



Active in Southeast **ASIA**





Active in
Southeast ASIA



The OECD's Partnership with *Southeast Asia*

LIST OF CONTENTS

FOREWORD

OVERVIEW

- What is the OECD?
- Brief Overview of Southeast Asia
- OECD's Relationship with Southeast Asia
- Looking Ahead

BY SECTOR

1 GROWTH/CREATING MORE VIBRANT MARKETS

- 1.1 Regional Integration
- 1.2 Southeast Asian Economic Outlook
- 1.3 Economic Surveys
- 1.4 Investment
- 1.5 Trade
- 1.6 Science, Technology and Innovation
- 1.7 Agriculture and Food Security

2 GOVERNANCE

- 2.1 Fighting Corruption
- 2.2 Budgeting and Public Expenditures
- 2.3 Corporate Governance
- 2.4 Taxation

3 SOCIETY

- 3.1 Social and Welfare Issues
- 3.2 Education and Training
- 3.3 Migration

4 CLIMATE CHANGE

5 ANNEXES

- 5.1 Recent OECD Publications on Southeast Asia
- 5.2 Adherence of Southeast Asian countries to OECD Instruments
- 5.3 Full participation of Southeast Asian countries in OECD bodies
- 5.4 Observership of Southeast Asian countries in OECD bodies

FOREWORD



The Southeast Asian region is one of the most dynamic areas in the world; it is also one of the most diverse. This diversity is manifest in numerous ways, including levels of economic development, economic regimes and income levels. The region has experienced remarkable economic dynamism and it is actively engaged on an ambitious path of regional integration. Before the recent downturn, economic growth was robust and trade and investment flows soared as a result of increasing international division of labour. However, in the current climate, there is a real need for faster regional economic integration to cushion the impact of the global economic downturn.

The OECD is a Forum where governments come together to share and compare policy experiences, seek answers to common problems, and co-ordinate action. It is progressively reinforcing its role as a global forum for dialogue and decision on economic and social policy issues by providing a platform for a wide range of policy experiences and a possibility to influence the shaping of the global economic agenda.

Southeast Asia is a region of strategic importance to the OECD. Following a Ministerial mandate in 2007 to strengthen relations with the region, the Organisation is pursuing a dual track approach combining regional initiatives with country-specific work, in close co-operation with regional organisations

including ASEAN and the Asian Development Bank.

Southeast Asia can benefit from the OECD but the Organisation needs Southeast Asia as well. This is even more the case in the context of the current economic crisis. Global responses are needed to address the global crisis. We must work together to develop and implement a coherent and effective response to the crisis while ensuring that today's policies to manage the crisis will not be the source of tomorrow's problems.

The recently held 2nd OECD-Southeast Asia Regional Forum demonstrated that there is great potential and mutual interest for co-operation between the OECD and Southeast Asia. To further this cooperation, a decision

was taken to increase dialogue, collaborate on a substantive work programme and strengthen contacts and exchange of data.

Today, the OECD is working with many countries, including in the broader Asian region. Australia, Japan, Korea and New Zealand are full members; China, India and Indonesia are enhancing their engagement with the OECD and many Southeast Asian countries already participate in several OECD committees and working parties including its Development Centre.

At the OECD, we are proud that many countries find our contributions relevant, as we provide a space where policies are determined by dialogue, where advice comes, not only from experts but also from peers, and

where the fine-tuning of policies is based on best practices and not on doctrine.

The pages that follow illustrate OECD's longstanding and increasingly significant work with Southeast Asia. They also highlight the great potential that lies ahead for our future co-operation. We look forward to fully realising this potential with our Southeast Asian partners in the years ahead.



Angel Gurría
OECD Secretary-General

OVERVIEW



WHAT IS THE OECD?

The OECD is a multi-disciplinary inter-governmental organisation of 30 Member countries which engages in its work an increasing number of non-members from all regions of the world. Its core mission today is to help governments work together towards a stronger, fairer and cleaner global economy. Through its network of about 200 specialised committees and working groups, the OECD provides a setting where governments compare policy experiences, seek answers to common problems, identify good practice and co-ordinate domestic and international policies.

The Organisation's way of working consists of a highly effective process that begins with data collection and analysis and moves on to collective discussion of policy, then decision-making and implementation. Mutual

examination by governments, multilateral surveillance and peer pressure to conform or reform are at heart of OECD effectiveness.

The OECD has accumulated a remarkable array of knowledge and expertise across a wide range of issues. For decades, it has contributed to shaping sound social and economic policies both within and outside its membership, with the aim of helping governments and societies reap the benefits of globalisation while tackling the challenges that can accompany it. Today, its global mission is more relevant than ever before. The international economy is experiencing a period of unprecedented change, becoming increasingly integrated and interdependent. Promoting economic development in all corners of the world is both a shared responsibility and a common interest. In the face of these challenges, the OECD is changing. It

is becoming more inclusive, more sensitive to diversity, and more understanding of the many paths that lead to growth and development. It is expanding its membership and broadening its relations with over one hundred non-members. Based on mutual benefit, partnerships and the sharing of OECD working methods and knowledge, the Organisation's new global strategy aims to increase its relevance and its responsiveness to the needs of the international community. It has also started a process of enlarging its membership with five new countries (Chile, Estonia, Israel, Russia and Slovenia) and an initiative for enhanced engagement with five others (Brazil, China, India, Indonesia and South Africa). At the same time, it has identified Southeast Asia as a priority region of strategic interest.

