the private sector sees these principal markets that traditionally source trade and investment will take a longer time to recover from the crisis. Their **protectionist** undertones and change in the **global driver of economic growth** once the crisis is over add to a renewed corporate strategy. The **ASEAN and Asian regions**, on the other hand, have shown resiliency and are increasingly becoming an upshot to where companies will diversify its business activities. The fundamentals of the financial sector are seen intact and capital flows performing better, at least, as compared to the deterioration experienced in the more developed countries.

Ironically, coupled by the poor regulatory measures indices earlier mentioned, **cost of doing of business** remains particularly high in most ASEAN member countries, and risky considering the present economic conditions. Resultantly, the ability for companies to uncover the prospect of an integrated economy can be anticipated to become lower in the next few years. Companies, particularly the **small-and-medium size enterprises (SMEs)**, are adapting survival mode and directing business activities within their local market, when they should be trying to capture ASEAN's and APEC's market potential.

Challenges for doing businesses are simply many-fold indeed.

Ladies and gentlemen,

Allow me to share with you some of the measures that I have undertaken within my capacity.

In face of the challenges, it must be recognized that Governments are implementing reforms aiming at making it easier to do business. Financial crisis have historically prompted such reforms where greater **Public-Private Sector Partnership** is heeded in the process. It is mindful that regulatory reform can be difficult and take time, especially where legal changes are required.

Within the mandate of ASEAN-BAC, we make use of our distinctive position within the ASEAN mechanism to voice the collective concerns of the private sector. A review is constantly being made on the **ASEAN Economic Initiatives**. ASEAN has adopted the **ASEAN Economic Community (AEC) Blueprint** to transform the region with *free movement of goods, services, investment, skilled labor, and freer flow of capital by 2015*. Various ground issues are consolidated by members of the Council, of which we relay at an annual Dialogue with the **ASEAN Leaders** and consultative processes with the **ASEAN Economic Ministers (AEM)**, with the aim to guide policy makers on the ease of doing business within an integrated economy. Particularly highlighted are the ground issues facing industries.

In the effort, we endeavor to obtain the inputs from the **regional and national private sector organizations**. The **ASEAN Chambers of Commerce and Industry (ASEAN-CCI)** plays an essential role in the process considering their levels of engagement with the constituents. A bottom-up approach is processed in my capacity in the **Federation of Thai Industries (FTI)**. Specific sectoral and company issues are brought to the table and the grievances are channeled within the appropriate mechanism. Notably, the ASEAN region owns a mechanism for Public-Private Sector engagement that is quite well in place, commendable, and more advanced than any might deem otherwise, but one that is acknowledged requires exploitation and better coordination.

In the aftermath of financial crisis, Thailand and Singapore have been particularly successful in reforming investor's protection. Malaysia has advanced regulations in promoting company competitiveness of its local companies. Other countries like Indonesia have progressed to eradicate corruption and make headways on government reformation. Still, like in many ASEAN member economies, policies adopted at the central Government are often apposite to what provincial administrations impose leaving an investor stranded over the complexity. This cites only one observable fact, among many numerous other examples that the private sector experiences.

In conclusion,

Ladies and Gentlemen,

There is often a distinction made between **foreign and local companies**. Interests are often at play when the playing field involves countries with varying levels of economic development. On the particular topic on the ease of doing business, I urge for a common stance for experts and stakeholders alike to see that business-is-business. After all, a country with poor regulatory measures is in fact harming their local industries and their economies the most. An essential factor is on the need to bring together forward looking reformists.

I sincerely hope that I have given reasonable insights and thoughts for your consideration.

Thank you for your kind attention.



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