

## **Apec seeks to clear business obstacles**

FTAs, supply chain and business environment come under scrutiny

**Fiona Chan**

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THE Asia-Pacific Economic Cooperation (Apec) grouping celebrates its 20th anniversary this year knowing it has managed to significantly lower tariffs and make way for more open trade in the region.

Its next step, then, is to deal with the practical, 'behind-the-border' obstacles that businesses face within each of the 21 Apec economies, said Minister for Trade and Industry Lim Hng Kiang yesterday.

Mr Lim outlined three ways to do this in a speech last night at the dinner for the Pacific Economic Cooperation Council, a non-government official observer of Apec comprising businessmen, government officials and academics.

First, the free trade agreements (FTAs) which have sprung up in the last 20 years among Apec countries should be made more business-friendly, he said.

In 2000, there were only three FTAs in Asia; there are now 54. While this has reduced tariffs considerably - average rates in the Asia-Pacific fell from 17 per cent in 1989 to 5.5 per cent in 2004 - it has also made things more complicated for businesses trying to comply with all the FTA rules.

This was borne out in a recent survey done by the Asian Development Bank, which showed that only 22 per cent of the 609 East Asian firms surveyed take advantage of FTAs, Mr Lim noted.

Simplifying the procedures and documentation needed to comply with FTAs will enable businesses to make better use of them, so that more companies and consumers in the Asia-Pacific region can benefit from lower materials costs and more affordable products, he said.

The second item on the agenda should be to make the flow of goods from one point in the Apec region to another - the supply chain - smoother.

Every day that a product is delayed before being shipped reduces trade by at least 1 per cent, according to a study that Mr Lim cited in his speech. Conversely, a 10 per cent rise in the efficiency of supply chain connectivity can raise Apec countries' combined gross domestic product by an extra US\$21 billion (S\$29 billion) a year, another study showed.

Apec has done its own checks and identified several choke points in the regional supply chain, and plans to propose actions for economies to work together in addressing them in future, said Mr Lim.

The third and last way to reduce 'behind-the-border' obstacles is by improving the business environment in Apec.

Rules should be changed to make it easier, faster and cheaper to do business in the region, Mr Lim said. This includes shortening the time needed to get a licence, or streamlining procedures to start a business.

Singapore is leading an Apec initiative this year to identify key areas where reform is needed. Five have been singled out so far: starting a business, getting credit, trading across borders, enforcing contracts and getting permits.

These three steps in the next wave of Apec reforms 'will not be easy to implement and will take time', Mr Lim said. Compared with cutting tariffs, they are more complex and require an economy to have the capacity, determination and will to implement the necessary changes.

But he added that Apec's voluntary structure will be a strength in this journey, as smaller groups of like-minded economies can reform first and others can join in later when they are ready.