OECD SOUTHEAST ASIA REGIONAL PROGRAMME

Activity Report

March 2018
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Overview

The Southeast Asia region, with over 600 million people and the third largest labour force in the world, is one of the main drivers of global growth. The region has made remarkable progress in raising income, reducing poverty, and integrating into the world economy. Geographic location, vast endowments of natural resources, rapidly diversifying economies, an expanding middle-class and a young and a young and dynamic population, all offer vast opportunities for trade and investment. Taken as a whole, the region is the world’s sixth largest economy and is expected to be the fourth largest by 2030. The region is experiencing strong GDP growth despite the past global economic slowdown and has shown resilience to more recent global volatility. The Economic Outlook for Southeast Asia, China and India 2018 estimates that the overall growth prospect will remain robust at an average of 5.2% over 2018-22 backed by solid domestic demand and infrastructure initiatives.

The ASEAN Economic Community (AEC), formalised in 2015, is making further important progress in creating a competitive single market and production base characterised by advancing liberalisation of regional markets for goods, services, capital and labour. The importance of Southeast Asia has compelled the OECD to bring the relationship to a new, more strategic level.

The OECD Southeast Asia Regional programme (SEARP), launched at the 2014 OECD Ministerial Council Meeting, aims to support domestic reform priorities, regional integration efforts in Southeast Asia, and bring countries closer to the OECD’s best practices. It also aims to foster mutual learning and the exchange of good practices between policy makers in Southeast Asia and OECD countries.

Since its launch, the Programme has delivered a number of concrete outputs, including supporting ASEAN in the implementation of ASEAN instruments like the AEC Blueprint 2025 in a broad range of policy areas.

To highlight some examples, in 2016 the Programme has provided substantial contributions to the priorities of the ASEAN chair, Lao PDR, most notably through the support in developing the ASEAN Work Plan for Enhancing GVC Participation, the ASEAN Institutional Framework on Access to Finance for the Micro, Small and Medium Enterprises (MSMEs), the Report and Work Programme on Starting a Business in ASEAN and the ASEAN Guidelines for Special Economic Zone (SEZ), in co-operation with key stakeholders from both the region and OECD countries. All the deliverables are referred to in 2016’s ASEAN Economic Ministerial Statement and the Chairman’s Statement of ASEAN Summit.

Supporting the ASEAN Chairmanship of the Philippines in 2017, the Programme delivered the publications of the Economic Outlook for Southeast Asia, China and India 2018 at the ASEAN Business and Investment Summit and Strengthening Women’s Entrepreneurship in ASEAN at the AEM meeting as well as contributed to the preparation of ASEAN Declaration on Innovation and the development of Inclusive Business ASEAN.
Thematic Engagement

The Programme’s structure is designed to encourage a systematic exchange of experience to develop common solutions to regional and national challenges. It is comprised of six Regional Policy Networks (RPNs), three Initiatives and a Regional Economic Outlook that builds on the work of substantive OECD directorates and Southeast Asian bodies and dialogue processes. The RPNs are Tax Policy and Administration, Good Regulatory Practice, Investment Policy and Promotion, Education and Skills, Small- and Medium-sized Enterprises (SMEs), and Sustainable Infrastructure. The three Initiatives focus on Trade, Innovation and Gender. The Programme comprises an overarching Economic Outlook for Southeast Asia, China and India that monitors medium-term macroeconomic trends and regional integration.

Steering Group

The Programme is built upon the principles of partnership, shared ownership and a common commitment between Southeast Asia and OECD countries receiving overall strategic guidance from a Steering Group. The co-chairs of the RPNs are invited regularly to report on progress to the Steering Group.

The first Steering Group Meeting was held in Jakarta, Indonesia in March 2015. Japan and Indonesia were elected as Co-Chairs for a three-year term. Participants emphasised the essential role of SEARP in promoting the co-operation among OECD and Southeast Asian countries based on the principles of mutual benefit, mutual respect and open dialogue. They endorsed the three objectives of the Programme: supporting regional economic integration, assisting national policy reforms and enhancing Southeast Asia’s engagement with the OECD.

At the second Meeting in June 2016 in Hanoi, Viet Nam, the Steering Group discussed how the Programme can support the implementation of the AEC Blueprint 2025, sharing a strategic overview and the key achievements of the Programme. Each RPN and Initiative as well as the Regional Economic Outlook reported to the Steering Group on the key activities of its work and ways forward. The meeting agreed to encourage SEARP to strengthen links and foster synergies with existing ASEAN mechanisms and consider new issue areas that could be integrated into the next phase of SEARP.

The third Meeting was held in August, 2017 in Bangkok, Thailand. The meeting examined how SEARP can respond to new demands from the region and the challenges posed by the current world economic context. Participants discussed the preparation cycle for the first SEARP Ministerial Conference, to be held on 8–9 March 2018 in Tokyo, Japan. The Steering Group also assessed the achievements of the Programme in its first three years and undertook the first round of strategic thinking on the future scope of SEARP.

