

Policy Design Department



Throughout 2021, despite navigating uncertainty and the emerging economic issues caused by the coronavirus disease (COVID-19) pandemic, the Policy Design Department (PDD) had a fruitful and productive year – delivering policy research, advice, and support for medium- and longer-term development and the economic integration of the Association of Southeast Asian Nations (ASEAN) and the East Asia region. PDD held extensive engagements with senior economic officials on economic matters, in line with the department’s objectives and goals of ensuring greater regional economic integration of ASEAN. These engagements ranged from supporting the Government of Brunei Darussalam as the chair of ASEAN in 2021, providing research on the ASEAN Trade in Goods Agreement (ATIGA) and key ASEAN trade facilitation initiatives, capacity building on the ASEAN Trade in Services Agreement (ATISA) for ASEAN sectoral bodies and the ASEAN Secretariat, and strengthening the inter-regional network through support for the East Asia Summit (EAS) process, to name just a few.

Over the past year, PDD collaborated on various issues with multilateral organisations and other stakeholders – for example, the ASEAN Secretariat and the Organisation for Economic Co-operation and Development (OECD) on Good Regulatory Practice (GRP), particularly regulatory reform work; the United Nations Economic and Social Commission for Asia and the Pacific on investment facilitation; and the United Nations Conference on Trade and Development (UNCTAD) on the Non-Tariff Measures Cost-Effectiveness Toolkit (NTM Toolkit) – Handbook for ASEAN. Looking ahead, PDD hopes to continue its collaborative intra- and inter-regional collaboration, as well as work within the Economic Research Institute for ASEAN and East Asia (ERIA) to produce high-quality policy

research and advice to help address the economic and regional challenges presented by the COVID-19 pandemic and the future.

i. The Government of Brunei Darussalam’s Role as Chair of ASEAN and Related Meetings in 2021

The Government of Brunei Darussalam, through its Ministry of Finance and Economy, requested PDD to provide research on and support to several initiatives that Brunei Darussalam had envisioned for chairing ASEAN in 2021. One of the priority economic deliverables for Brunei as chair was the development of the ASEAN Framework for Circular Economy for the ASEAN Economic Community. This was in line with Brunei Darussalam’s vision for ASEAN 2021: ‘We Care, We Prepare, We Prosper’. With the growing demand for sustainability by consumers and investors, it has become imperative for ASEAN to take account of circular economy initiatives in its ASEAN Economic Community work stream and to consider discussions and work in the ASEAN Socio Cultural Community to avoid overlaps and maximise resources. Another deliverable supported by ERIA was the development of the NTM Toolkit for ASEAN, a framework to review and evaluate the cost-effectiveness of existing NTMs in ASEAN.

PDD and the Research Department also undertook a study on developing a strategic master plan for Temburong District, requested by the Government of Brunei Darussalam through its Ministry of Finance and Economy in December 2020. Together with Temburong District Development Authority and the town planners, ERIA identified industries and sectors that are globally competitive, while remaining compatible with and



complementary to existing economic activities in the country. A study on urban amenities was also undertaken to assess the trickle-down effects of the development of Temburong on the people and the local economy. Amongst the studies conducted were business feasibility studies on ecotourism, education, a research centre, an international biodiversity laboratory, orchid farming, and koi rearing to strengthen the findings of the master plan. The master plan was submitted for endorsement to the board of directors of Temburong District Development Authority in March 2022.

ii. The Government of New Zealand's Role as Chair of APEC 2021

ERIA's Governing Board Member Dr Allan Bollard requested PDD to support New Zealand as chair of Asia-Pacific Economic Cooperation (APEC) in 2021. The APEC Secretariat also requested PDD to identify possible policy research for APEC 2021, such as the future of work, World Trade Organization (WTO) reforms, and the circular economy. Some discussions were held on this with the APEC Secretariat.

iii. EAS Economic Ministers' Meeting (EMM) and Senior Economic Officials' Meeting 2021, EAS Consultations, and Related Meetings

