



Asia-Pacific
Economic Cooperation

Advancing Free Trade
for Asia-Pacific **Prosperity**

2013 ANSSR Mid-Term Progress Report



Summary of Results

SEPTEMBER 2013



**Asia-Pacific
Economic Cooperation**

Prepared for

Asia-Pacific Economic Cooperation Secretariat

35 Heng Mui Keng Terrace, Singapore 119616

Telephone: (65) 6891 9600 Facsimile: (65) 6891 9690

Email: info@apec.org Website: www.apec.org



2013 ANSSR Mid-Term Progress Report: Summary of Results

SEPTEMBER 2013

Acknowledgements

This summary was prepared by Ben Shepherd, Principal, Developing Trade Consultants Ltd. for the Asia-Pacific Economic Cooperation (APEC) organization as part of the APEC Technical Assistance and Training Facility (TATF) program. APEC TATF is managed by USAID with funding and strategic direction from the U.S. State Department Bureau of East Asian and Pacific Affairs, Office of Economic Policy. For further information, please contact Ms. Victoria Waite, Deputy Chief of Party, VWaite@Nathaninc.com.

In 2012, APEC members agreed to conduct a mid-term progress report on the implementation of ANSSR. Russia, as the APEC Host for 2012, developed a template in close coordination with Australia and the United States, and set forth a timeframe for member economies to collect and submit mid-term progress reports in 2013. Russia compiled each member economy's template into one document, and this summary is meant to give an overview of information collected from the mid-term reporting.

2013 ANSSR Mid-Term Progress Report: Summary

APEC's New Strategy for Structural Reform (ANSSR) was adopted by Leaders at their Yokohama meeting in 2010. It follows on from other related APEC programs, such as the Leaders' Agenda to Implement Structural Reform (LAISR). Indeed, given that structural reform cuts across a number of issue areas covered by APEC fora, there is in fact a long history of dealing with structural reform issues in member economies both within the APEC context, and independently. A number of APEC economies are considered world leaders in the area of structural reform, and have provided important bases of experience for learning by other economies both within and outside the Asia-Pacific region. There is thus a solid basis for pursuing initiatives such as ANSSR, which can be expected to bring significant economic benefits to consumers and producers in the Asia-Pacific.

ANSSR calls on individual member economies to select structural reform priorities, and identify objectives, policies, and approaches for measuring progress over the 2011-2015 time frame. This report is a mid-term progress review, designed to facilitate knowledge exchange and information sharing by highlighting examples of successful structural reforms, as well as identifying common challenges that have arisen during the ANSSR implementation process. The main body of the report consists of Progress Reports from member economies following an agreed upon template. The purpose of this Summary is to bring together some core messages from the economy Progress Reports, highlight examples of success, identify common challenges, and draw together the implications of the 2011-2013 experience for the implementation of ANSSR going forward through 2015.

This Summary: 1) provides context for the Progress Report by briefly discussing the nature and importance of structural reform; 2) highlights successful examples of structural reform in each of the ANSSR priority areas; and 3) discusses implications as well as the way forward through 2015.

OVERVIEW OF ANSSR AND STRUCTURAL REFORM

What is Structural Reform?

At its broadest, structural reform can be understood as the microeconomics of growth and development. For APEC purposes, the Policy Support Unit (PSU) has given an operational definition of structural reform as: "Policy change related to institutional frameworks, regulation

and design of government policy, so barriers to market-based incentives, competition, regional economic integration and improved economic performance are minimized.”

The essence of structural reform is that rather than using macroeconomic tools such as interest rates and fiscal policy to promote economic growth, it focuses on making individual markets work more efficiently. The result of this kind of microeconomic reform can be to boost an economy’s growth potential by allocating existing resources more efficiently. Interconnections among sectors mean that structural reform in one area—particularly in key backbone services sectors—can have strong knock-on effects in other sectors: from an economic perspective, it acts as a kind of positive technological shock. Since technology is the primary motor of sustainable economic growth, structural reform offers economies—and particularly developing economies—an important way of helping promote social and economic objectives.