BRIEF OVERVIEW OF SOUTHEAST ASIA

Southeast Asia is one of the most dynamic regions of the world, strengthening its integration into the global economy through deepening intra-regional ties. Industrial development and its effect on strengthening production networks has been the main driver of economic dynamism and integration in the region keeping in mind that the region is also one of the most diverse in terms of levels of economic development, political regimes and income levels.

With the changing landscape of the global economy—marked in particular since the late 1990s by the integration of global markets, the Asian crisis, the emergence of

China and India and the present economic crisis – Southeast Asian countries are now facing the challenges of how to remain competitive and attract investors. This can be achieved by further regional integration and co-operation to create a favourable economic environment and fortify institutional frameworks.

OECD'S RELATIONSHIP WITH SOUTHEAST ASIA

OECD dialogue and co-operation with the economies of Southeast Asia has progressively developed over the years, especially since the launch in 1998 of a Special Programme in response to the Asian financial crisis. A range of successful initiatives have been developed in close co-operation with other organisations. In January 2007, the OECD organised the 1st OECD – Southeast Asia Regional Forum entitled “Peer Review Mechanism for Policy Reform” in Jakarta, Indonesia to discuss the experiences and lessons learned from peer reviews—a hallmark of OECD working methods. The overall participation of the South-

east Asian economies in OECD activities is on the increase although the intensity of co-operation differs widely across the region. Indonesia, Thailand and Vietnam are full-participants in the Development Centre. Vietnam has been invited to meetings of several committees as an ad-hoc observer. In addition to participation as observers, the co-operation with selected Southeast Asian economies has recently started to be strengthened in several areas. Malaysia and Thailand, for instance, attended the STEP (Short-Term Economic Prospects, a biannual meeting of the Economic Policy Committee). Co-operation with Malaysia, Singapore and Thailand has started in the area of

environment. Vietnam attended meetings of the Committee for Agriculture, Malaysia and Vietnam meetings of the Investment Committee, and Singapore meetings of the Committee on Financial Markets. Thailand, Malaysia and Vietnam attended meetings in the areas of trade and of consumer policy. Malaysia, Philippines, Singapore, Thailand and Vietnam participated in a global conference on SMEs & Entrepreneurship policies.

LOOKING AHEAD

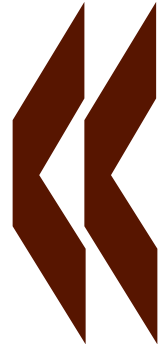
In May 2007, the OECD Council at Ministerial level (MCM) adopted the resolution to set as priority the expansion of OECD's relations with Southeast Asia. Given the distinct feature of Southeast Asia, it was decided that a "dual-track approach" of combining both regional initiatives and country-specific activities (in selected ASEAN countries) would be considered as most appropriate. In this context, an *OECD Southeast Asian Economic Outlook*, to be produced by the OECD Development Centre, will address multiple objectives of the Organisation, and of ASEAN countries themselves. This publication will provide both regional and country-specific economic analysis, monitoring economic performance and assessing long-

term development challenges.

The OECD organised the 2nd OECD-Southeast Asia Regional Forum entitled "Enhancing Competitiveness through Regional Integration" in Bangkok, Thailand in April 2009. This conference was hosted by the government of Thailand and was organised by the OECD in co-operation with ASEAN and the Asian Development Bank (ADB). The Forum provided an important opportunity to discuss and share views on economic and social aspects of regional integration and co-operation in Southeast Asia. It also served as a platform for launching a new phase of strengthened co-operation based on mutual interest between Southeast Asia and the OECD.

To enhance co-operation in the region,

ASEAN and ADB are key partners of the OECD. In addition to working with regional organisations, the OECD's regional centres in Korea are also an important element to develop co-operation with the Southeast Asian region.



GROWTH

CREATING MORE VIBRANT MARKETS

1

GOVERNANCE

FIGHTING CORRUPTION; BUDGETING;
CORPORATE GOVERNANCE; TAXATION

2

SOCIETY

SOCIAL AND WELFARE ISSUES; EDUCATION; MIGRATION

3

CLIMATE CHANGE

MEETING THE CHALLENGES

4

1

GROWTH

CREATING MORE VIBRANT MARKETS

1.1 Regional Integration

- Fostering regional integration towards a single market is one of the key agenda points in the region. Southeast Asia is experiencing deepening intra-regional integration as it further strengthens its integration into the global economy. Since the 1990s, official initiatives to strengthen this market-driven integration within the ASEAN and with neighbouring countries have intensified, embarking the

region on a distinct path towards integration: the ASEAN has unveiled the blueprint for the ASEAN Economic Community (AEC) to achieve a “single market” by 2015. The full ratification of the ASEAN Charter in December 2008 has provided an institutional framework for what had been de facto regional integration.