PDD undertook policy-based research to develop a framework for regional economic integration and development after overcoming the COVID-19 pandemic and to consider existing initiatives as part of ERIA's deliverables for the EAS EMM in 2021. PDD also presented a paper on supply chain resilience and the post-pandemic recovery in the EAS region, which emphasised the need

for greater collaboration in dealing with the adverse impacts of the COVID-19 pandemic. The EAS EMM, in a joint media statement, commended ERIA for its contribution to the EAS process through studies and research activities on regional economic issues. The meeting also reiterated the need for greater collaboration in dealing with the adverse impacts of the COVID-19 pandemic and urged ERIA to continue supporting the EAS process through its research.

iv. The Government of Indonesia's Role as Chair of the G20 in 2022 and Chair of ASEAN and Related Meetings in 2023

PDD also provided research and support to the relevant ministries of the Government of Indonesia for chairing the G20 and ASEAN, including supporting the Agriculture Working Group on the potential of digitalisation of the food value chain. PDD has also started discussions on the topics to be covered under the Government of Indonesia's role as chair of ASEAN and related meetings in 2023.

v. Temburong Strategic Development Master Plan

As part of ERIA's support to the Government of Brunei Darussalam, PDD developed a strategic development master plan to improve, preserve, and protect the natural and built environment of Temburong District. The study was based on the previous Temburong Eco Town Master Plan that ERIA had designed for the Ministry of Energy of Brunei Darussalam, covering major components that could be expanded to cover more items, such as ensuring local involvement and pursuing detailed information on industries, sectors, and activities for Temburong to be globally competitive. The master plan, amongst others,

includes the identification of industries and sectors that could be globally competitive while remaining compatible and complementary to existing economic activities in the country, the identification of economic activities suitable for the residents of Temburong District to ensure inclusiveness, and recommendations on a delivery plan and key policies and infrastructure to support development.

vi. Non-Conforming Measures List Under the ATISA

In collaboration with the ASEAN Coordinating Committee on Services (CCS) and the Ministry of Economy, Trade and Industry of Japan, PDD supported selected ASEAN Member States (AMS) in building their government officials' capacity by strengthening their understanding and knowledge for preparing a list of non-conforming measures for their services sectors. Due to the COVID-19 pandemic, focus group discussions (FGDs) were only held for selected AMS such as Cambodia, Indonesia, the Lao People's Democratic Republic (Lao PDR), and Malaysia. Australia's Department of Foreign Affairs and Trade contributed to FGDs in Cambodia and Lao PDR. Due to the high number of COVID-19 cases at that time, FGDs had to be postponed for other AMS such as Myanmar and Viet Nam.

The FGDs included practical exercises, designed in part to encourage participants to apply the taught content presented in the workshop – for example, to identify relevant domestic regulation in each of the focus sectors, change from the current positive list to a negative list in the ASEAN Framework Agreement on Services for ATISA where relevant to the focus sectors, and identify other non-conforming measures in each focus sector.

vii. ASEAN's Work on GRPs: Addressing Un-Implemented Initiatives Under the ASEAN Standards and Conformance Strategic Plan 2016–2025

Under this initiative, PDD is supporting the ASEAN Secretariat in preparing the ASEAN handbook on GRP. Once completed, PDD will assist in identifying pilot projects on GRP in strategic sectors of ASEAN and provide the necessary capacity building to promote GRP and build buy-in across institutions, sectors, and AMS.

The handbook will cover the principles of GRP within ASEAN and the processes involved in the implementation of GRP through a review of official documents, academic literature, and interviews with government officials and industry experts. Scenarios will be developed, examining each aspect of the GRP process. Detailed steps will be shared on the preparation of regulatory impact statements. In this process, mechanisms to perform cost-effectiveness analysis, business compliance costs, post-implementation review, and setting up of an institutional framework will also be addressed and will include case studies of the processes. Challenges in setting up a regulatory management system will also be dealt with, by providing explanations or methods to deal with such challenges. Possible policy recommendations for setting up GRP initiatives in AMS will be provided.