Back-to-back with its 2018 Ministerial Forum, the fourth Meeting on 9 March, will discuss the outcomes of the Forum, potentially led to the future work programme of the SEARP. The Steering Group will acknowledge the achievements of the Programme, and then further discuss innovations and the way forward for a “Next Phase of SEARP - SEARP 2.0” so to strengthen its contribution to ASEAN’s efforts for “inclusive development.” In this occasion, the current co-Chairs, Japan and Indonesia, will hand over their co-Chairmanship to Korea and Thailand, newly elected as co-Chairs at the inter-sessional meeting of the Steering Group on 10 January 2018 in Paris, France.

To support these discussions, this report provides background on the activities of the Programme.

1 ASEAN Secretariat Database (2016), https://data.aseanstats.org/
Eliminating double taxation has been a key driver behind the development of international tax policy to minimize impediments to cross border trade and investment, which spur growth and create jobs. However, the current tax rules have not kept pace with modern business practices in a global economy; as a result the rules aimed at eliminating double taxation have also on occasion been used to facilitate double non-taxation. The OECD/G20 Base Erosion and Profit Shifting (BEPS) project was launched in 2013 to fix deficiencies in the current international tax system. The BEPS package of 15 measures was delivered in October 2015, endorsed by the OECD Council and by G20 Finance Ministers and Leaders. The next phase of the BEPS Project focuses on the effective and consistent implementation of the BEPS package, and now 110 countries, including Brunei Darussalam, Indonesia, Malaysia, Singapore, Thailand and Viet Nam, participate on an equal footing in this new BEPS Inclusive Framework.

On 6 June 2017, Ministers and high-level officials from 76 countries and jurisdictions, have signed or formally expressed their intention for an innovative multilateral convention (Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS, or MLI) that will swiftly implement a series of tax treaty measures to update the existing network of bilateral tax treaties and reduce opportunities for tax avoidance by multinational enterprises. The new convention, now with 78 signatories including Indonesia, Malaysia and Singapore, will also strengthen provisions to resolve treaty disputes, including through mandatory binding arbitration, thereby reducing double taxation and increasing tax certainty.

What is the RPN on Tax?

The RPN, co-chaired by Indonesia and Korea, aims to promote co-operation regionally and with the global tax community, sharing best practices in international tax issues, tax administration and tax policy.

The RPN aims to address current key issues such as enhancing and modernising tax systems by countering base erosion and profit shifting (BEPS) and increasing transparency and information exchanges for tax purposes. It also encourages the involvement of countries in the region in the development of a statistical database for policy reform, published annually through the Revenue Statistics in Asian Countries series.

Now that the BEPS Inclusive Framework meeting has been established and non-OECD countries including from Southeast Asia participate on an equal footing, RPN on Tax itself is not necessarily held every year to listen to the voice of the regional countries. However, OECD is cooperating with regional organisations such as SGATAR, ADB, and the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), to effectively and efficiently engage with the region, sending experts and staff to the meetings in the region.
Tax mobilisation in many Southeast Asian countries remains weak, despite the importance of increased domestic resource mobilisation which allows countries to improve infrastructure, enhance the quality of education and promote social cohesion, amongst other goals.

OECD makes continuous efforts to connect to Southeast Asia, participating in regional events as well as presenting seminars, with regional organisations when necessary. Some highlights in 2017 include delivering a joint seminar on BEPS Train the Trainers with Asian Development Bank (ADB) in Manila and participating in the Study Group on Asian Tax Administration and Research (SGATAR) in November. The OECD has permanent observer status in SGATAR. OECD also publishes the Revenue Statistics in Asian Countries series annually.
Good regulatory practice (GRP) is critical to improving productivity and competitiveness in the economy by reducing regulatory burden on citizens and businesses, notably among micro, small, and medium enterprises (MSMEs). It also encourages governments to foster evidence-based policy-making and inclusive stakeholder engagement. ASEAN and APEC have both identified GRP as a critical theme for advancing their respective regional development goals and are paying increasing attention to the issue while maintaining a longstanding relationship with the OECD’s Regulatory Policy Committee. “Effective, Efficient, Coherent and Responsive Regulations, and Good Regulatory Practice” has also in turn been recognised in the ASEAN Economic Community (AEC) Blueprint 2025 in achieving “a Competitive, Innovative and Dynamic ASEAN”. The Blueprint also identifies the OECD as a knowledge partner to assist ASEAN member countries in regulatory reform initiatives.

Increasing regulatory coherence among ASEAN member countries remains a crucial challenge for the region. Implementing a whole-of-government approach to regulatory policy requires greater attention on the alignment of domestic legislation to regional agreements, such as on domestic investment laws, customs regulations, and international treaty obligations. In addition, regulatory impact analysis (RIA) could be used more effectively throughout the region to assess the positive and negative effects of proposed and existing regulations. Though Malaysia has begun to implement this process, other ASEAN members have yet to do so. RIA would need to be supported by clear policies, training programmes and hands-on guidance in order for it to be an effective tool.
Since 2015, regulatory policy officials from ASEAN and OECD member countries have convened at the annual ASEAN-OECD Good Regulatory Practice Network (GRPN) meetings hosted by the incumbent ASEAN chair to share ideas and best practices on how to advance the GRP agenda at the ASEAN as well as at the national level.

The first official meeting of the GRPN was hosted by Malaysia, as the 2015 Chair of ASEAN, in March 2015. The OECD was subsequently invited to present at the ASEAN Civil Service Innovation Conference in November 2015, as part of the ASEAN Leaders’ Summit in Kuala Lumpur to discuss the role of good regulatory practice in public administrations.