- The current global financial crisis, however, has highlighted the importance of improving the risk management framework to implement the AEC as planned. In this context, the OECD Development Centre together with ASEAN is launching in 2010 a *Southeast Asian Economic Outlook* as a joint collaborative product. Regional integration is one of the major

topics of the Outlook which examines how economic growth can be improved and business cycle fluctuations minimised. With a view to promoting integration in the region, the Outlook also helps identify potential risks and challenges and provides policy recommendations based on in-depth analysis.

- The 2nd OECD-Southeast Asia Regional Forum in April 2009 included a session on, “Macroeconomic Perspectives and Challenges for Regional Integration” which served as the kick off for this collaborative work.

key links:
www.oecd.org/dev

1.2 Southeast Asian Economic Outlook

- The OECD Development Centre has been working closely with Southeast Asian countries. In addition to three Southeast Asian full member countries (Indonesia, Thailand and Vietnam), several meetings/conferences are planned in Southeast Asia in 2009-2010.
- Based on this expertise, the OECD Development Centre, in partnership with ASEAN member countries in its Secretariat, is launching in 2010 the afore-mentioned *OECD South-east Asian Economic Outlook*. This new regional Outlook is designed to promote peer learning and policy dialogue within the region.
- Containing comprehensive and compara-

tive data as well as a range of regional and country-specific analyses, the *Southeast Asian Economic Outlook* will monitor the region's macroeconomic performance, assess the actual and potential contributions of regional integration to growth and stability, and will draw-up a prioritised inventory of the region's long-term development challenges.

- The *Southeast Asian Economic Outlook* comprises two main parts. Part 1 entitled *Regional Economic Perspectives* assesses macroeconomic trends, regional integration and growth in the region. It will provide an overall picture of what is happening in the region and identify potential risks and policy challenges which will be a bridge to thematic discussion in Part 2. It will also address how to respond to the evolving global economic environment.
- Part 2 entitled *Development Challenges* will focus on thematic issues. The major topic will

change in every volume and the theme of the first volume is how to enhance competitiveness in Southeast Asia, specifically focusing on three issues, namely, trade liberalisation and productivity, small and medium-sized enterprises (SMEs) development and innovation, and infrastructure development.

This Outlook will be a biannual product with an update of the first part released every year.

key links:

www.oecd.org/dev

1.3 Economic Surveys

- Twice a year, the OECD Economic Outlook analyses major trends and examines the economic policies required to foster high and

sustainable growth. Its analysis of world economic developments provides valuable insights into the economic forces shaping the outlook for all regions. A country note on Indonesia was included for the first time in the Fall 2008 edition of the *OECD Economic Outlook*.

- Economic Surveys of selected, globally important non-member countries are prepared as part of the Organisation's outreach on a case-by-case basis. The focus of these Surveys is on the macroeconomic and structural developments that most likely pose barriers for the long-term sustainability of growth. In 2008, the OECD published an *Economic Assessment of Indonesia* in line with the organisation's decision to enhance its co-operation with a number of important non-member countries. The areas covered in the 2008 Economic Assessment were macroeconomic policies, the business climate (focusing on options for improving business regulations, cutting red tape and increasing competition in product markets) and labour markets (including a review of policy initia-

tives for making the labour code more flexible, enhancing social protection).

key links:

www.oecd.org/eco

1.4 Investment

- A core mission of the OECD is enhancing the contribution of international investment to growth and sustainable development worldwide by advancing investment policy reform and international co-operation. Such expertise is invaluable in Southeast Asia where foreign direct investment rose to an all-time high in 2007.
- The OECD has developed the Policy Framework for Investment (PFI). The PFI helps governments design and implement policy reform to create a truly attractive, robust and competitive environment for domestic and foreign investment. It is a comprehensive and systematic approach for improving invest-

ment conditions focusing on ten policy areas that are widely recognised as underpinning a healthy environment for all investors. The PFI aims to increase capacity to attract more and better investment by engaging countries in dialogue and sharing best practices to ensure coherent policy frameworks.

- Using the PFI and peer reviews, the OECD works with national authorities and regional bodies to help strengthen the investment environment in Southeast Asia. In 2009, the OECD working, with officials from Vietnam, completed the first *Investment Policy Review of Vietnam*. Similar reviews are in process in other countries of the region.
- The 2nd OECD-Southeast Asia Regional Forum included a session on implementing the PFI entitled, "Creating an attractive Investment Climate in Southeast Asia". At this session, it was reiterated that the OECD Investment Committee is eager to share experiences and ideas on investment policy with Southeast.