viii. Enhancing GRPs in ASEAN

PDD supported the ASEAN–OECD Good Regulatory Practice Network in 2021, with the theme of Innovative Recovery: Responsive Regulatory Systems for Economic Recovery and Prosperity, for ASEAN to

explore opportunities to use better and innovative regulatory approaches in recovering from the COVID-19 pandemic, in particular, and to focus on ways to strengthen regulatory frameworks to better manage future crises. PDD was also invited to participate in Good Regulatory Practice Network meetings.

ix. The Feasibility of Free Trade Agreements (FTAs) between Cambodia and Its Trade Partners, India and Mongolia

When the Government of Cambodia requested ERIA to undertake a feasibility study on Cambodia and its potential FTA partners, ERIA accommodated Cambodia by preparing a report on the potential impacts of FTAs between Cambodia and India and Mongolia. The main purpose of the study was to generate insights into the costs and benefits of the prospective FTAs, taking into consideration the current economic situation in Cambodia and its FTA partners.

PDD and the Research Department prepared the FTA feasibility study to shed light on issues such as the status of the bilateral trading environment, including tariffs and non-tariff barriers to trade, and the consequences of a reduction in and/or elimination of tariffs on trade with FTA partners, amongst others. The FTA feasibility study covered issues pertaining to trade in goods as well as selected services sector trade, and discussed how FTAs could direct investment towards certain sectors in Cambodia.

x. Public Version of the ASEAN Seamless Trade Facilitation Indicators (ASTFI) Baseline Study

In 2017, at the request of the ASEAN Trade Facilitation Joint Consultative Committee (ATF-JCC), PDD developed ASEAN-specific trade facilitation indicators – the ASTFI – which surveyed major government agencies in each AMS to take stock of the implementation status of regional and global trade facilitation initiatives. Submitted to the ATF-JCC in July 2018, the baseline ASTFI report recommended improvements in the trading environment and a reduction in trade transaction costs (TTCs) in the region.

Noting the interest of the private sector in trade facilitation initiatives in AMS and to facilitate better understanding, the ATF-JCC tasked ERIA to create a public version of the ASTFI baseline study report to inform the public of the key trade facilitation initiatives in ASEAN and to monitor the trade facilitation progress as reported in the ASTFI baseline study. The public version of the baseline study was published in July 2021.

xi. TTC Baseline Study

With the Research Department, PDD prepared a baseline TTC report based on an analysis of the Time Release Study report and the Time to Permit Approval survey results, following ERIA's completion of the ASFTI baseline study. The TTC report assessed the trade facilitation situation and provided a quantitative assessment of TTCs in the region. The TTC report was an ASEAN-specific measure intended to help AMS set quantifiable goals and monitor progress in achieving the ASEAN ministers' mandate of reducing TTCs by 10% in the region by 2020.

xii. ASTFI–TTC II

With the Research Department, PDD started conducting the ASTFI–TTC II, a follow-up to the 2018 ASTFI–TTC baseline study. The primary objective of the second phase of the study was to understand the trade facilitation environment and TTCs in ASEAN in 2020. The study included the calculation of the updated TTCs to measure the reduction in TTCs in ASEAN between 2018 and 2020. Throughout 2020, ERIA, country researchers, and AMS focal points held technical workshops to provide an overview of the ASTFI–TTC II project methodology, activities, and timeline, as well as to discuss the questionnaires and the data collection process. With the support of the AMS focal points in the ATF–JCC, ASTFI II survey questionnaires were circulated and filled out by AMS government agencies as part of this undertaking. Socialisation workshops were conducted to assist AMS in completing the survey questionnaires and other activities of the ASTFI II.