Importantly, structural reform is not a one off exercise, but a process. Once put in place, the objective is that it should continue indefinitely, dealing with new issues, new business practices, and changes in economic and regulatory technology as they occur. Structural reform is therefore not just about the adoption of a particular set of policies. It also concerns the establishment of appropriate institutions to foster growth-oriented microeconomic reform in the future.

Of course, institutional and political contexts vary greatly from one economy to another, and so it is not possible to be prescriptive about the type of environment that should be put in place. However, three features of successful reform programs stand out. One is that institutional structures tend to be relatively transparent, thus “practicing what they preach” in terms of regulatory reforms elsewhere in the economy. The second feature is the extensive and ongoing use of economic cost-benefit analysis, often through Regulatory Impact Assessment (RIA). The third common element of successful structural reform institutions is their commitment to a general equilibrium point of view. This approach means that they consider the interests of the whole economy when making structural reform recommendations, and do not become focused on the interests of producers in just one sector. In particular, a general equilibrium perspective means that the interests of consumers are taken into account in addition to those of producers. The result is a fundamentally different approach to regulation from the one that emerges from an undue focus on sectoral, producer-oriented interests, and one that is far more likely to be growth-promoting for the whole economy over the medium- to long-term.

Why Undertake Structural Reform?

As noted previously, structural reform has the potential to boost economic efficiency in the short-term, and take economic growth to a higher path over the medium- to long-term. Although such effects are by their nature difficult to quantify in the abstract, some attempts have been made to give an impression of the orders of magnitude involved using computable general equilibrium models. For instance, a 2011 report by the APEC PSU examined the impact of structural reforms in energy and transport, which are key backbone services sectors. The modeling exercise suggests that ambitious reforms could see regional real GDP increase by US\$175bn per year after a ten year adjustment period. Productivity improvements—which are the most important motor of sustained economic growth—vary from 2% to 14% across economies. The largest productivity effects are seen in developing member economies.

This last finding of the 2011 PSU report highlights the fact that structural reform dovetails well with broader development objectives in developing member economies. Indeed, the payoffs from structural reform are particularly large in those economies, and have the potential to boost their growth trajectories in a sustained way. Moreover, the ANSSR approach to structural reform—discussed in more detail in the next subsection—incorporates a number of social development objectives into its overall approach. Structural reform as understood by ANSSR is therefore not just about economic growth—although that is clearly an important aspect of the program—but also recognizes the importance of combining economic and social development objectives in a coherent way, particularly in developing member economies. This approach highlights the fact that microeconomic reform can go hand in hand with the achievement of important social development objectives.

The ANSSR Approach to Structural Reform

ANSSR does not set out a prescriptive approach to structural reform. Instead, it invites each economy to identify its own structural reform priorities. Progress can be tracked over time so that economies can learn from experience both domestically and elsewhere in the region. With this aim in mind, a key aspect of ANSSR is the incorporation of measurement methodologies to provide benchmarks and assess progress towards structural reform goals. All 21 APEC economies have submitted individual ANSSR Action Plans, based on their own domestic priorities. The purpose of this report is to assess progress mid-way through ANSSR's term, based on the goals and yardsticks established by economies themselves, and thus to facilitate continuing development of the structural reform process over the remainder of the 2011-2015 period.

To assist economies in choosing their structural reform priorities for ANSSR purposes, it identifies five key areas—without establishing a hierarchy—that fit with some of the major issues in structural reform:

1. Promoting more open, well-functioning, transparent, and competitive markets;
2. Promoting labor market opportunities, training, and education;
3. Promoting sustained SME development and enhanced opportunities for women and vulnerable populations;
4. Promoting effective and fiscally sustainable social safety net programs; and
5. Promoting better functioning and effectively regulated financial markets.

As this list makes clear, economic and social development goals are both important in designing a structural reform process. In particular, the promotion of opportunities for women and vulnerable populations, putting in place social safety net programs, and promoting training and education not only have positive effects for the economy; they also promote social development, and thus are particularly important in developing member economies.

