

## News Release

### ***Doing Business 2009: East Asia Gains Momentum in Regulatory Reform—China and Thailand Make Key Improvements, Singapore Tops Global Rankings***

**WASHINGTON, D.C., September 10, 2008**—East Asia and the Pacific had the greatest momentum among regions in reforming business regulations this year, according to *Doing Business 2009*—the sixth in an annual series of reports published by IFC and the World Bank. The new report identifies 26 reforms between June 2007 and June 2008 that make it easier to do business in 24 economies across the region.

Among the world's large emerging markets, China led with reforms that make it easier to obtain credit, pay taxes, and enforce contracts. The region's other top economies in reforming business regulations include Thailand, Cambodia, and Malaysia. Improvements made it easier to pay taxes, start a business, trade across borders, and register property. These countries also took steps to protect investors, improve bankruptcy procedures, and strengthen the legal rights of creditors and borrowers. Cambodia's new secured transactions law made it the world's leading economy in easing access to credit.

*Doing Business* ranks economies based on 10 indicators of business regulation that track the time and cost to meet government requirements in starting and operating a business, trading across borders, paying taxes, and closing a business. The rankings do not reflect such areas as macroeconomic policy, quality of infrastructure, currency volatility, investor perceptions, or crime rates.

Singapore leads the global rankings on the overall regulatory ease of doing business for a third consecutive year. New Zealand is runner-up, and the United States third. Hong Kong (China) retains fourth place, while Thailand advanced to 13 and Malaysia to 20.

"Countries in the region are clearly committed to reform agendas," said Dahlia Khalifa, a coauthor of the report. "Regardless of their stage of economic development, they are recognizing the role that regulatory reform can play in staying competitive while boosting entrepreneurship and job creation," she added.

Among regions, Eastern Europe and Central Asia led the world in reforms for a fifth consecutive year. And the trend is moving eastward as newcomers join the list of economies making the most reforms. The top 10 are, in order, Azerbaijan, Albania,



the Kyrgyz Republic, Belarus, Senegal, Burkina Faso, Botswana, Colombia, the Dominican Republic, and Egypt.

"Economies need rules that are efficient, easy to use, and accessible to all who have to use them. Otherwise, businesses get trapped in the unregulated, informal economy, where they have less access to finance and hire fewer workers, and where workers lack the protection of labor law," said Michael Klein, World Bank/IFC Vice President for Financial and Private Sector Development. "*Doing Business* encourages good rules, and good rules are a better basis for healthy business than 'who you know,'" he added.

*Doing Business 2009* ranks 181 economies on the overall ease of doing business. The top 25 are, in order, Singapore, New Zealand, the United States, Hong Kong (China), Denmark, the United Kingdom, Ireland, Canada, Australia, Norway, Iceland, Japan, Thailand, Finland, Georgia, Saudi Arabia, Sweden, Bahrain, Belgium, Malaysia, Switzerland, Estonia, Korea, Mauritius, and Germany.

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The *Doing Business* project is based on the efforts of more than 6,700 local experts—business consultants, lawyers, accountants, and government officials—and leading academics around the world who provided methodological support and review. The data, methodology, and names of contributors are publicly available online at [www.doingbusiness.org](http://www.doingbusiness.org).

**For more information on *Doing Business 2009*, please contact:**

**In Washington, D.C.**

Maria Alexandra Velez Henao 1 (202) 458-8789  
E-mail: [mvelezhenao@ifc.org](mailto:mvelezhenao@ifc.org)

Rebecca Ong 1 (202) 458-0434  
E-mail: [rong@worldbank.org](mailto:rong@worldbank.org)

**East Asia & Pacific**

Andrew Mak (852) 25-09-81-10  
E-mail: [amak@ifc.org](mailto:amak@ifc.org)

Mohamad Al Arief 1 (202) 458-5964  
E-mail: [malarief@worldbank.org](mailto:malarief@worldbank.org)

## Fact Sheet – Summary of Reforms in East Asia and the Pacific

In **Brunei** no major reforms were recorded.

**Rank in Doing Business 2009:** 88

**Cambodia's** new secured transactions law made it the world's top reformer in getting credit in 2007/08. The new law allows movable property to be used as collateral. And an online unified collateral registry is now in operation. In addition, Cambodia adopted the 2007 Bankruptcy Law, its first ever regulating the bankruptcy of private enterprises. The law introduces a reorganization procedure to restructure insolvent companies.

**Areas of Reform:** Getting Credit (Legal Rights), Closing a Business

**Rank in Doing Business 2009:** 135

**China** made getting credit easier by expanding the range of assets that can be used as collateral through a new property law in October 2007. Accounts receivable and a combination of assets can now be used to secure a loan. China also tightened the rules on enforcement of judgments, making it harder for debtors to prevent enforcement. And it eased the tax burden on businesses by reducing the corporate income tax rate from 33.3 percent to 25 percent and unifying the criteria and accounting methods for tax deductions. A new labor contract law has had a mixed impact. The new law empowers workers and recognizes their right to paid annual leave. But it also makes firing workers more difficult by introducing priority rules for redundancy dismissals and increasing dismissal costs. The flexibility of working hours was also reduced.

**Areas of Reform:** Getting Credit (Legal Rights), Paying Taxes, Enforcing Contracts, Employing Workers (making it more difficult)

**Rank in Doing Business 2009:** 83

**Fiji** adopted new regulations for construction permitting that added three new preapproval procedures relating to health, fire safety, and water and sewerage connections. The Employment Relations Promulgation 2007 strengthened protections against workplace discrimination and shifted dispute resolution from litigation to mediation. It also made dismissing workers more difficult by requiring prior notification for redundancy dismissals.