In December 2015, the GRPN Bureau met to discuss its future work, back-to-back with a joint forum with Malaysia and Korea on “Regulatory Reform Responses to Economic Challenges” where ASEAN and OECD countries discussed experiences and innovative initiatives in stimulating inclusive economic growth.

The second meeting took place in March 2016 in Vientiane hosted by Lao PDR as the 2016 ASEAN Chair. Delegates were then presented with a proposal for a two year project (2016 – 2018) as part of the OECD Southeast Asia Regional Programme to investigate the linkages between SMEs in Southeast Asia and global value chains (GVCs), with a focus on good regulatory policies and practices that enhance the benefits to participation.

The most recent meeting was held in March 2017 in Iloilo City and was also hosted by the Philippines, as the 2017 ASEAN Chair. The meeting was attended by over 80 officials from ASEAN and OECD countries and included discussions around the theme “Fostering Connectivity and Regional Competitiveness through Good Regulatory Practices”. This included presentations and dialogues around regional initiatives, linking SMEs to global value chains, and good regulatory practices on starting a business. GRPN work on starting a business also contributed to the development of the ASEAN principles on Business Registration prepared by the ASEAN Coordinating Committee of Micro, Small, and Medium Enterprises.

**What is the RPN on Good Regulatory Practice?**

The RPN is co-chaired by Malaysia and New Zealand, and serves to assist ASEAN member countries in building and strengthening capacity for the implementation of good regulatory practice to ensure high-quality regulation and regulatory coherence. It also includes a series of good regulatory practice reviews and regional indicators on regulatory policies and product market regulation.

**Left to right:** Faisal Naru, OECD Secretariat; Jayasena Jayasiri, Secretary-General, Ministry of Industrial Trade and Industry (Malaysia); Mark Steel, Director, Ministry of Business Innovation and Employment (New Zealand); Ernesto Perria, Secretary, Socio-Economic Planning (Philippines)
International investment has been a driver of Southeast Asia’s economic dynamism and integration into the global economy. Some countries in the region were among the first to welcome foreign direct investment (FDI) as part of a strategy of export-led development. Collectively, ASEAN has the world’s third largest stock of inward FDI, roughly on par with the United Kingdom. Some countries in the region, such as Malaysia, Singapore and Thailand, are now active outward investors in their own right. Investment policy is assuming greater importance over time as ASEAN member countries collectively negotiate ambitious free trade agreements and as they strive to achieve the ASEAN Economic Community.

The addition of ASEAN investment agreements to the existing network of bilateral treaties, while strengthening further the legal framework for the protection of investment, has also created a multiplication of treaty layers, potentially leading to inconsistencies and overlaps. Progressively replacing existing bilateral treaties with an investment chapter in regional agreements would consolidate the global treaty network and ease harmonisation between investment treaty policies and domestic investment regulations.

What is the RPN on Investment?

The Regional Policy Network on Investment, co-chaired by Thailand and Australia, serves as a platform to discuss and exchange experiences among ASEAN and OECD countries in the areas of investment policy reform and business climate improvements within ASEAN, among other topics.

Liberalisation of investment regimes also remains a challenge for most ASEAN countries. Indonesia, Lao PDR, Malaysia, Myanmar, the Philippines, Thailand and Viet Nam have more statutory restrictions to FDI than the OECD average. Almost all ASEAN countries have equity ownership restrictions in certain key sectors. Few impose restrictions on FDI across the board, such as Lao PDR which has a horizontal equity restriction only for listed companies. But important liberalisation efforts have been undertaken in recent years. Lao PDR has eliminated its discriminatory minimum capital requirement for foreign investors in general businesses; Viet Nam eliminated its horizontal forewing equity restriction in listed companies; Myanmar narrowed the scope of activities prohibited or restricted to foreign investors and of investments subject to screening and approval; likewise, Indonesia issued a new negative list limiting the scope of restrictions on FDI.

After conducting a number of Investment Policy Reviews (IPRs) over the past years (Viet Nam in 2009, Indonesia in 2010, Malaysia in 2013, Myanmar in 2014 and the Philippines in 2016), the IPR of Lao PDR – the first full length country review of Lao PDR by the OECD – was launched last year in Vientiane at an event chaired by the Vice-Minister of Planning and Investment. A review of Cambodia and a second one of Viet Nam are also close to completion and will be launched in 2018. An IPR of Thailand, under the OECD Country Programme, will start very shortly, while Indonesia and Myanmar have officially requested the OECD to conduct a second review.

The OECD has also been conducting a regional Investment Policy Review (IPR) for Southeast Asia, which provides an update on policy developments at a regional level, presents country comparisons and benchmarks ASEAN performance in investment policy reform against other regions. It looks at investment challenges from a regional perspective and explores the interplay between regional initiatives and national reforms. The regional review builds on OECD IPRs and provides a means for sustaining the extensive relations developed between the OECD and individual ASEAN Member States. The review has been launched at the OECD Ministerial Conference in Tokyo on 8 March 2018 and was also discussed at the third meeting of the Regional Policy Network on Investment on 7 March, back-to-back with the Ministerial.
What is the RPN on Education and Skills?