Although many aspects of structural reform are important for developing member economies, it is important to be realistic about the human, technological, and fiscal capacity constraints that are in operation in many of those economies. Structural reform programs and institutions need to be tailored to fit the needs of individual developing member economies. Moreover, the ANSSR process itself poses challenges for some developing economies, as it requires coordination across a number of areas of government, and may involve complex regulatory reforms as well as

implementation questions that need to be addressed when designing the reform program. With these types of issues in mind, Australia established the APEC Support Fund (ASF) APEC New Strategy on Structural Reform Sub-Fund (or ANSSR Sub-Fund) for capacity building in developing member economies. A number of capacity building activities have been organized in the ANSSR context. The first set of activities was designed to assist developing economies in the identification of priorities and design of their individual ANSSR Action Plans, including through the inclusion of performance measurement methodologies. The second set of activities was aimed at assisting developing member economies access resources to develop particular capacity building projects in ANSSR priority areas. Both sets of activities were highly rated by participants. As a direct result of these programs, 15 capacity building proposals have been submitted to the ANSSR Sub-Fund, of which 12¹ have so far been approved and are at various stages of implementation.

In addition to the issue of funding, APEC economies have also supported the ANSSR process by leveraging synergies with APEC fora other than EC and CTI. For instance, HRDWG has also been constructively involved in the parts of ANSSR relating to the development of human capital. There is also the potential to leverage APEC work on financial markets in light of the global financial crisis to inform the ANSSR program as it relates to financial market development. (See below for other examples of such synergies.) In addition, ANSSR initiatives have involved experts from outside APEC as appropriate, including from international organizations like the OECD. By making use of external expertise on issues such as competition policy, and performance measurement in the area of structural reform, the ANSSR process has already facilitated and benefitted from a large amount of information sharing. This report also contributes to that process, by providing economies with an indication of ways in which their peers have addressed the many economic and policy challenges that structural reform entails.

PROGRESS REPORT HIGHLIGHTS

This section provides an overview of economies' ongoing structural reform efforts in the five ANSSR priority areas. Its purpose is not to undertake a measure by measure review, but instead to highlight commonalities in the experiences of various member economies, and thus facilitate intra-APEC knowledge sharing. In addition, where economies have identified implementation challenges, this section seeks to briefly highlight and discuss them, with a view to supporting economies as they deal with these issues going forward.

Promoting More Open, Well-Functioning, Transparent, and Competitive Markets

This ANSSR priority is the one in which economies (18) have most commonly chosen to list structural reform activities. From an economic point of view, this focus is very appropriate:

¹ In 2012, the first year funds were available through the ANSSR Sub-Fund, eleven proposals were submitted, and seven were funded. One proposal was withdrawn, and 3 proposals did not receive funding due to an oversubscription to the ANSSR Sub-Fund. As of August 2013, five proposals were submitted and received approval, two of which had been resubmitted from 2012.

increasing the role of competition and market-based incentives in the economy is arguably the most basic aspect of structural reform, from which all the rest flow in one way or another. The overall aim of ANSSR is therefore well advanced by the fact that almost all economies have chosen to list activities in this area.

A number of economies, both developed and developing, have chosen to make competition policy one of the centerpieces of reform efforts in this priority area. In some cases, competition policies and laws already exist, but need to be broadened and strengthened. In others, they need to be introduced, or extended to all sectors. The development of stronger pro-competitive institutions is a very encouraging step by member economies. Taking a general stance in favor of increased competition in all sectors is certainly one of the most important elements of structural reform in general, and the necessary step on which many other actions depend. Although the capacity constraints facing developing economies are serious in this area, the commitment shown through ANSSR demonstrates that it is possible to make progress on this front, even if the development of a full range of laws and policies necessarily takes substantial time.

In addition, some economies have recognized that the process of making and enforcing regulations can be improved so as to enhance economic efficiency, and increase sectoral performance. Regulation provides the framework in which private transactions take place, and as such is an important determinant of the overall cost of doing business in particular sectors. By regulating appropriately in a way that is both effective (achieves social goals) and efficient (does so at minimum economic cost), there is the potential for economies to unlock significant productivity gains. In particular, some economies are developing or extending their capacities in relation to RIA. RIA is an important part of the rule-making process: if fully implemented, it can help ensure that regulation is indeed both effective and efficient. Again, the capacity constraints facing developing economies implementing RIA are serious; nonetheless, it is not only developed economies that are seeking to improve their regulatory process in this way. For all economies improving regulatory capacity, including through the use of RIA, one of the main challenges lies in ensuring coordination between a large number of government departments and agencies involved in rule making, as well as between the various levels of government (e.g., central and state or regional). Pursuing both ex-ante and ex-post RIA is an important way in which APEC economies can set in train a process of ongoing structural reform that carries the promise of significant productivity and income gains in the medium- to long-term.

