

Discussant remarks for Session 3

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Thank you for this opportunity to participate in a regional forum involving the OECD, ASEAN and the ADB. I head the APEC Policy Support Unit which only started in August 2008 and is located with the APEC Secretariat in Singapore. The Unit is still staffing up and settling work programs consistent with its mandate to provide APEC with an internal resource to increase its policy, analytical and research capability. Our analytical work will assist in the implementation of APEC's regional economic integration agenda and in particular will focus on the subject areas of trade and investment liberalisation and facilitation and structural or behind-the-border economic reform.

Before I go into some of the investment-related work that APEC and the PSU are undertaking, let me draw some observations from the interventions this session.

Like the other speakers, I will take the benefits of FDI as a given. I would add also, however, that whilst economies should do all they can to encourage FDI, they should not ignore the need to address the wider policy settings that effect global, regional and local investment flows. There was some discussion on this yesterday morning and I do not want to repeat those issues today.

I also note also that earlier this month, the ADB's Acting Chief Economist, Mr Jong Wha-Lee encouraged the pursuit of policy options to promote growth and welfare benefits in the region as well as contribute to the orderly unwinding of global imbalances. The Asian Bond Fund and the Chiang Mai Initiative mentioned yesterday are positive steps in this regard, and I will be very interested in the outcomes of the next ASEAN Finance Ministers at which the Director-General of ASEAN expects some announcements on the CMI, including with respect to settling contributions, more details on the multilateralisation process and how it will fit with the IMF crisis support arrangements.

Getting back to the earlier presentations, our Vietnamese colleagues referred to the FDI benefits already achieved by Vietnam and look forward to a new wave of investment resulting from early successes. They astutely identified the difference between policy

intentions and actual results and outlined priorities for further action. I particularly took notice in the written paper by Dr Tai Nguyen Dinh of the holistic focus across government authorities and between levels of government, including the development of lists by provincial authorities to identify projects for investment. At this time of global economic crisis – efforts to shorten timelines between project inception and actual commencement adds to the ability for such projects to be commenced in a counter-cyclical fashion. This would then provide macroeconomic as well as local benefits. I was also impressed by the underlying tone of perseverance in the Vietnamese presentations and the sequential approaches to reform which not only addressed policy but also public administration. Whilst external support, like that from the OECD was enlisted, the over-riding domestic ownership of the reform agenda will ultimately deliver the most benefits.

Ambassador Hattori's comments also provided an excellent example of how “intangible” policy principles can translate into tangible and measurable actions involving both governments and the private sector providers of FDI. It is a case study of how to bring investment actors and stakeholders together, identify issues and ways to resolve them and a commitment to outcomes as reflected in a success rate of 85 out of 125 within a year.

It also provides a good illustration of the dynamic longer term benefits that can arise for specific reform actions because, subject to Vietnam's continuing commitment to maintain a good investment climate, the increased knowledge, experience and confidence obtained through the *Japan-Vietnam Joint Initiative* will act as a base for sustained FDI flows to Vietnam.

From Dr Van's comments, I was also impressed by a parallel feature of Vietnam's PFI experience – strong domestic ownership of the PFI process from beginning to end including in designing the reform roadmap will ultimately deliver the most benefits.

As I noted in my introductory comments, APEC has since its inception 20 years ago had the liberalisation and facilitation of trade and investment front and centre on its agenda. APEC's member economies recognise the significant economic benefits of investment and are active in promoting investment and facilitating cross-border investment flows. Within APEC's committee structure there is a highly active Investment Experts Group.

Since its inception in 1989, APEC has emphasised the importance of investment facilitation through practical activities in its work program. Among APEC's investment facilitation achievements so far are:

- APEC Non-Binding Investment Principles (1994);
- Options for Investment Liberalisation and Business Facilitation to Strengthen APEC Economies (1997);
- Guide to the Investment Regimes of APEC Member Economies (6th edition, 2007);
- Study on *Enhancing Investment Liberalisation and Facilitation in Economic Development in the Asia-Pacific Region*, which examined ways to reduce 'behind-the-border' barriers to domestic investment.

Also, APEC Leaders in 2007 agreed to the development of an Investment Facilitation Action Plan (IFAP) for the further promotion of investment in APEC member economies.¹

Investment facilitation refers to actions taken by governments designed to attract foreign investment and maximise the effectiveness and efficiency of its administration through all stages of the investment cycle. I see strong parallels between APEC's IFAP and the approach to investment promotion and facilitation in the OECD's PFI. Both are directed at assisting governments putting in place investment procedures that do not unnecessarily increase the costs or risk of doing business, or constrain business competition.

Investment facilitation covers a wide range of areas, all with the ultimate focus on allowing investment to flow efficiently and for the greatest benefit. APEC Ministers noted last year that e-transparency; reducing investor risk; and simplifying business regulation should be the initial priority areas for implementing the IFAP for 2008-2010.

IFAP recognises that the costs of opacity far outweigh the costs of enhancing transparency. Investors look for an investment environment that is stable, and that offers international best practice standards of protection, including the swift and equitable resolution of investment disputes.

¹http://www.apec.org/etc/medialib/apec_media_library/downloads/committees/cti/pubs/2009.Par.0003.File.tmp/09_cti_ieg_IFAP.pdf

The APEC Investment Facilitation Action Plan (IFAP) provides a working framework for a series of guiding principles that would constitute better practice in investment facilitation. It is designed constructively to complement other existing international efforts in support of strengthening facilitation practices as part of broader investment promotion policies. It is a consensus plan on investment facilitation that reflects the specificities and priorities of APEC members. While it is non-binding, the IFAP reinforces APEC's commitment to significantly enhanced regional economic integration.

Within APEC, the main aims of the IFAP are to:

- strengthen regional economic integration;
- strengthen the competitiveness and sustainability of economic growth of APEC's member economies;
- expand prosperity and employment opportunities in the APEC region; and
- make further progress toward achievement of the Bogor Goals.

The particular role for the PSU is to develop a rigorous methodology to monitor the progress of APEC member economies in implementing IFAP and identify key performance indicators to assist in measuring IFAP outcomes across the 2008 – 2010 period. The aim is provide systematic evidence that APEC members are advancing in measures to create and sustain the most conducive climate to attract foreign investment. Monitoring implementation can also identify areas where assistance can be targeted in terms of capacity building.

The establishment of a robust methodology and selection of suitable KPIs is a concrete step within APEC to move forward on its business facilitation agenda.

The PSU will soon be seeking expressions of interest from consultants and researchers to undertake the project. It complements a similar project to assist in the measurement of progress in implementing APEC's Second Trade Facilitation Action Plan, which had a goal of reducing trade transaction costs by 5 per cent over 2007 - 2010.

In closing I would like to add that APEC values the sharing of knowledge and experiences with the OECD and one outcome of that partnership is the *APEC-OECD Integrated Checklist on Regulatory Reform*.

The Checklist is a voluntary tool that member economies may use to evaluate their respective regulatory reform efforts. It highlights key issues that should be considered during the process of development and implementation of regulatory policy, while recognizing that the diversity of economic, social, and political environments and values of member economies require flexibility in the methods through which the checklist shall be applied, and in the uses given to the information compiled.

To complement this product, the Policy Support Unit is working with APEC's Economic Committee to develop a process for economies to review their institutional frameworks that support structural reform to assist in building and maintaining effective institutions to support reform efforts.

Thank you.