The RPN on Education and Skills, co-chaired by the Philippines and Australia, aims to foster knowledge exchange in support of national growth and regional integration by encouraging a whole-of-government approach to the formation and implementation of skills policies.

The RPN builds on the platform of the OECD’s Employment and Skills Strategies in Southeast Asia (ESSSA) initiative, which has been networking skills and labour ministries from ASEAN member countries since 2008. With the growing participation by Southeast Asian countries in the OECD’s international education surveys (PISA, TALIS and PIAAC) and reviews on vocational education and training (VET) and local job creation, the RPN can provide valuable comparative data and analysis to help education and training systems in the region design more efficient and effective skills policies.

Education reform is vital to raising productivity and escaping the middle-income trap. It is also at the heart of reducing poverty and spurring more sustainable development for less developed countries in the region. As a key driver of national growth, education plays an important role in closing the development gap between ASEAN member countries, successfully integrating the region, and boosting regional competitiveness.

As industry becomes more diversified and jobs require more complex and sophisticated skills, a highly skilled labour force is increasingly important for Southeast Asian countries. Effective employment and skills strategies can help the labour force adjust to changes in work, advances in technology and the challenges associated with globalisation.

Low levels of education and labour force participation pose challenges to addressing skills requirements, whilst contributing to high rates of poverty, especially in rural areas where low-skilled workers often end up in low-tech and low-productivity agricultural work.

Results from the five ASEAN countries that participate in PISA show that though the region generally performs well, some countries are struggling to develop the skills bases needed for robust and inclusive growth.

This is due in part to a lack of institutional capacity and infrastructure, including shortages of trained teachers and inadequate, out-of-date training facilities.

Furthermore, there is often a lack of up-to-date, accessible information on labour market needs and opportunities. Cultural norms which place higher value on university education than blue collar jobs are leading to mismatches between available jobs and the capabilities of skilled and university-qualified labour force entrants.

This results in the underutilisation of skills across the region, as well as recruitment difficulties in low- to medium-skilled jobs. The ASEAN community has already introduced a common qualification framework for several sectors and their successful implementation could help promote the free flow of skilled labour within the ASEAN Economic Community.
The first meeting of the RPN on Education and Skills was held in October 2015 and organised in collaboration with Cambodia’s Ministry of Labour and Vocational Training and the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ). The theme of the meeting was “Better Connecting the Education and Skills System to the World of Work.”

The second RPN meeting took place in October 2016, was hosted by the Philippines’ Department of Labour and Employment (DOLE). The theme of the 2016 RPN was on “The role of the private sector in skills development and employment.”

The 2017 RPN meeting took place in Hanoi, Viet Nam in October 2017 and focus on “Building Talent for the Next Production Revolution.” The Ministry of Labour Invalids, and Social Affairs (MOLISA) of Viet Nam hosted the meeting.

The 2018 RPN meeting will take place in Lao PDR. The OECD will continue its partnership with GIZ and the ADB to organise this event.

Delegates of the 2017 RPN on Education and Skills meeting in Hanoi, Viet Nam.
Comprising more than 90% of enterprises and accounting for over 50% of jobs, small and medium-sized enterprises (SMEs) play a vital role in the ASEAN region. However, their contributions to GDP and exports fall short of their potential. As economies in the region move towards higher level market integration through the ASEAN Economic Community (AEC), SMEs will need to increase their productivity and overall competitiveness and engage in higher value-added activities, including by participating in global and regional value chains (GVCs). This will require policies for extensive structural reforms and targeted business support programmes.

RPN meetings are held back-to-back with bi-annual meetings of ASEAN Co-ordinating Committee for MSME (ACCMSME). The fifth meeting of the RPN on SMEs took place in Singapore on 1 June 2016 focused on the subject of enhancing productivity in ASEAN, MSMEs and productivity, policies for promoting MSME ICT usage and had a focus on SME Productivity. The meeting also looked at the MSME – firm-level productivity and the digital economy, focusing on good practices and joint regional action on productivity and digital economy in ASEAN.

The sixth RPN meeting was held in Brunei on 22 November 2016 in conjunction of the second session of ACCMSME. The meeting had a focus on the digital economy and a set of meetings were organised around the subject. Another important subject covered in partnership with ERIA was the presentation of the newly developed methodology for the ASEAN SME Policy Index 2018, specifically adjusted to the ASEAN Strategic Action Plan focused on SMEs.

The seventh RPN meeting was held in Terraganu, Malaysia on 16 May during the third meeting of ACCMSME. The objective of the meeting was to present the ingredients of successful policies for inclusive business and ways to promote women entrepreneurship in ASEAN.

What is the RPN on SMEs?

The Regional Policy Network on SMEs, co-chaired by Chair of ACCMSME (April -2017 till April 2018 it is chaired by Brunei Darussalam) and Canada, aims to promote enterprise development in the ASEAN region and enhance dialogue on SME policies. RPN meetings are held back-to-back with bi-annual meetings of ACCMSME.