Some developing economies have highlighted reforms to the role of state-owned enterprises (SOEs) under this ANSSR priority. A key first step in such programs, as recognized by developing member economies, is to introduce competitive neutrality: i.e., to ensure that all businesses in the marketplace, regardless of ownership structure, are subject to the same competitive conditions. This approach can be seen as an extension of other programs that seek to implement or extend competition laws and policies to cover all sectors of the economy. Economies recognize that enhancing the competitive environment is an important precursor to other structural reforms, as reductions in the everyday costs of doing business will only be fully passed on to consumers when competition among firms is strong.

A final notable example of an issue addressed under this priority area is the ease of doing business (EoDB). Steps in this area leverage synergies with APEC's separate initiative on EoDB, which includes quantitative targets. A number of member economies have recognized that making it easier for companies to do business—including through maintaining and expanding open trade and investment relations—is also an important element of structural reform. Developing and developed economies alike are both involved in taking steps in this area.

Clearly, the three examples noted in this subsection are mutually reinforcing and exhibit a high degree of cross-issue coherence. In addition, they exploit appropriate synergies with other APEC initiatives, particularly in the areas of RIA and EoDB. Importantly, the issues addressed under this priority area tend to be processes rather than one-off changes. This approach sits well with the ongoing nature of structural reform. Economies that continue their efforts in these areas over the 2015 timeline will be well positioned to reap substantial economic rewards, particularly in the case of developing member economies.

Economies have generally indicated significant progress over the 2011-2013 period. In most cases, substantial steps are still to be taken in the second stage of ANSSR implementation. It is typical, for example, that the first stage of implementation in this area involves the putting in place of administrative or legal structures, and the second is their full scale operation on an economy-wide basis. Although economies have generally not identified significant implementation challenges in this priority area, one factor is discussed by a number of economies in their reports: the importance of engaging stakeholders in the reform process, and ensuring that the business community and private citizens are aware of the changes taking place. In some cases, economies have chosen performance metrics that are based on perception surveys, so communication strategies are needed to ensure that perceptions change in line with the reality on the ground.

Promoting Labor Market Opportunities, Training, and Education

The labor market is the second most common ANSSR priority area in which economies (16) have listed actions. The operations of hiring staff or letting them go occur in all sectors of the economy. In addition, the development of human capital is a key element of productivity across the board. These two elements again make it appropriate that so many economies should have chosen this priority area as one in which to include structural reforms.

One notable feature of economies' actions under this priority area is a strong emphasis on education and training at all levels. This observation applies equally to developing and developed member economies, although the emphasis is obviously different in individual cases. In particular, it is encouraging to see that vocational educational and training are mentioned by a number of member economies, in addition to areas that often receive more attention such as primary, secondary, and tertiary (university) education. Growing economies at all development levels need a diverse set of skills as part of their total stock of human capital. Businesses in turn need access to a wide variety of different types of labor. Economies can therefore expect to see significant returns over the medium-term to these kinds of broad-based investments in human capital development.

A number of economies, both developed and developing, also listed measures that would serve to increase the labor force participation rate, and to better match potential employees with positions. In developed economies, the emphasis is typically on measures that provide incentives for older workers to stay in at least part-time work. In developing economies, by contrast, it is generally more important to ensure that those people experiencing difficulty finding formal employment are assisted in the process.

Implementation mechanisms for labor market programs vary among economies. One common feature in some cases is the use of tax credits to encourage hiring of particular groups (such as younger or older workers), or in an effort to reduce overall unemployment. This approach to boosting employment can be effective in some circumstances, and from an economic point of view is relatively efficient, as it reduces the overall tax burden on businesses. In competitive environments, that reduction is passed on partly to job seekers in the form of offers and salaries, and to consumers through lower prices. Given the relatively common use of various types of employment-related tax credits within the region, economies might find it useful to engage in experience sharing in this area, perhaps as part of the HRDWG's work program.