- The Indonesian government hosted a regional conference in Jakarta, in July 2005, on “Investment for Asian Development: Lessons so Far, Challenges for the Future” under the auspices of the OECD Investment Committee in co-operation with the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) and the ADB.

key links:

www.oecd.org/daf/investment

1.5 Trade

- Increasingly integrated into the world economy, the countries of Southeast Asia have moved from import substitution in the 1980s to a more market-oriented, export-oriented regime thus experiencing a substantial boost in trade levels during the last decade and important changes in their trade patterns.
- Southeast Asia has been successful in achieving high and stable economic growth

through reduction of volatility through diversification of exports and attracting more foreign direct investment (FDI) through expansion of the manufacturing sector.

- The OECD’s leading work on trade issues provides analytical underpinnings to support continued trade liberalisation not only in the region, but also at the international level through the Doha Round. Through its Trade Committee, the OECD also promotes a better understanding of the benefits and challenges of trade liberalisation among the wider public.
- Indonesia’s economic and trade performance is analysed in the recently published *Globalisation and Emerging Economies*. The publication provides insights into Indonesia’s trade policies as well as reforms that may help boost the competitiveness of Indonesian industries. Increasing competitiveness is a key to realising Indonesia’s significant trade potential.
- The expansion of international supply chains and the rise of the Philippines, among other countries, as an exporter of business

process services (BPS) and information technology services (ITS) was the subject of a case study in 2006 in *Expanding international supply chains: the role of emerging economies in providing IT and business process services*. The study highlighted the fact that different geographies have different strengths and ITS- and BPS-related FDI between emerging economies is likely to expand rapidly in the future. It identified obstacles to growth and new business opportunities.

- The Philippines and Thailand were subjects of case studies in 2007 in the *Facilitating Trade and Structural Adjustment: Experiences in Non-Member Economies* project. The trade liberalisation experience of the Philippines was analysed since the 1980s while Thailand’s experience since the 1970s was reviewed providing evidence that sound macroeconomic environment, sustainable public finances, political and economic stability, a flexible labour market and reliable infrastructure are crucial to industry development and economic growth.

- Ongoing research at the OECD calls attention to changing trade patterns in Southeast Asia, in particular the growing trade relationship with Latin American countries. The OECD has also underlined the challenges and opportunities posed by China's growing presence in Asia and the adjustments being made by other countries in the region.

key links:

www.oecd.org/trade

1.6 Science, Technology and Innovation

- The OECD has been a leader in the development of statistical indicators to benchmark innovation performance, as part of its assessment of the contribution of science, technology and industrial policies to sustainable economic growth and employment creation. The

Organisation, through its Committee for Scientific and Technological Policy (CSTP) serves as a unique forum for exchanging experience and peer learning about OECD members and non-members on how government policies can better promote science, technology and innovation for social and economic growth, addressing cutting-edge policy challenges arising from developments in new science-based industries, notably ICT, biotechnology and Nanotechnology.

- At its 2007 meeting at ministerial level, the OECD Council launched a major new project to develop an Innovation Strategy for member and non-member economies in order to better understand the developing ecosystems of innovation in our globalised world and to better harness them to meet policy goals. The OECD is actively reaching out to involve countries from all regions in this work, including Southeast Asia.

- Today, as the economic crisis continues to unfold around the globe, the development of the OECD Innovation Strategy has taken on

even greater relevance and urgency. Innovation will be one of the keys to emerging from the downturn and putting countries back on a path to sustainable – and smarter – growth. As governments act to respond to the crisis, their temporary interventions in the market provide a unique opportunity to maximise the impacts of public policy in fostering innovation and steering market actors towards innovation-related investments, and accelerating activities for which barriers may have been too high otherwise. If this opportunity is handled effectively, countries could be reaping the benefits for decades to come.

- Economically speaking, Southeast Asia is one of the most dynamic regions in the world. While strong trade and investment ties between Southeast Asia and the OECD-member countries already exist, co-operation and exchange in the areas of science technology (S&T) and innovation are still underdeveloped. A necessary step forward is to have a better mapping of S&T capacities in the Southeast Asian countries with a view to identify-

ing the opportunities for S&T co-operation between the region and OECD countries. In this context, a project has been proposed by some OECD member countries for the Organisation to carry out a study of S&T and innovation capacities in Southeast Asia.

key links:

www.oecd.org/innovation

1.7 Agriculture and Food Security

- Extreme volatility in international prices for agricultural commodities affects Southeast Asian countries both as producers and as consumers. The OECD monitors commodity markets and provides a forum for high-level discussion on effective policy responses in areas such as agricultural support, food security and biofuels. Many Southeast Asian countries have

engaged in on-going dialogue with the OECD via the Global Forums on Agriculture and OECD regional meetings. Indonesia has been identified as a key country in this process, but there is an interest in a deeper engagement with Thailand, Malaysia and Vietnam.