ACCMSME supports the third pillar of the AEC Blueprint 2025. A new, ten-year ASEAN Strategic Action Plan for SME Development covering the 2016-25 period represents an effort at joint regional activities across five strategic goals: enhancing internationalisation of SMEs and SME marketing capabilities; improving SME access to finance; strengthening SME human resource development and capacity building; incubator and local SME development; establishing an SME service centre/ASEAN SME service desk; and setting up an ASEAN SME Regional Development Fund. These include over 150 action lines contributing towards increased SME competitiveness and regional integration.
The **eight RPN meeting** was held in Manilla, Philippines on 17 October 2017 and was focused on the subject of **High Growth Enterprises**. It also followed up on the subject of implementation of Women Entrepreneurship policies and presented the initial results of the ASEAN SME Policy Index as well as of the Enhancing SME Productivity and Innovation.

The **ninth RPN meeting** will take place in Luang Prabang, Lao PDR on 3 April 2018. It will focus on the area of **GVC and Greening SMEs**.

Furthermore, the RPN aims to improve and co-ordinate effective SME support policies in ASEAN countries and the implementation of the ASEAN SME Strategic Action Plan 2016-25 through the five-year OECD Project for ASEAN SMEs (COPAS), supported by the Government of Canada.

In 2017 the project has supported development of the two deliverables for the Philippine’s ASEAN Chairmanship, namely the **ASEAN Principles for the Good Business Registration Practices for Starting a Business** as well as a report **Strengthening Women’s entrepreneurship in ASEAN**. The project is currently in the process of development of several reports which will be published in 2018, including **ASEAN SME Policy Index 2018**, **High Growth Enterprises in ASEAN**, **Enhancing SME Productivity and Innovation**, **Report on Alternative Sources of SME Finance**, the interim report for the SEA Going Digital: Connecting SMEs analysis, and three reports on SMEs and GVCs through the lens of Trade, Investment and Governance, as well as **SME Policy Review for Indonesia**.
Infrastructure gaps present a major challenge for deepening regional economic integration and connectivity within the ASEAN Economic Community as expressed in the Master Plan for ASEAN Connectivity (MPAC) 2025. According to ADB estimates, ASEAN Member States need to invest around USD 3,000 billion from 2016-2030 to maintain and expand existing infrastructure[1].

To raise the required resources, public funds need to be complemented by privately-financed infrastructure investments including public-private partnerships (PPPs). By harnessing private sector expertise and allocating risks to the parties best able to manage them, governments can make great strides in ensuring value for money. PPPs have therefore become an established part of many countries’ development paths, whilst fulfilling the additional function of driving value for money and innovation.

Although ASEAN countries have made vast improvements in their governance environments for PPPs and infrastructure, major challenges remain.

These include strategic long-term infrastructure planning and management, assessing the value for money of PPPs versus traditional procurement - determining the appropriate allocation of risk, and the governance of infrastructure and PPPs at the sub-national government level.

In 2014, the OECD assisted the ASEAN Secretariat with developing the ASEAN PPP Principles, which were adopted at the ASEAN Leaders’ Summit in Nay Pyi Taw, Myanmar. Another project supported governments in Indonesia, the Philippines, Thailand and Viet Nam in ensuring value for money in PPPs, including capacity workshops, and a handbook on ensuring value for money throughout PPPs’ project life-cycle. A report and website on ‘Private Infrastructure Investment: Access to Risk Mitigation Instruments in ASEAN Member Countries’ aims to improve the understanding of commercial and political risk in PPP projects, with the goal of strengthening private infrastructure investment on how to ensure value for money in PPP projects in collaboration with the governments in Indonesia, Thailand, Viet Nam and the Philippines. Furthermore, a pilot review of the PPP framework in the Philippines was conducted and additional PPP and infrastructure reviews are envisaged to other ASEAN Member States.

What is the RPN on Sustainable Infrastructure?

The RPN on Sustainable Infrastructure supports regional efforts to establish a well-connected ASEAN Economic Community (AEC) and assists the ASEAN Secretariat and ASEAN Member States in implementing the MPAC 2025. The RPN serves as a fora for sharing lessons learned and best practices among OECD and ASEAN policy makers and experts.

The third RPN meeting was held in Bangkok, Thailand in October 2016. The meeting brought together OECD and Southeast Asian countries to share experiences and knowledge on the effective use of PPPs in infrastructure procurement. The discussions focused on good practices and constraints in the use of transaction advisors, which fed into the recently launched OECD publication “Good Practice Guide on Using High Quality Transaction Advisors”.

Most recently, the fourth meeting of the RPN on Sustainable Infrastructure was held in Manila, Philippines in October 2017, back to back with the third Asian Public Governance Forum on PPPs. The meetings discussed current good practices and challenges, addressing a broad range of issues, including long-term strategic planning, the involvement of the private sector and efficient infrastructure and PPP investments on sub-national level.
Over the past few decades, trade has played a central role in supporting growth and development in Southeast Asia. ASEAN – under the ASEAN Economic Community (AEC) Blueprint 2025 - has promoted trade and investment liberalisation and supported connectivity in the region. This has facilitated members’ participation in global value chains (GVCs) in which production, trade and investment are increasingly organised.