**Areas of Reform:** Dealing with Construction Permits (making it more difficult), Employing Workers (making it more difficult)

**Rank in Doing Business 2009:** 39

**Hong Kong (China)** granted trustees more power in bankruptcy proceedings, a change expected to make the liquidation procedure more efficient. Under the "Be the Smart Regulator" program, a broad initiative to improve business licensing, the government reduced the time to deal with construction permits by 36 days and eliminated 8 procedures related to inspections and preapprovals.

**Areas of Reform:** Dealing with Construction Permits, Closing a Business

**Rank in Doing Business 2009:** 4

**Indonesia** made getting credit easier by guaranteeing the right of borrowers to inspect their credit data at the Bank of Indonesia, helping to improve the quality and accuracy of the information

financial institutions use in assessing the risk profiles of borrowers. Indonesia made business start-up faster but also almost doubled the minimum capital requirement.

**Areas of Reform:** Getting Credit (Information), Starting a Business (making it more difficult)

**Rank in Doing Business 2009:** 129

In **Kiribati** no major reforms were recorded.

**Rank in Doing Business 2009:** 79

In the **Lao People's Democratic Republic** no major reforms were recorded.

**Rank in Doing Business 2009:** 165

**Malaysia** abolished the real property gains tax and reduced the corporate income tax rate to 26 percent (the rate had previously been tiered). A further reduction to 25 percent is planned for next year. The reform also introduced a single-tier tax system, in which profits are taxed only after dividend payments are exempted. Amendments to the Companies Act simplified business registration and reduced the time required by introducing online filing of registration documents.

**Areas of Reform:** Starting a Business, Paying Taxes

**Rank in Doing Business 2009:** 20

In the **Marshall Islands** no major reforms were recorded.

**Rank in Doing Business 2009:** 93

In **Micronesia** no major reforms were recorded.

**Rank in Doing Business 2009:** 126

**Mongolia** facilitated trade by creating a single window for customs clearance, introducing a partial system of risk management, and implementing postclearance audits. These changes have reduced both the time and the documents required for exporting and importing. Mongolia also eased the tax burden on employers by reducing their social insurance contribution from 19 percent to 11 percent of gross salaries.

**Areas of Reform:** Paying Taxes, Trading across Borders

**Rank in Doing Business 2009:** 58

**Palau** facilitated trade by automating customs declarations. Traders can now submit documents by email or on a flash drive. The time required for import documentation has been reduced by two days.

**Areas of Reform:** Trading across Borders

**Rank in Doing Business 2009:** 91

In **Papua New Guinea** no major reforms were recorded.

**Rank in Doing Business 2009:** 95

**The Philippines** upgraded the risk management and electronic data interchange system for customs, reducing the time to import by a day.

**Areas of Reform:** Trading across Borders

**Rank in Doing Business 2009:** 140

**Samoa** lowered the corporate income tax from 29 percent to 27 percent and the capital gains tax from 30 percent to 27 percent.

**Areas of Reform:** Paying Taxes

**Rank in Doing Business 2009:** 64

**Singapore**, the top-ranked economy globally on the ease of doing business, sped the process for dealing with construction permits, reducing the time from 102 days to 38. Almost 99 percent of applications are now submitted electronically through the Construction and Real Estate Network (CORENET). Singapore also simplified the online process for business start-up, cutting a procedure and reducing the time required by a day.

**Areas of Reform:** Starting a Business, Dealing with Construction Permits

**Rank in Doing Business 2009:** 1

In the **Solomon Islands** no major reforms were recorded.

**Rank in Doing Business 2009:** 89

**Taiwan (China)** amended its civil code to make secured lending more flexible. Since September 2007 parties to a mortgage or pledge agreement have been allowed to set the loan amount as a maximum line of credit.

**Areas of Reform:** Getting Credit (Legal Rights)

**Rank in Doing Business 2009:** 61

**Thailand** made paying taxes easier by reducing some fees and facilitating online filing and payments. In addition, it now exempts companies with taxable income not exceeding 1.2 million baht from corporate income tax and applies concessionary 25 percent rates for newly listed companies. Amendments to the Securities and Exchange Act strengthened minority shareholder rights. Directors now have greater duties with respect to transactions between interested parties. If held liable for using the company's assets for their own benefit, they will have to pay damages, disgorge profits, and pay fines—and may even go to jail. Provisional reductions of the property transfer fee and specific business tax have lowered the cost to transfer property from 6.3 percent of the property value to 1.13 percent. A new internet-based customs clearance system reduced the number of documents that must be submitted in hard copy from 9 to 3 for imports and from seven to four for exports.

**Areas of Reform:** Registering Property, Protecting Investors, Paying Taxes, Trading across Borders

**Rank in Doing Business 2009:** 13

In **Timor-Leste** no major reforms were recorded.

**Rank in Doing Business 2009:** 170

**Tonga** implemented more regulations of its 2005 building code, decreasing the number of procedures for dealing with construction permits from 14 to 11 and, with administrative

improvements, reducing the time needed by 12 days. New regulations on business licensing reduced the time to start a business by one week.

**Areas of Reform:** Starting a Business, Dealing with Construction Permits

**Rank in Doing Business 2009:** 43

**Vanuatu** strengthened creditor protections by ensuring that secured creditors have priority outside bankruptcy procedures over unsecured creditors and subsequently registered secured creditors. The improvement comes as a result of the Personal Property Securities Act passed in 2008. The act also broadens the range of assets that can be used as collateral and allows out-of-court enforcement of security rights.

**Areas of Reform:** Getting Credit (Legal Rights)

**Rank in Doing Business 2009:** 60

**Vietnam's** public credit registry now keeps information on record longer, providing financial institutions with more data on the repayment history and debt capacity of potential borrowers.

**Areas of Reform:** Getting Credit (Information)

**Rank in Doing Business 2009:** 92