- The OECD and the Food and Agriculture Organisation (FAO) of the United Nations jointly publish an annual OECD-FAO *Agricultural Outlook*, with forward-looking policy analysis. The 2008 edition provided detailed projections for global commodity markets from 2008 – 2017, including, for the first time, an analysis of, and projections for, global biofuel markets for bioethanol and biodiesel.

- The rise in importance of biofuels, which will play a major role in the global economy of the future, is one particular area of focus for Southeast Asia. Countries like Thailand, Vietnam, Indonesia, the Philippines and Malaysia are exploring different strategies and policies on alternative energy sources, and are expected to play a significant role in the development and promotion of biofuels. However,

the full extent of the effects of the bioenergy revolution on poor farmers is at yet unclear although the introduction and/or expansion of biofuel crops will cause major land-use change. The challenge is to ensure a balance between food and biofuel production.

- Indonesia and Vietnam will be subjects of case studies in 2009 and 2010 in a project that will identify ways to improve government policy promoting the contribution of agriculture in developing countries to sustainable economic growth in order to improve the prospects of achieving the Millennium Development Goals. The project aims at assisting governments in developing countries in their role in nurturing rural economic progress through appropriately designed macroeconomic, trade and agricultural policies.

key links:

www.oecd.org/agriculture

2 GOVERNANCE

FIGHTING CORRUPTION; BUDGETING; CORPORATE GOVERNANCE; AND TAXATION

2.1 Fighting Corruption

- Fighting bribery and corruption is a high priority in Southeast Asia and the OECD countries since it restrains economic growth, trade, investment and job creation. Through the Anti-Corruption Initiative for Asia and the Pacific, 28 countries and economies, including most Southeast Asian countries, are engaged

in the fight against corruption. The Initiative was launched by the OECD and the Asian Development Bank in 1999.

- Members of the Initiative have endorsed the Anti-Corruption Action Plan for Asia and the Pacific. The Plan contains a broad set of goals to reduce corruption in the Initiative's member countries by engaging the public sector, private sector, and civil society. Members implement the Plan through regular meetings to discuss policies and experiences. The Initiative also holds regular seminars and confer-

ences to build capacity and foster dialogue.

- The Initiative also regularly reviews its members' anti-corruption efforts to identify strengths and weaknesses. These efforts are measured against international anti-corruption standards, in particular, the OECD Anti-Bribery Convention and the United Nations Convention against Corruption.

key links:

www.oecd.org/corruption

www.oecd.org/corruption/asiapacific

2.2 Budgeting and Public Expenditures

- The budget is the government's preeminent policy document where a nation's public policy priorities and aspirations and a nation's resource constraint are reconciled in concrete terms. A nation's public expenditure system must promote fiscal discipline, the allocation and re-allocation of resources to where they're most valued, and the efficient operation of government. The OECD and its Working Party of Senior Budget Officials (SBO) is recognised as the world's leading forum on international budgeting issues.
- Since its first annual meeting in 2001, the SBO Regional Network for Asia, colloquially known as the Asian SBO, brings together the budget directors and other senior officials from the Asian region and from OECD coun-

tries, in order to share policy experiences and discuss common budgetary issues. It offers a unique opportunity for dialogue and interaction among these senior officials. ASEAN countries, including Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Philippines, Singapore, Thailand and Vietnam, participate in the Asian SBO.

- The Asian SBO's work has been based on three pillars. The first is to conduct cross-country analytical studies in order to identify best practices based on the experiences of the Asian region and OECD countries. Current work includes studies on budgeting for natural disasters, an especially topical issue for the region. The second pillar is to conduct peer reviews (profiles) of the budgeting systems of countries in the region. Reviews have already been carried out for Thailand, Singapore and Indonesia. The third pillar is to maintain extensive databases of budget institutions and practices in the Asian region. This is being integrated into the

overall OECD Budgeting Database.

- The meetings of the Asian SBO have been hosted by the Thai Bureau of the Budget in Bangkok in recent years.

key links:

www.oecd.org/gov/budget

2.3 Corporate Governance

- The integrity of corporations, financial institutions and markets is central to the health and stability of Southeast Asian economies. The Asian Roundtable on Corporate Governance serves as a regional hub for exchanging experiences and advancing the reform agenda on corporate governance based on the OECD Principles of Corporate Governance. The Roundtable gathers the most active and influential policy makers, practitioners and experts on corporate governance in the region

and from OECD countries and relevant international institutions. The *Asian White Paper on Corporate Governance*, issued by the Roundtable in 2003, identifies key areas for improvement and sets out concrete guidance on how to do so. It remains a benchmark for national reform constituencies to establish priorities and monitor progress towards better corporate governance frameworks.

- The Roundtable recently established the Task Force on Related Party Transactions because protection of minority shareholders against abusive transactions is amongst the top corporate governance challenges in the region. Mobilising a large number of securities regulators, stock exchanges and other key actors, the Task Force met most recently in the Philippines in February 2009. The Task Force is preparing a *Practical Guide to Monitoring and Curbing Abusive Related Party Transactions* which is keenly awaited by stakeholders in the Southeast Asian countries.

