



AUSTRALIAN ECONOMIC REFORM EXPERIENCE: SUGGESTIONS FOR VIETNAM

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THE AUSTRALIA-VIETNAM ECONOMIC REFORM
PROGRAM (AUS4REFORM): RESULTS, LESSONS
LEARNED AND FUTURE DIRECTIONS

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OUTLINE

- Present lessons from reviews of structural reform programs
- Illustrate with Australian experiences

STRUCTURAL REFORM — THE SCOPE

Structural reforms tackle obstacles to the fundamental drivers of growth by freeing up labour, goods and services markets from inefficient red tape, thereby encouraging job creation, innovation, and investment, and improving productivity.

- They are designed to boost an economy's competitiveness, growth potential and adjustment capacity.

Typical structural reform packages include re-regulation and opening of services sectors, measures to promote competition and improve the overall business environment

- The scope can also extend to fiscal efficiency, social protection, skills development, and other measures.

RESOURCES

Dee, P.S. ed., 2013. *Priorities and Pathways in Services Reform: Part I - Quantitative Studies* (Vol. 23). World Scientific.

Findlay, C. ed., 2013. *Priorities And Pathways In Services Reform: Part II - Political Economy Studies* (Vol. 25). World Scientific.

Urata, S. and Doan, H.T.T., 2022. *Globalisation and Its Economic Consequences: Looking at APEC Economies*. Taylor & Francis.

- Findlay, C., Mavromaras, K. and Wei, Z., 2021. Economic consequences of globalisation: the Australian framework for reforms. [this volume](#), pp.26-56.

10 LESSONS (FINDLAY, 2013)

1. Competition is more important than ownership
2. Take a forward looking view and provide leadership commitment
3. Be aware of the gap from good regulatory practice
4. Know the costs of the current regime
5. Make a continuous commitment
6. Promote engagement from within
7. Use experiments
8. Use independent evaluation for designing options
9. Coordinate when it matters
10. Meet Universal Service Obligations

8. USE INDEPENDENT EVALUATION FOR DESIGNING OPTIONS

Productivity Commission(s) have been extremely important in assessing the costs of various policies and proposing alternatives

- Operated independently, to great effect, with a focus on national efficiency
- Transparent processes, alongside powers of information and data collection
- Act as agents of the diffuse beneficiaries of reform.

OECD has also played this role in Australia, with respect to [services trade policy](#)

- Applying the tool of the services trade restrictiveness index (adds to transparency)

Methodology is the application of the ‘public policy framework’ (problem, options, ranking, decision, implementation, review)

Example

- State level commission in SA has proposed a package of reforms to the state’s research and development policy.

In Australia, institutions like the PC are complemented by independent research centres and the media.

PC now has a [large inquiry](#) into new sources of productivity growth in Australia.

7. KNOW THE COSTS OF THE CURRENT REGIME & 3. THE GAP FROM GOOD PRACTICE

Use of economy wide modelling has been a feature of the Australian experience

This includes an assessment of the gap between current and (the relevant) best practice (item 3.)

- International cooperation helps identify this gap, and also the extent of heterogeneity which adds to trade costs.

Example – work of Dee found that a package of structural reforms in energy, transport and telecommunications created benefits three times as great as those from liberalisation of merchandise trade

Helps clarify the political economy story – and the role of new entrants (which differs from cross border trade)

5. CONTINUOUS COMMITMENT & 6. ENGAGEMENT FROM WITHIN

Structural change challenges continue to emerge, due to technological change for example – it is never completed, so capacity for adaptation is important

- Eg how the telecommunications value chain (now internet value chain?) has evolved

Engagement by regulated firms matters: they are prompted eg by lack of a ‘level playing field’, financing or pressure from downstream users on performance

- especially when the downstream users are exposed to trade: Australian experience of starting with external liberalisation

But it is important to avoid capture of the reform process by having a clear vision of the outcome: ‘reform can be diverted if the ultimate goal is lost from sight and not referred to regularly’

9. COORDINATE WHEN IT MATTERS

Policy applying to a particular sector is often managed by a number of regulators

In some sectors the intensity of interest once widely dispersed is now more uniform

- Telecoms examples: trade, competition, privacy, security

Coordination across agencies is becoming more important: facilitates the economic evaluation of regulatory impacts, taking into account all costs and benefits, and the trade-offs involved in particular choices.

- Also leads to attention to measures which solve a problem at least costs, including at minimal effect on restrictiveness to trade

Suggestions

- Establish a formal process involving relevant agencies
- Locate a point of management (traditional role of trade ministries, given the commitments which they manage)
- Provide funding
- Include all relevant stakeholders
- Monitor outcomes

OVERALL, HOW TO KEEP GOING?

Momentum for reform can be slowed by

- Fatigue
- Impacts from other sources of increases in income, eg beneficial terms of trade changes
- Complexity and uncertainty, which may increase as technology shifts
- (Re)organisation and impact of private interest groups
- Failing to respond to rising inequality (Australian story is positive in this respect: tax and welfare system, plus some sector-specific measures)
- Layers of government (state vs federal) and the challenge of coordination among them.

Momentum for reform can be maintained by

- Leadership capacity, and the ability to build coalitions in favour of reform
- International commitments (though the Australian story is mainly unilateral with respect to border barriers)
- International cooperation (eg RCEP and CPTPP chapters)
- Labour market adjustment programs (PC reported on the value of welfare, training and employment services)
- Macroeconomic policy choices that facilitate adjustment
- Competition policy framework and attention to market power (topical discussion of business dynamism)