In terms of implementation, the position for this priority area is similar to that for the first: some actions have been taken, including in many cases the putting in place of frameworks. However, the second phase of ANSSR (2013-2015) will in some cases see more on-the-ground implementation. It will be important for economies to sustain their efforts in this area over ANSSR's full term. In this regard, it is encouraging that many economies have included quantitative performance metrics under this priority area: these measures mean that it is possible for governments and citizens to track performance over time, and introduce any necessary corrections in strategy or implementation approach.

Promoting Sustained SME Development and Enhanced Opportunities for Women and Vulnerable Populations

Nearly the same number of economies (15) listed actions under this priority area as for labor markets. Again, these issues are cross cutting and not limited to a particular sector. Interestingly, the social dimension of this priority area is more prominent than for the first two, because it deals directly with women and vulnerable populations.

In terms of SME development, a wide range of economies identify the need for a vibrant SME sector as part of their broader economic objectives. Some economies focus on allowing SMEs to grow, and encouraging new ones to enter the market, by making it easier for them to do business. Measures that reduce the cost of doing business—including startup costs—are particularly important for SMEs, because they can represent a much more significant proportion of earnings than is the case for larger companies. Measures in this area therefore sit well with the broader APEC EoDB initiative.

An additional area that is mentioned by some economies is access to finance. Typically, SMEs have difficulty accessing financial markets—both debt and equity—for a number of reasons. On the one hand, they are often new companies with untried business models, so investment is inherently risky. Secondly, they are by definition small, and may lack collateral that can be

leveraged for borrowing purposes. Economies can consider a variety of measures to help deal with these obstacles. In one case, a specific agency deals with some aspects of small business financing. In one developing economy, by contrast, a microfinance model has been applied. Both models might provide useful bases for experience sharing within APEC, as they have significant potential to improve SMEs' access to financial markets in different economic contexts.

SME development can be one way of promoting labor market opportunities for women and vulnerable population groups, as they tend to use relatively more of these types of employees than larger companies. In addition, a number of economies have also listed specific measures to deal with particular population groups including women, the elderly, and disabled people. Focused measures to increase the labor force participation of these groups has the potential to give the economy a significant boost, particularly in developed economies where the size of the economically active population is becoming an issue of policy concern.

Promotion of opportunities for defined groups tends to take on a different complexion in developing and developed economies. In the former, the emphasis is sometimes on protection of rights in the workplace, and the creation of opportunities. In developed economies, by contrast, issues such as the cost and availability of child care for working parents, as well as direct incentives to assist with the engagement of vulnerable groups, are often the focus of action.

In terms of implementation, economies generally report important progress in this priority area but are conscious that reforms need to be undertaken in a staged manner. For instance, making it easier to start a company typically requires a whole raft of reforms, including in appropriate cases the more extensive use of information technology. Against this background, it is clear that economies are planning to extend the gradual implementation of initiatives in this priority area over the full 2011-2015 ANSSR period.

Promoting Effective and Fiscally Sustainable Social Safety Net Programs

This priority area was the subject of listed actions in substantially fewer economies (11) than the first three areas. One reason for this result is perhaps that the institution of social safety net programs remains extremely challenging for many developing economies, due to constraints of both technical and financial capacity. Moreover, the main structural reform priorities for developing and developed economies are markedly different in this case: for the former, it is the institution or expansion of social programs; for the latter, it is ensuring that existing and future programs are fiscally sustainable.

Some developing economies that continue to deal with populations living in extreme poverty have used variations on the conditional cash transfer mechanism to alleviate this social problem. Such programs have been widely found to be effective and efficient internationally, and it is appropriate that they should be considered by certain APEC economies.

Other economies emphasize the generally temporary nature of social benefits, in the sense that the aim is to support people during their return to work rather than to support them over the long term. Measures to reduce long-term benefit dependency are appropriate in some cases—such as

unemployment benefits, as opposed to disability benefits, where long-term reliance is likely and socially justifiable.