Participation in GVCs is growing in ASEAN as the region increasingly looks to further integration and to other neighbouring Asian nations for sources of intermediates. ASEAN is the second largest source of jobs associated with GVCs (just after China), and ASEAN exports also feed into GVCs that sustain over 14 million jobs in other countries. Making the gains from participation in GVCs more inclusive will require greater focus on SMEs. Evidence suggests that ASEAN SMEs use less foreign value added to produce exports than larger firms, suggesting scope for enhanced competitiveness through importing. Additionally, SMEs in the region have a comparative advantage in producing intermediate goods, a large share of which are sold indirectly to larger nationally-based firms and export; enhancing these indirect exports can also promote inclusive outcomes. More broadly, an ambitious domestic policy agenda will be needed to help leverage engagement in GVCs into more inclusive growth. Beyond continuing to open markets for both goods and services, this involves labour and product market reforms, a greater focus on innovation, and greater public and private investments to upgrade physical, including digital infrastructure and education and skills.

Trade facilitation reforms remain essential for achieving ASEAN’s connectivity ambitions. Although ASEAN countries’ performance on trade facilitation has improved, further reforms are needed. Significant gaps remain in areas such as advance rulings, simplification and harmonisation of documents, automation of border processes, external external border agency co-operation and involvement of the trade community. These remaining challenges need to be overcome to swiftly implement the ASEAN Single Window and to ensure that ASEAN countries can reap the greatest gains from regional and global trade integration.

What is the Trade Initiative?

The Trade Initiative aims to foster closer dialogue on trade issues between ASEAN and OECD member countries, based on greater understanding of the relevance of the OECD’s work on trade and identification of areas of mutual interest. The Initiative also aims to build confidence and promote the gradual integration of Southeast Asian countries into relevant areas of OECD trade work.

Much of the OECD Trade Committee’s work is highly relevant to efforts in the region to improve market connectivity and economic integration. This is particularly the case in relation to ongoing work on trade facilitation, services trade and factors that shape effective participation in GVCs and digital trade. The OECD is pursuing strategic opportunities to strengthen dialogue and relationships with ASEAN countries and is working effectively in partnership with regional organisations.

“Any trade policy that does not improve the well-being of people is not worth it.” Angel Gurría, OECD Secretary-General
Increasing gender equality in access to education, employment and entrepreneurship has been an important component of strategies to stimulate greater and more inclusive economic growth around the world. Southeast Asian countries have shown considerable commitment to gender issues over recent years.

However, whereas economic growth and better targeted social policies have contributed to shrinking gender gaps in terms of educational attainments in the region, significant disparities remain in labour force participation, job quality, and earnings among the countries. Women continue to bear the main brunt of unpaid household tasks and are often involved in the informal sector. Moreover, female-owned businesses tend to be low quality and less profitable than businesses run by male. Much remains to be done to enhance women’s participation in economic activity in Southeast Asia.

*Strengthening Women’s Entrepreneurship in ASEAN*, a new OECD report, provides a comprehensive and up-to-date analysis of women’s participation in the labour market in Southeast Asia, with a focus on entrepreneurship. Developed in partnership with ASEAN, this report reviews progress achieved towards gender equality in education, and highlights the remaining challenges to reduce outstanding gaps in a wide range of labour market outcomes. It offers an in-depth analysis of the status of women’s entrepreneurship as well as the related policy and programme landscape in all 10 ASEAN member states, and proposes measures to advance the role of women as entrepreneurs and business owners in the region. The report was officially launched in September 2017 at the margins of the ASEAN Economic Ministers Meeting in Manila, the Philippines. Paris launch of the report took place at OECD in January 2018.

The OECD Development Centre’s SIGI also provides a cross-country measure of discriminatory social institutions, covering all countries of the region. The SIGI looks at how laws, attitudes and norms that discriminate against women and girls drive gender inequalities in education, employment and entrepreneurship, as well as having a negative impact on economic growth. The 2018 update is currently being prepared, with over 185 countries included, and strong engagement with the region is foreseen as part of the SIGI’s role as an official data source for the Sustainable Development Goal 5.

![Image](image_url)

Danielle Thibault – Minister-Counsellor and Deputy Permanent Representative of Canada to OECD launches the report in January 2018, Paris, France.

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**What is the Gender Initiative?**

The Southeast Asia Gender Initiative aims to build on the existing OECD-wide Gender Initiative, which focuses on strengthening gender equality in education, employment and entrepreneurship (the “three Es”). The OECD Gender Recommendation sets out a number of measures that governments should consider to address gender inequalities in education, employment and entrepreneurship (OECD, 2013).
Innovation and technology play a key role in driving economic growth and enhanced well-being, through improving competitiveness and productivity, fostering new business models, enabling new, more accessible services, and boosting social connections. In recognition of this potential, Southeast Asian economies are actively seeking to upgrade their innovation ecosystems and are embracing digital technologies for economic and social advancement, as evidenced by high-level events such as the 2016 ASEAN STI Forum and strategy documents such as the ASEAN ICT Master plan 2020.

OECD member countries place great importance on enhancing cooperation with partners in Southeast Asia on policies to support innovation and the digital transformation. The OECD has been engaged with SEA economies to offer advice on innovation policy, through in-depth reviews of national innovation systems as well as work on intellectual property.