- The Asia Network on Corporate Governance of State-Owned Enterprises works with high-level policy makers to promote governance reforms in state-owned enterprises (SOEs) while also providing practical assistance to overcome concrete governance problems. The May 2009 meeting in Thailand focused on Southeast Asian economies. The Network uses the OECD Guidelines on Corporate Governance of SOEs as the reference for discussion to improve governance frameworks in the Asian economic, legal and regulatory context. A recent policy paper containing recommendations for improving SOE governance in the region was endorsed by state ownership entities and will serve as a reference for future reforms.

key links:

www.oecd.org/daf/publicdebtmanagement

www.publicdebt.net.org

2.4 Taxation

- The increasing integration of Southeast Asia into a globalised economy brings into focus the importance of fostering consensus and co-operation on taxation issues. The OECD's Centre for Tax Policy and Administration (CTPA) has for many years worked closely with Southeast Asia to encourage the sharing of experience and expertise on technical, policy and administrative issues. The OECD's partnership with Southeast Asia, in the area of taxation, involves working closely with countries in the region, on both bilateral and multilateral bases. The Organisation's approach is to facilitate dialogue between countries with common issues and challenges in order to assist them to put in place fair, effective and predictable tax systems and a consensual approach to the taxation of cross-border transactions.

- In 2009, the OECD will hold a high-level sym-

posium in the ASEAN region on tax reform that will provide an opportunity for senior tax officials from the region to share their experiences on tax reform with their counterparts in both OECD member countries and non-OECD economies. The symposium will assist policy makers formulate and implement tax reform, an ongoing and critical process for all governments faced with the constant challenge of maintaining economic stability, providing public services and increasing the involvement of their citizens.

- The OECD has worked on tax-related issues with Southeast Asia at a technical level since 1997. Tax officials from nearly all countries in the region have regularly attended events held at the OECD/Korea Policy Centre in Seoul and others hosted by Malaysia. The Organisation has also held multilateral events in Vietnam and 2009 will see the first such event hosted by Laos. In addition, the OECD has worked bilaterally with Indonesia, Viet-

nam, Laos and Malaysia, in both the transfer pricing and tax treaties areas.

- Another key initiative this year is a regional multilateral tax policy workshop for officials involved in tax policy design and evaluation, to be held in partnership with Thailand in July 2009. Countries from the region will share their experiences and best practices in key tax policy issues such as the prioritisation of sometimes conflicting policy goals and the reform of tax policy to enhance growth. A key element of the tax policy agenda is the relationship between taxation and growth, a crucial issue at a time of financial and economic upheaval.

key links:

www.oecd.org/taxation

3

SOCIETY

SOCIAL AND WELFARE ISSUES; EDUCATION; AND MIGRATION

3.1 Social and Welfare Issues

- Societies in Southeast Asia are changing rapidly along with the nature of social programming affecting people at different stages of their lives. OECD's work on social policy covers a wide array of issues and continuously seeks out new best practices that suit changing socio-demographic factors and labour-market conditions. As the global financial situation puts social protection

systems under additional stress, the OECD is leading timely and well-targeted responses aimed at addressing the human dimension of the crisis in emerging countries.

- Through its OECD/Korea Policy Centre, the OECD is publishing *Society at a Glance – Asia/Pacific Edition*. The publication offers a broad overview of the state of Asia-Pacific countries according to various social and economic indicators that can help inform policy over a broad range of social issues. It also demonstrates how social indicators can be used to measure the well-being of Southeast Asian economies, how poverty-reduction

networks in the region work, and a description of the changes in levels of equity, health, and social cohesion.

- The OECD/Korea Policy Centre has also organised several social policy meetings and technical workshops on social accounting data, the 2007 joint conference with the Asian Development Bank on Social Protection Index for Committed Poverty Reduction brought together experts from over 30 countries. Further regional expert meetings are planned to address methodological issues regarding social indicators, particularly concerning the measurement of social expenditure and the recipients of social support.

- Pensions are a major policy issue in South-east Asian and OECD countries alike. Pension reform is challenging and controversial because it involves long-term planning by governments faced with numerous short-term pressures. The OECD has developed new international standards and valuable data that monitors the industry, and is currently drawing up guidelines on the security of investments in pension funds just as the financial crisis is dealing pension funds a heavy blow. Through its OECD/Korea Policy Centre, the OECD has just published, along with the World Bank, *Pensions at a Glance: Asia/Pacific Edition*. This report analyses the retirement income systems of several Southeast Asian countries and provides a reference for pension comparison throughout the region.

- A second report, *The Changing Pension Landscape in Asia and the Pacific*, will be issued later in 2009. It also includes cross-country comparisons of pension systems in Asia/Pacific from the OECD, the World Bank and

the Asian Development Bank.