In developing and developed economies alike, it is common to see a move towards greater labor market flexibility. In general, such moves can increase the total level of labor force participation by making hiring and retrenching workers easier and less expensive for employers (see above). Such measures are increasingly necessary in a globalized marketplace. Moreover, APEC economies' ongoing commitment to open trade and investment in the region increases overall economic welfare, but necessarily entails reallocation of labor across industries. Both dynamics tend to increase the rate of "churning" (i.e., temporary unemployment) in the economy. As a complement to APEC economies' policies, therefore, it is also important to put development-appropriate social safety net measures in place to deal with temporary job dislocation. Economies' actions under this priority area are highly consistent with such a goal.

Implementation of social safety net programs necessarily takes time, particularly in the developing economy context. Even in developed economies, changing systems by shifting emphasis or reorganizing financing arrangements requires significant investments of time, resources, and political will. Promoting effective and fiscally sustainable social safety net programs is therefore an issue that will continue to confront member economies in the future. As noted above, the need for such systems is only likely to increase as regional and global trade and investment relations intensify. As in the other ANSSR priority areas, this aspect of structural reform is an ongoing process rather than a one-off event.

Economies have not identified any particular implementation issues or challenges they have faced in this priority area. However, the progress they have reported makes clear that, particularly in the developing economy context, one major challenge is reaching the most vulnerable populations. These people often live in relatively remote areas, or are even itinerant in some cases, which makes provision of services and conditional cash transfers administratively difficult. Of course, as an economy's development level increases, the preferred means of helping citizens access social services tends to change. In one developing economy case, the extensive use of information technology is highlighted as a way of not only increasing citizen involvement in the operations of government, but also of improving access to important social benefits and services. As economies develop, such measures will become increasingly important as part of broader social safety net programs. In addition to improving effectiveness, they can also increase efficiency by reducing operational and access costs.

Promoting Better Functioning and Effectively Regulated Financial Markets

Interestingly, this priority area was selected for action by the smallest number of economies (9). From a purely economic standpoint, that is a surprising result: by turning savings into investment, financial markets play a linchpin role with respect to the real economy. It is very difficult for the economy to stay on a path of relatively rapid and sustained growth without well-functioning financial markets. However, the fact that most economies are still grappling to a greater or lesser extent with the effects of the global financial crisis of 2007 and 2008—as well as the ongoing European crisis, which has implications for APEC economies too—means that it may be difficult

to develop a list of actions at this time. Moreover, the financial sector and the way in which it is regulated are both in a state of flux in many member economies, again due to the effects of the global financial crisis. It is therefore to be hoped that this priority area will receive a greater level of action commitments from economies in the future, as the way forward becomes clearer.

Financial system stability is an important goal for a number of member economies under this ANSSR priority area. As the recent global financial crisis demonstrates, there is an ongoing need for an appropriate level of regulation of the financial sector. Supervision needs to include both traditional and non-traditional financial firms (i.e., both the banking and non-banking financial sector). Some economies refer to recently adopted international standards in fora outside APEC, such as the G-20, as a reference point for their own continuing efforts at regulatory reform in this sector.

In some developing economies, deepening financial markets is also an important policy priority. This aim is in line with another ANSSR priority, namely supporting the development of SMEs: access to finance, as previously noted, is often a crucial constraint on SME growth, and deepening markets can help loosen it. Regulatory reforms aimed at deepening financial markets of course vary from economy to economy according to their particular context. However, one common feature of the actions economies have listed is evident: an increasing reliance on market-based mechanisms for the allocation of financial resources to actors in the real sector. This approach is fully consistent with economies' ongoing commitment to free and open trade and investment within the APEC region, and more broadly.

The main implementation challenge facing economies in this priority area is that the dynamics of the sector are continually changing. As noted at the outset of this subsection, the financial sector in developed and developing economies alike has been in a state of flux since the crisis of 2007-2008. It is still difficult to formulate effective policy responses for the medium- to long-term, except perhaps in economies that for various reasons were not affected to a great degree by the crisis. Against this challenging background, it is encouraging from a structural reform perspective that at least some member economies have listed actions in this priority area.

IMPLICATIONS AND THE WAY FORWARD

A review of APEC member economies' ANSSR Progress Reports indicates that implementation is proceeding under each of the five priority areas. Listed actions differ considerably from economy to economy, and the contrast is particularly strong between developing and developed economies. In most cases, economies indicate notable progress towards their overall 2015 goals, and in some cases have already met or exceeded quantitative targets they set themselves as part of the ANSSR process. In a few cases, economies that have elected to track quantitative indicators have found that reforms need to be accelerated in the 2013-2015 period in order to reach their own goals.