In 2016, the OECD produced a Review of Innovation Policy for Malaysia and included dedicated country profiles for Indonesia, Malaysia and Thailand in its 2016 edition of the OECD’s flagship publication OECD Science, Technology and Innovation Outlook. The OECD also welcomed the participation of SEA economies at the June 2016 OECD Ministerial Meeting on the Digital Economy, in Cancún, Mexico, where Indonesia and Malaysia were amongst the more than 40 countries who signed the Ministerial Declaration on the Digital Economy.

The OECD is currently leveraging its experience and evidence on innovation and digital economy policy to produce studies on “Enhancing SME productivity and Innovation in the ASEAN region” and on “ASEAN Going Digital: connecting SMEs”, as part of the OECD project for ASEAN SMEs (COPAS). The initial findings from the Enhancing SME productivity and Innovation report were presented at the meeting of RPN on SMEs in Manilla, Philippines in October 2017.

The OECD has also prepared a background note on “Opportunities and Policy Challenges of Digitalisation in Southeast Asia” for the OECD Southeast Asia Regional Forum in Bangkok, Thailand in August 2017 as well as a discussion paper on Inclusive ASEAN, touching upon innovation and productivity issues for SMES, for the OECD SEARP Ministerial Conference on 8-9 March 2018 in Tokyo, Japan. These studies benefit from wider ongoing OECD work on "Going Digital: Making the Transformation Work for Growth and Well-being”, which seeks to articulate pro-active policies to drive greater growth and societal well-being and address the challenges of slow productivity growth and growing inequality in many countries in the new digital environment. They also draw on relevant insights from the OECD’s work on the Next Production Revolution, which highlights the potential impacts of a wide range of technological developments in production.

What is the Innovation Initiative?

The Innovation Initiative serves as a platform to discuss and exchange experiences among Southeast Asian and OECD countries on policies for innovation, including the now burgeoning digital transformation. There is much scope for mutual learning and peer dialogue, as well as the sharing of best practices. The OECD’s experience in innovation, productivity, and digital economy, as well as its breadth of statistical evidence, makes it well-placed to support the forging of coherent and comprehensive policy approaches that enable SEA economies to maximise the benefits of an increasingly digital and innovation-driven global economy.

Much of the work of the Committee for Scientific and Technological Policy and Committee on Digital Economy Policy is highly relevant to the SEA region. The Initiative is further informed by the inclusion of SEA countries in the OECD STI Outlook and databases such as OECD-WTO Trade in Value Added (TiVA).
The Economic Outlook for Southeast Asia, China and India is the result of policy dialogue through Consultation Group Meetings in Paris. Initially discussed as a follow-up of the OECD Council Meeting at Ministerial Level in 2007, the Regional Economic Outlook was accepted by ministers and senior officials from ASEAN countries at the occasion of the OECD-Southeast Asia Regional Forum in Bangkok, Thailand in 2009, and was officially launched in 2010. The Outlook was officially included in the Southeast Asia Regional Programme at the 2015 MCM with the role of providing a horizontal view of activities, identifying emerging trends in the region and providing a backbone for the different streams of the Programme.

The Consultation Group Meetings on the 2018 edition of the Outlook were co-chaired by the Ambassadors of Korea and the Philippines. These three meetings are respectively concerned with the concept note of the Outlook, the intermediate results including the technical aspects of draft and a presentation of the final key messages of the report in the form of a pre-launch in Paris.

The first Consultation Group Meeting on the 2018 edition was held in March 2017, providing an opportunity for representatives of the delegations in Paris to discuss the topic of the report. The thematic focus of each edition of the Outlook is selected in consultation with country representatives, to be aligned with the agenda topics of the ASEAN/East Asia Summit.

It was decided that the theme of the 2018 report would be “fostering growth through digitalisation”, a topic proposed by the Philippines, the chair of the 2017 Summit. The draft report was discussed at the second Consultation Group Meeting in September and the key messages of the final report were presented at the pre-launch in Paris in November 2017.

The Supplement of the Economic Outlook for Southeast Asia, China and India 2017 was released at the OECD Southeast Asia Regional Forum in August 2017 in Bangkok, Thailand and the 2018 edition of the Outlook was launched at the ASEAN Business and Investment Summit in November 2017 in Manila, Philippines.

What is the Economic Outlook for Southeast Asia, China and India?

The Economic Outlook for Southeast Asia, China and India is bi-annual publication on Asia’s economic growth, development and regional integration process produced by the OECD Development Centre in collaboration with several regional organisations. UNESCAP and ERIA contributed to the 2018 edition, which also benefitted from discussions with ASEAN Secretariat, ADB/ADBI and AMRO. It focuses on the economic conditions of the ASEAN member countries, as well as China and India, to fully address economic developments in the region.

