The Southeast Asia Regional Programme: Trade Initiative

What is the Trade Initiative?

Launched in 2014, the OECD Southeast Asia Regional Programme (SEARP) builds on two decades of engagement with the region, aiming to support domestic priorities, policy reforms and regional integration efforts in Southeast Asia.

As a key part of this engagement, the SEARP Trade Initiative aims to build a closer dialogue on trade issues with policymakers in Southeast Asia over time, to ensure the relevance of OECD’s work on trade to the region with a view to helping inform policy, and to promote the gradual integration of countries in Southeast Asia into relevant areas of OECD trade work.

How is OECD’s work on trade relevant to ASEAN’s regional integration agenda?

Much of the OECD Trade Committee’s work is highly relevant to the efforts by members of the Association of Southeast Asian Nations (ASEAN) to improve market connectivity. This is particularly the case in relation to on-going work on trade facilitation, services trade and the factors that shape effective participation in global value chains.

How is OECD working with the region on trade?

Over the past two years, the OECD has pursued strategic opportunities to strengthen relationships with countries in Southeast Asia. This has included not only bilateral initiatives, including cooperation with Key Partners like Indonesia, but also important regional engagements with the ASEAN Secretariat, the Asia-Pacific Economic Cooperation (APEC), the Asian Development Bank (ADB), the Economic Research Institute for ASEAN and East Asia (ERIA), and the United Nations Economic and Social Commission for Asia and the Pacific (UN-ESCAP).

Expert staff from the OECD’s Trade and Agriculture Directorate (TAD) have presented OECD analysis at workshops, conferences, and high-level meetings in the region, engaging with key Southeast Asia policymakers. TAD has also organised a number of trade policy seminars in the region to further build relationships and increase the level of awareness of OECD trade work, including, for example:

- In September 2014, OECD organised a workshop on RTAs and the Environment in Viet Nam.
- In May 2015, OECD partnered with the US-ASEAN Connectivity through Trade and Investment (US-ACTI) and ASEAN to hold a workshop in Cambodia on trade facilitation, with the aim of introducing the OECD Trade Facilitation Indicators as a practical tool for ASEAN to measure progress in trade facilitation reform.
- In September 2015, OECD partnered with the Philippines in its role as 2015 host of APEC to hold a workshop in on trade in services with a focus on SMEs in the digital economy, highlighting analysis drawn from the Services Trade Restrictiveness Index; this seminar supported the development of the APEC Services Cooperation Framework.
- In June 2016, OECD partnered with ERIA to host a joint seminar in Viet Nam on Making Global Value chains work for ASEAN, which took stock of the current OECD evidence base related to the participation of ASEAN countries in GVCs.
OECD analysis is forming a basis for a deepened policy dialogue

Trade Facilitation

The ASEAN Economic Community (AEC) Blueprint 2025 contains strong commitments in the area of trade facilitation, including the harmonisation, simplification, and modernisation of trade and customs processes, customs integration, and the development of an ASEAN Single Window.

The OECD has developed a set of Trade Facilitation Indicators (TFIs) to support governments as they undertake trade facilitation reform. Corresponding to the policy areas of the WTO Agreement on Trade Facilitation, the TFIs identify key areas for action and enable governments to prioritise trade facilitation reforms and mobilise technical assistance and capacity-building in a more targeted way. OECD analysis has shown that by implementing trade facilitation measures, ASEAN and its member countries can boost trade flows and reduce trading costs across the region.

According to the TFIs, ASEAN performs comparably to the larger Asia region in all trade facilitation areas except for the involvement of the trade community and external border agency co-operation, where ASEAN performance is below the average in Asia. Between 2012 and 2015, performance improved in information availability, advance rulings, streamlining of procedures, as well as internal and external border agency co-operation. Performance in the other areas is stable, with the exception of involvement of trade community, appeal procedures and governance and impartiality, where some ground was lost.

The 2015 OECD TFIs find that “full” implementation of the TFA would reduce trade costs for the ASEAN group of countries by nearly 17% on average.

Global Value Chains and Trade in Value-Added

International production, trade and investment are increasingly organised within global value chains (GVCs) in which different stages of the production process are located across different countries.

Most ASEAN members are part of the OECD-WTO Trade in Value Added (TIVA) database, which was developed to measure trade in value-added terms to generate new insights about the commercial
relations among economies and the process of value creation. The AEC Blueprint 2025 includes commitments on deepening regional and global value chains.

OECD analysis shows that participation by ASEAN economies in GVCs has grown across the board. Natural resource rich economies such as Indonesia and Brunei Darussalam are engaged in upstream activities through sales of raw materials, while others such as Singapore are engaged in the sale of high-skill intensive products and services. This diversity suggests there are good opportunities to promote further regional economic integration through value chains based on complementary sectoral specialization patterns.