- Improving health is another key concern at the OECD which has long provided leadership in the area of health data and statistics, drawing practical conclusions on which reforms may improve system performance and be more cost-effective. The OECD encourages the development of health accounting systems to track health expenditures and financing flows in the Asia-Pacific region. A *Health Accounts Green Paper* has been released for Thailand and one for Malaysia and a comparative overview will be released in 2009. The OECD/Korea Policy Centre hosts meetings to take stock of recent developments in health accounts work at the regional and national levels, discuss technical issues and data-collection improvements, and review the quality of health accounting data and practices in the region.

key links:

www.oecdkorea.org

www.oecd.org/els

3.2 Education and Training

- Education systems reflect national societies, cultures and economies—and also shape them. Education is not only a pillar of economic growth but a pre-requisite for South-east Asia’s long-term development, empowering individuals to become fully active citizens. The OECD works to understand education in these wider contexts, including its impact on individual prosperity and national growth, and its role in combating poverty and social exclusion at every stage of life. The economies of Southeast Asia have been involved in the work of the OECD for some time, and co-operation is expected to intensify and broaden in the near future.

- Indonesia and Thailand have been active players in the Programme for International Student Assessment (PISA) since 2000. PISA assesses the extent to which 15-year-old students have acquired competencies in the

key subject areas of reading, mathematics and science. Singapore joined the 2009 PISA assessment round and Malaysia is about to join. Malaysia is also participating in the OECD Teaching and Learning International Survey (TALIS). This survey focuses on the learning environment and the working conditions of teachers in schools and aims to facilitate international comparisons of education systems in this respect. In addition, Malaysia is participating in the Reviews of Higher Education Institutions in Regional Development. This thematic review focuses on the interaction between higher education institutions and their cities and regions.

- Indonesia, Malaysia, the Philippines and Thailand are some of the Southeast Asian countries that the OECD is actively working within the context of the UNESCO/OECD World Education Indicators programme.
- Education in Southeast Asia and the active participation of the countries of the region are an important focus of the OECD Global Forum on Education. The Global Forum aims

to strengthen and expand existing co-operation networks between OECD members and non-member economies, and help address the growing global demand for OECD expertise in education.

key links:
www.oecd.org/education

3.3 Migration

- The issue of migration, both legal and illegal, is becoming an increasingly pressing issue for the countries of the Southeast Asian region. As the global economic crisis intensifies, many migrants are forced to return home, face deportation or remain illegally. The majority of those affected are at the low-wage end of the job market.
- Migration flows around the world have grown rapidly in recent decades and links between migration and the economic development of origin countries are a topic of

growing importance. The International Migration Division of the OECD monitors migration flows and policies in OECD countries, and its database on immigrants DIOC (www.oecd.org/els/migration/DIOC) includes detailed information on Southeast Asians in OECD countries. The OECD's SOPEMI network is a permanent observatory which constitutes the basis for the OECD's annual report called the *International Migration Outlook*.

- The OECD has also undertaken specific work on migration dynamics and policies in Southeast Asia, focusing on issues such as brain drain, return migration and international mobility of health professionals. Research in this area is particularly looking at how managing labour migration can better support economic growth in origin countries.

key links:
www.oecd.org/migration

4

CLIMATE CHANGE MEETING THE CHALLENGES

• Several countries in Southeast Asia are high emitters of greenhouse gases and are also at the front line of climate change impacts which affect populations, ecological resources and livestock in many different ways. The challenge to reduce vulnerability in the region quickly and decisively is a key one. Climate change and its related challenges have been a major focus of the OECD's work in 2008, with the publication of the *OECD Environmental Outlook to 2030* and discussion on the economics

of climate change at the Ministerial Council Meeting in June 2008.

• Climate change has already been identified as a key issue and a Framework for Common Action around Shared Goals and a Declaration on Integrating Climate Change Adaptation into Development Co-operation has been endorsed and adopted by the members of the OECD Development Assistance Committee at their high-level meeting in May 2008. As a follow-up to this meeting, work is being carried

out on integrating climate change adaptation into development co-operation, governance and capacity development from natural resource and environmental management, and sustainable financing to ensure affordable access to water supply and sanitation. A *Policy Guidance on Integrating Climate Change Adaptation into Development Cooperation* will be released in 2009.

This Guidance will be of considerable relevance to decision-makers in Southeast Asia,

as well as to international donors. Work is also underway on assessing the costs and benefits of adaptation—of direct relevance to Southeast Asian countries which are particularly vulnerable to the effects of climate change. A report from this work, *Economic Aspects of Adaptation to Climate Change: Costs, Benefits and Policy Instruments*, was published in 2007.

- The OECD and the International Energy Agency (IEA) jointly form the secretariat for the Annex I Expert Group (AIXG) on the United Nations Framework Convention on Climate Change (UNFCCC). The AIXG provides analytical input to the climate change negotiations and organizes a seminar every spring to bring together developed and developing countries, including several Southeast Asian countries, to exchange information on climate change policies and issues. It is currently working on issues in which several Asian countries have a particular interest (e.g. how to measure, report and verify GHG mitigation actions; the form of

possible sectoral approaches in a post-2012 climate framework).