Generally speaking, the first phase of ANSSR development and implementation has been successful in three main ways. First, each economy has identified structural reform priorities in the areas most important for its overall growth and development objectives. This process is the necessary starting point for major structural reforms, or alternatively a significant means of

stocktaking for those economies where structural reform has already been underway for some time. Second, economies have identified particular policy actions that contribute to the advancement of structural reform in the priority areas they have identified. They have thus been successful in translating priorities into well-defined, implementable actions. Thirdly, many economies have worked hard to incorporate qualitative and particularly quantitative measures of progress—including targets—into their ANSSR Action Plans. This development is extremely positive, as it provides the basis for assessing the success of implementation over the short- and medium-term. It is an effective way of helping each economy identify steps that have strong, positive impacts, and those where a redoubling of effort is required.

A positive implication of the approach taken by economies both in their ANSSR Action Plans and in their Progress Reports is that they are effectively viewing structural reform as a process, rather than a one-off set of actions. As noted above, structural reform needs change constantly with the evolving economy, changes in technology, and the rise of different business models. With this background in mind, it is very encouraging that most economies have listed actions under the first ANSSR priority area, namely promoting more open, well-functioning, transparent, and competitive markets. Setting up pro-competitive institutions and policies—such as competition laws and establishing or expanding the use of RIA—can lay the basis for a whole raft of reforms over the medium- to long-term. Indeed, economies can use the evolving nature of ANSSR itself to list additional action items as improvements in these general areas enable attention to be shifted to particular areas of competitiveness, including through a sectoral approach. Going forward, economies will need to pay attention to the serious challenges that can often confront structural reform. In developing economies, constraints of human, financial, and technical capacity are often significant barriers to reform. The ANSSR Sub-Fund is one attempt at alleviating some of those constraints as they affect the ANSSR process itself. In developing and developed economies alike, however, the main difficulties facing deep structural reforms stem from the political economy of the process: although structural reform benefits the economy as a whole, it does not necessarily benefit all individuals (both consumers and producers), and some may even temporarily suffer welfare losses as a result of dislocation. Often, the benefits of structural reform are widely dispersed and/or poorly understood, which makes it difficult for governments to put together a coalition of stakeholders strongly in favor of reform. The losses, by contrast, tend to be concentrated and well understood. As a result, it is often politically difficult to pursue reforms to their conclusion. Change management—including the involvement of all stakeholders throughout the process—is an important part of shifting the political economy balance decisively in favor of reform. Enhancing social safety net protections (itself an ANSSR priority area) can also help limit the losses suffered by some individuals as a result of reform, and thereby reduce their incentive to try and block economically beneficial changes. It is very positive that a number of economies have signaled their awareness of the need for stakeholder involvement as part of their ANSSR Progress Reports, and it bodes well for the sustainability of structural reform throughout and after the 2011-2015 period.

CONCLUSION

This Summary has provided a brief review of APEC member economies' ANSSR Progress Reports. It has contextualized progress in terms of the ANSSR process itself, and APEC's

broader efforts to promote efficient and effective structural reform. It has highlighted the benefits that structural reform can bring in terms of economic growth and productivity improvements. It has also stressed the ongoing nature of structural reform: it is a process, rather than a one-off set of actions. These aspects are well recognized by APEC economies, which have pursued structural reform under other initiatives prior to ANSSR. Indeed, other concurrent APEC programs—such as the EoDB Initiative—can be seen as supporting and deepening structural reform. It is clear from economies' Progress Reports that substantial synergies exist between ANSSR and other APEC initiatives, and member economies are exploiting them as appropriate.

Although significant progress has been made to date, member economies will need to ensure that their reform efforts are sustained over the full ANSSR implementation period, and beyond. To do this, it might in some cases be appropriate to pay particular attention to the challenges facing structural reform efforts, and the political and economic strategies that can be deployed to try and minimize them at the same time as maximizing the gains from reform. Given the success in implementation that economies have reported to date, they appear well-placed to continue with the ANSSR process, perhaps even adding new actions to their chosen priority areas, through 2015.