The 2018 edition of the Outlook is comprised of four main parts, each highlighting a particular dimension of recent economic developments in the region. The first part presents the regional economic monitor, depicting the near-term and medium-term economic outlook and macroeconomic challenges in the region. The second part discusses the recent progress made in key aspects of regional integration, in particular trade in goods and trade in services. The third part addresses the special thematic focus of the Outlook, which in this edition will address issues related to digital economy. The fourth part presents the structural policy country notes of each ASEAN member country, China and India. An Update of the Outlook will follow the publication of the full report, ensuring that the projections, data and analysis remain current and useful.
## CALENDAR OF RECENT AND UPCOMING EVENTS

### RPNs

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<tr>
<th>ACTIVITY</th>
<th>DATE</th>
<th>LOCATION</th>
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<tbody>
<tr>
<td><strong>Tax Policy and Administration</strong></td>
<td>Meeting on Tax Policy RPN</td>
<td>26 Nov-1 Dec 2016 Manila, Philippines</td>
</tr>
<tr>
<td><strong>Good Regulatory Practice</strong></td>
<td>Meeting of Good Regulatory Practices RPN</td>
<td>15 Mar 2017 Mar, 2018 Iloilo City, Philippines Singapore (Tbd)</td>
</tr>
<tr>
<td><strong>Investment Policy and Promotion</strong></td>
<td>Meeting of Investment Policy RPN</td>
<td>7 Mar 2018 Tokyo, Japan</td>
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<tr>
<td><strong>Education and Skills</strong></td>
<td>Meeting of Education and Skills RPN</td>
<td>11-12 Oct 2017 2018 (Tbd) Hanoi, Viet Nam Lao PDR</td>
</tr>
<tr>
<td><strong>SME Policies</strong></td>
<td>Meeting of SME Policy RPN</td>
<td>17 Oct 2017 3 Apr 2018 Manila, Philippines Luang Prabang, Lao PDR</td>
</tr>
<tr>
<td><strong>Sustainable Infrastructure</strong></td>
<td>Meeting of Sustainable Infrastructure RPN</td>
<td>24-25 Oct 2017 Manila, Philippines</td>
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### INITIATIVES

#### Trade
- OECD-ERIA seminar on Making Global Value Chains work for ASEAN
- Southeast Asia Trade Initiative Strategy Meeting
  - ACTIVITY: 13 Jun 2016 Hanoi, Viet Nam
  - ACTIVITY: 3 Nov 2016 Paris, France

#### Innovation
- Presentation of interim report on Enhancing SME Productivity and Innovation in ASEAN
- Presentation of the report “Opportunities and Policy Challenges of Digitalisation in Southeast Asia”
- Presentation on Inclusive ASEAN paper
- Presentation of the interim report on SEA Going Digital: Connecting SMEs analysis, and of the final report on Enhancing SME Productivity and Innovation in ASEAN
  - ACTIVITY: 17 Oct 2017 Manila, Philippines
  - ACTIVITY: 24 Aug 2017 Bangkok, Thailand
  - ACTIVITY: 8-9 Mar 2018 Tokyo, Japan
  - ACTIVITY: Autumn 2018 Myanmar (tbd)

#### Gender
- Launch of a publication on “Strengthening Women’s Entrepreneurship in ASEAN”
  - ACTIVITY: Sep 2017 Manila, Philippines

#### Regional Economic Outlook
- **Release Supplement of the Regional Economic Outlook 2017**
- **Launch of the Regional Economic Outlook 2018**
- **1st Outlook Consultation Group (OCG) meeting of the upcoming 2019 edition**
  - ACTIVITY: 24 Aug 2017 Bangkok, Thailand
  - ACTIVITY: 14 Nov 2017 Manila, Philippines
  - ACTIVITY: 12 February 2018 Paris, France

#### Steering Group
- Third Steering Group Meeting
- Ministerial Meeting and fourth Steering Group Meeting
  - ACTIVITY: 25 Aug 2017 Bangkok, Thailand
  - ACTIVITY: 8-9 Mar 2018 Tokyo, Japan
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<tr>
<th>STEERING GROUP</th>
<th>OECD</th>
<th>ASEAN</th>
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<tr>
<td><strong>Japan</strong></td>
<td>H.E. Mr. Hiroshi OE, Ambassador, Permanent Delegation of Japan to the OECD</td>
<td><strong>Indonesia</strong></td>
</tr>
<tr>
<td><strong>Korea</strong></td>
<td>Mr. Kwangouck Byun, Director of Tax Treaty Division, Ministry of Strategy and Finance</td>
<td><strong>Indonesia</strong></td>
</tr>
<tr>
<td><strong>New Zealand</strong></td>
<td>Mr. Mark Steel, General Manager of Trade and International Ministry of Business, Innovation and Employment</td>
<td><strong>Malaysia</strong></td>
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<tr>
<td><strong>Australia</strong></td>
<td>Mr. James Wiblin, Assistant Secretary, Investment and Economics Branch, Department of Foreign Affairs and Trade</td>
<td><strong>Thailand</strong></td>
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<td><strong>Australia</strong></td>
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<td><strong>Philippines</strong></td>
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<td><strong>Korea</strong></td>
<td><strong>Philippines</strong></td>
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</table>
Tax Policy and Administration


Good Regulatory Practice

**Investment**


**Education and Skills**


**SME Policies**

- www.oecd.org/globalrelations/regionalapproaches/ASEAN%20SME%20Policy%20Index%202014.pdf
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Sustainable Infrastructure


• OECD (2012), Strategic Transport Infrastructure Needs to 2030, OECD Publishing Paris. [dx.doi.org/10.1787/9789264114425-en](dx.doi.org/10.1787/9789264114425-en)


Trade Initiative


Innovation Initiative


Gender Initiative

Regional Economic Outlook