- The OECD regularly hosts a Roundtable on Sustainable Development that brings together Ministers and other high-level stakeholders from OECD and non-OECD countries for informal discussion on various topics on the climate change agenda, such as, sectoral agreements to reduce GHG emissions, the cost-effectiveness of biofuels and the cost-effectiveness of policies that support them, strategies for mobilising adequate investment in low-GHG emissions energy technologies.

key links:

www.oecd.org/env/cc/aixg
www.oecd.org/sd-roundtable
www.oecd.org/env/cc/adaptation
www.oecd.org/env/environment/outlookto2030

Annexes

5.1 Recent OECD Publications on Southeast Asia

**Main Economic Indicators: January
Volume 2009 Issue 1**
(2009, ISSN 0474-5523)

Pensions at a Glance: Asia/Pacific
(2009, ISBN 978-92-64-05977-1)

**Globalisation and Emerging Economies:
Brazil, Russia, India, Indonesia, China
and South Africa**
(2008, ISBN 978-92-64-04481-4)

**Shaping Policy Reform and Peer Review
in Southeast Asia: Integrating Economies
amid Diversity**
(2008, ISBN 978-92-64-03943-8)

**OECD Economic Surveys:
Indonesia – Economic Assessment –
Volume 2008 Issue 17**
(2008, ISBN 978-92-64-04805-8)

Energy Policy Review of Indonesia
(2008, ISBN 978-92-64-04828-7)

**ADB/OECD Anti-Corruption Initiative
for Asia and the Pacific Fighting Bribery in
Public Procurement in Asia and the Pacific**
(2008, ISBN 978-92-64-04694-8)

**ADB/OECD Anti-Corruption Initiative
for Asia and the Pacific Mutual Legal
Assistance, Extradition and Recovery
of Proceeds of Corruption in Asia and
the Pacific: Frameworks and Practices
in 27 Asian and Pacific Jurisdictions –
Final Report**
(2008, ISBN 978-92-64-04370-1)

**Complementary and Private Pensions
throughout the World 2008**
(2008, ISBN 978-92-64-04347-3)

**Anti-Corruption Policies in Asia and
the Pacific: Legal and Institutional Reform
in 25 Countries**
(2007, ISBN 971-561-609-7)

**Budgeting in Singapore, OECD Journal
on Budgeting: Volume 6 Issue 1**
(2006, ISSN 1608-7143)

**Budgeting in Thailand, OECD Journal
on Budgeting: Volume 5 – No. 3**
(2006, ISSN 1608-743)

**Denying Safe Haven to the Corrupt
and the Proceeds of Corruption**
(2006, ISBN 978-971-561-612-6)

5.2 Adherence of Southeast Asian countries to OECD Instruments

Mutual Acceptance of Data in the Assessment of Chemicals	Malaysia (provisional), Singapore (provisional), Thailand (provisional)
OECD Model Tax Convention	Malaysia
OECD Guidelines on the Security of Information Systems and Networks	Malaysia
Paris Declaration on Aid Effectiveness	Indonesia, Malaysia, Thailand, Vietnam

5.3 Full participation of Southeast Asian countries in OECD bodies

Governing Board of the OECD Development Centre	Indonesia, Thailand, Vietnam
Programme for International Student Assessment Governing Board	Indonesia, Singapore, Thailand
Working Party on Aid Effectiveness	Cambodia, Indonesia, Philippines

5.4 Observership of Southeast Asian countries in OECD bodies

Committee for Information, Computer and Communications Policy	Singapore
Committee on Financial Markets	Singapore
Competition Committee	Indonesia
Fisheries Committee	Thailand
Steel Committee	Malaysia
Task Force for the Safety of Novel Foods and Feeds	Thailand
Working Party No. 2 on Competition and Regulation	Indonesia
Working Party No. 3 on Co-operation and Enforcement	Indonesia
Working Group of National Co-ordinators of the Test Guidelines Programme	Malaysia, Singapore
Working Party on Aid Effectiveness	Vietnam
Working Party on Communication Infrastructures and Services Policy	Singapore
Working Party on Debt Management	Singapore
Working Party on Financial Statistics	Singapore
Working Group on Good Laboratory Practice	Malaysia, Singapore
Working Party on SMEs and Entrepreneurship	Thailand
Working Party on the Information Economy	Singapore
Working Party on Information Security and Privacy	Singapore
Working Party on Indicators for the Information Society	Singapore

The OECD Centre for Co-operation with Non-Members (CCNM) develops and oversees the strategic orientations of the OECD's global relations with non-members. It works with the Organisation's members to help them agree on the substantive priorities and to ensure that relevant regions and economies are engaged in the Organisation's work. The CCNM is the non-members' principal contact point to the OECD.



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