

APEC-OECD Cooperative Initiative on Regulatory Reform
21 February 2001 – Singapore

Seiichi Kondo, Deputy Secretary-General

It is my great pleasure and honour to address this first meeting of the APEC-OECD Co-operative Initiative on Regulatory Reform. I would like to thank in particular the Chair, *Margarita Trillo*, Convenor of the APEC's Competition Policy and Deregulation Group, for her leadership and cooperation with the OECD in creating this event. I would also like to thank the APEC Secretariat for its assistance. I am delighted to see so many distinguished officials, practitioners and experts from across the region and from OECD countries participating in this meeting to share their views and experiences on regulatory reform. This attests to the importance of regulatory reform in enabling us to meet the economic and social challenges facing our citizens.

The APEC-OECD Co-operative Initiative on Regulatory Reform has its roots in the development within APEC of the Principles to Enhance Competition and Regulatory Reform that were accepted by APEC heads of state in September 1999, in Auckland. These excellent principles – adopted only a little more than a year after the financial crisis struck across East Asia – placed the strengthening of markets at the centre of the recovery. APEC leaders stated that they “accept responsibility for resisting protectionism, opening markets further, and addressing structural and regulatory weaknesses.” Regulatory reform and enhanced competition were important tools to be used, as part of a larger recovery strategy that included redressing macroeconomic imbalances and poverty reduction.

OECD countries, too, have pledged their commitment to open and competitive markets. In 1997, OECD Member countries – now 30 -- adopted a common set of principles on regulatory reform and dedicated themselves to continuing the difficult work of boosting productivity, investment, and innovation through better regulation. Both the OECD and APEC principles recognise the importance of parallel reforms in competition policy, market openness, public sector performance, and corporate governance as part of the larger reform agenda.

It is no accident that the APEC and OECD principles look so much alike. Not only do we share seven member economies, but there is also a rapidly emerging consensus that prosperity, stability, and competitiveness in world markets depends in part on how well we regulate our economies. Good regulatory practices – based on transparency, fairness, market principles, and flexibility – are becoming the global norm, expected by domestic and international investors alike.

Of course, there are no one-size-fits-all standards. Each country and region has its own history, culture, and social background. Any sets of standards or principles have to be acceptable to all those countries, if they are to be applied universally. But those standards have to be high enough to be a guiding benchmark to many countries. Therefore, we need constant efforts to bridge the international standards and national specificities. International standards evolve over the years, and so do cultures. Our efforts are to bridge two moving targets, to promote the development of good global governance.

Nor should we forget the consequences of inefficient, anti-competitive, or poorly-designed regulation. These problems contributed to the virulence of the Asian financial crisis in 1997, though they were not the initial cause. Recent problems in energy and transport sectors in some OECD countries have been linked to poor liberalisation strategies. Market liberalisation often requires not only deregulation, but also re-regulation and the construction of new institutions and frameworks to ensure that competitive markets function properly and consumers and the environment are protected. This intelligent use of regulation consistently with market forces is a more difficult and broader task than simple deregulation. Here, the quality of our governments – their transparency, skills, and responsiveness – are vital to the success of reform. Governments are expected to have proper regulatory regimes, including prudential regulation and insolvency regimes, to have high ethical standards, and to be accountable.

Governments are not alone in the task of creating the conditions for prosperity. Civil society represents citizens in a way that complements the domestic electoral system. Businesses, too, are changing. We see a growing endeavor to incorporate social elements in business behaviours and decision-making processes. The recent revision of the OECD Guidelines for Multinational Enterprises was one such step forward in expanding business responsibilities in relation to the environment, labour standards, and ethical behaviour, and in enhancing monitoring mechanisms by states and civil society.

This shared agenda involving governments, civil society, and businesses, and the value of pooling our experiences, is the reason that the APEC-OECD Co-operative Initiative was endorsed at the APEC Ministerial Meeting on 12-13 November 2000 in Brunei Darussalam.

It is not enough to adopt principles, however. The real work of regulatory reform lies in the day to day tough decisions to allow the market to work. In every country, a multitude of special interests is ready to slow and block changes that reduce economic advantages. Producer interests often take precedence over consumer interests. Maintaining today's firms and jobs is often politically more appealing than reinforcing dynamic economic growth that, through innovation and new investment, is the basis of future prosperity. Countries that use regulation to protect today's economy will, over time, deny themselves the benefits of tomorrow's economy. Poor regulation makes our children poorer.

At bottom, regulatory reform is not a technical issue, it is a political issue. The OECD stresses that sustained political commitment at the highest levels is needed if regulatory reform is to be successful. Results will not come overnight. They require a sustained and focused effort. We can see the results in Korea, where determined political support produced a 50 percent reduction in the number of regulations in less than a year, across the whole of the government. We will hear more about Korea today. We can see the importance of sustained political commitment also in Mexico, where 90 percent of Mexico's laws were revised over ten years to create a market- and trade-oriented domestic economy. The new flexibility of the Mexican economy in bouncing back quickly from shock of the Asian financial crisis rather than succumbing to another peso crisis is a testament to years of effective reform. We will hear more about Mexico, too, from Carlos Arce.

It is important that the joint APEC/OECD work on regulatory reform go beyond talking about principles, and aim to promote the individual and collective implementation of the APEC and the OECD principles by building domestic capacities for quality regulation. It is no secret that there

are concerns that reform in many countries here today is slower than it should be, or even slowing down. I welcome the recent strong recovery of the Asian economies but recognize that much further progress in reform is needed to create strong foundations for sustained growth. Yet many Asian economies have been showing some complacency. Governments and private sectors are showing signs of weakness and many real issues seem to be shuffled under the carpet. As the world economy seems to be on the verge of slowing down, OECD and APEC economies cannot afford to be caught with reform fatigue. I hope that this meeting underscores not only the benefits of reforms, but the risks and costs of non-reform.

It is important to note that our gathering today is not a one-off event. It marks the beginning of a series of meetings dedicated to policy dialogue, a dialogue to deepen the understanding of what regulatory reform can contribute and how to implement it, facilitate the sharing of experience among the key players in the region, monitor progress, and ultimately maintain the momentum for reform in APEC and OECD countries. I look forward to the three follow-up workshops later this year and in 2002.

What can the OECD contribute to this effort? The OECD is working to help establish a good governance system, such as through periodic in-depth country reviews, regulatory reform reviews, corporate governance principles, the convention to combat bribery of foreign public officials, and guidelines on investment and multinational enterprises, just to name a few. As part of these efforts, policy dialogue and co-operation with non- Member economies is an integral and central part of the OECD's work. For example, the OECD (in co-operation with the World Bank and ADB) has established the Asian Roundtable on Corporate Governance. We are currently working with APEC on corporate governance and competition policy. As these examples show, there are many ways that OECD experience can be valuable to a wider range of countries.

I am very much looking forward to following the discussion over the coming days, and also the future work of the APEC-OECD Co-operative Forum on Regulatory Reform.