GVC participation is an important driver of job creation. OECD analysis estimates that the number of ASEAN workers engaged in producing the intermediates traded within GVCs – “forward GVC jobs” – grew from 7.5 million in 1995 to 18.9 million in 2011, an increase of 150% and three times average job creation in the region. As a whole, the ASEAN region is second only to China in employment of workers participating in GVCs. OECD research also shows that while the share of domestic content in exports has fallen slightly in ASEAN over the last decade, the total value of those exports has grown considerably. This underscores a key benefit from GVCs; openness to imports is critical to producing competitive exports.

New work at the OECD on GVCs in the region is focusing on how SMEs can benefit from the opportunities offered by GVCs.

![](image)

**ASEAN’s use of foreign value added to develop domestic export capacity**

<table>
<thead>
<tr>
<th>Year</th>
<th>Domestic</th>
<th>Foreign</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>29</td>
<td>71</td>
</tr>
<tr>
<td>2011</td>
<td>33</td>
<td>67</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Value added content of exports (value in million USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>Domestic 798.6</td>
</tr>
<tr>
<td>2011</td>
<td>Domestic 401.0</td>
</tr>
</tbody>
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**Trade in Services**

Trade in services drives the exchange of ideas, know-how and technology. It helps firms cut costs, increase productivity and boost competitiveness. OECD analysis shows that access to world class services inputs are also crucial for moving manufacturing up the value chain as well as for boosting growth and jobs in the services sector.

However, international trade in services is often impeded by trade and investment barriers and domestic regulations. The OECD’s Service Trade Restrictions Index (STRI) is a unique, evidence-based diagnostic tool that provides an up-to-date snapshot of services trade barriers in 22 sectors across 42 countries, representing over 80% of global services trade. It provides policy makers with information and measurement tools to help governments identify best practice and then focus their domestic reform efforts on priority sectors and measures.

The STRI reveals that foreign equity limitations are most common in backbone infrastructure sectors, and that behind the border regulations related to licensing constitute considerable barriers to trade in professional services. Access to the public procurement market is particularly important for construction firms, and national treatment in relation to taxes and subsidies is important in all sectors, but especially in transport and audio-visual services sectors. Finally, restrictions on the movement of natural persons significantly hinder trade, particularly in skilled labour-intensive sectors such as computer services and professional services.
In Southeast Asia, Indonesia is fully integrated into the STRI, pilot sectors for Malaysia are underway as part of an OECD economic country review, and several additional countries have expressed interest in joining the STRI, both bilaterally and within the context of an APEC initiative.

### Indonesia - STRI by Sector and Policy Area, 2015

[Graph showing STRI indices by sector and policy area]

*Source: OECD Services Trade Restrictiveness Index, 2015. Note: The STRI indices take values between zero and one, one being the most restrictive. They are calculated on the basis of the STRI regulatory database which contains measures on a Most Favoured Nations basis for 42 countries. Preferential trade agreements are not taken into account. Air transport and road freight cover only commercial establishment (with accompanying movement of people).*

### Agriculture

While not officially covered by the OECD SEARP, the OECD has worked bilaterally for some years with some individual members of ASEAN in the area of food and agriculture. The food and agriculture sector remains a very large part of the regional economy and faces a number of important challenges, on which the OECD is well-placed to provide policy analysis and advice.

*Agricultural Policy Reviews* have been undertaken for Indonesia (2012) and Viet Nam (2015), and a review of the Philippines is due to be completed by end-2016. Upon completion of a *Review*, countries are subsequently included in the annual OECD Agricultural Policy Monitoring and Evaluation process which reviews and updates information on agriculture policy developments for 50 countries worldwide, providing a means to compare different policy approaches used by different countries. Specific work has also been done with Indonesia on food security.

Ongoing co-operation between OECD and ASEAN on agriculture and food security is also underpinned by an annual regional dialogue between ASEAN and OECD policymakers and experts. The work is supported by an OECD-led study on *Building Food Security and Managing Risks: A Focus on Southeast Asia*. Looking ahead, other areas of co-operation will include policy issues related to floods and droughts, and the role that agro-food trade and GVCs play in enhancing the region’s food security. The OECD will also undertake three country-level studies to apply the OECD Framework for Analysing Policies to Improve Agricultural Productivity Sustainably.

**More Information**

- Trade Facilitation Indicators [http://oe.cd/tfi](http://oe.cd/tfi)
- Global Value Chains [http://oe.cd/gvc](http://oe.cd/gvc)
- Services Trade Restrictiveness Index [http://oe.cd/stri](http://oe.cd/stri)
- Other OECD work on agriculture [http://oe.cd/agriculture](http://oe.cd/agriculture)