The results of the ASTFI–TTC II, along with the results of the baseline ASTFI–TTC, will be used to track progress in the trade facilitation environment in ASEAN and to measure change in TTCs in the region.

xiii. Public Version of the ATIGA Impact Report

PDD created a public version of the ATIGA report for publication, based on the official report on the impact of the ATIGA on intra-ASEAN trade submitted to the Coordinating Committee on the Implementation of the ATIGA. Published in August 2021, the public version of the

ATIGA report was an important publication as it shared the ATIGA's impact and valuable contribution to ASEAN economic integration with the private sector.

xiv. Making ASEAN Trade in Services 4.0: Reinvigoration of Supplying Services

During the CCS Special Meeting in October 2021, the CCS requested ERIA to develop specialised programmes by integrating new Fourth Industrial Revolution (4IR) development in the services supplied and conducting technical workshops from 2022 to 2024 to support new, young, and existing ASEAN professionals. The programmes are based on the ASEAN Consolidated Strategy on 4IR and focus on the four business professions with ASEAN Mutual Recognition Arrangements (MRAs) – engineers, architects, accountants, and surveyors – and include government officials. PDD, together with the Centre for the Fourth Industrial Revolution, then developed a programme that was endorsed during the 100th ASEAN CCS Meeting. The first programme is scheduled to be conducted in July 2022.

xv. Study on the Supply and Demand of Professional Services in ASEAN

In October 2021, the CCS requested ERIA to undertake a comprehensive study on the supply and demand of professional services in ASEAN – including accountants, architects, dentists, doctors, engineers, nurses, and surveyors – and ways to enhance the level of interaction and mobility of ASEAN professional services based on

the evolving services trade landscape. The project team developed a questionnaire related to the project and conducted several FGDs for each AMS to ascertain the actual supply and demand of service professionals in ASEAN.

xvi. Comprehensive Study on the Implementation of the MRA on Tourism Professionals (MRA-TP): Challenges and Opportunities

Against the backdrop of the need to continue assessing the relevance of facilitating the mobility of skilled and certified tourism professionals across the region, at the request of the ASEAN Secretariat, PDD conducted a comprehensive assessment of the implementation of the MRA-TP. The study aims to (i) review the objectives of the MRA-TP to ensure its relevance in view of shifting trends and recent developments in global and regional tourism industries; (ii) provide ASEAN policymakers and regulators with a better understanding of the challenges with regard to the mobility of ASEAN tourism professionals and recommendations to overcome those challenges, in particular in response to the implementation of Mode 4 (Movement of Natural Persons) under the ASEAN FTA; and (iii) identify best practices and innovative solutions to maximise the benefits of the MRA-TP to the ASEAN tourism industry. The inception report was presented to the tourism Senior Officials at the special meeting of the ASEAN National Tourism Organisations in December 2021. Since then, Indonesia has approved the inception report as the country coordinator for the study. The final report is expected to be submitted for approval and consideration by the ASEAN Tourism Ministers in September 2022.

xvii. Study to Develop a Framework on Sustainable Tourism Development in ASEAN in the Post-COVID-19 Era

The COVID-19 pandemic has highlighted the vulnerability of the tourism sector. With global challenges such as climate change and loss of biodiversity, whose effects on the tourism sector can be very destructive, the need for a systematic approach to sustainable tourism development becomes urgent. Recognising this, PDD is supporting the ASEAN Secretariat to conduct a study on sustainable tourism in ASEAN within the context of the post-pandemic recovery. An integral part of the study is the development of a framework on sustainable tourism in ASEAN. The framework is expected to fill the knowledge gap and raise awareness amongst AMS to better understand the importance of sustainability in the tourism sector, particularly in implementing a common framework or approach. In addition, it will help policymakers in designing their own models and strategies to support the implementation of sustainable tourism in their respective countries. The inception report was presented to the tourism Senior Officials at the special meeting of the ASEAN National Tourism Organisations in December 2021, and work is well underway to complete the study in September 2022 for approval and consideration by the ASEAN Tourism Ministers.

xviii. NTM Toolkit – Handbook for ASEAN

With the support and cooperation of UNCTAD, PDD and the Research Department developed a framework to review the cost-effectiveness of existing NTMs in ASEAN through the NTM Toolkit.

The initial draft of the NTM Toolkit was presented and submitted to the ATF-JCC at its various meetings in 2020. In December 2020, ERIA and UNCTAD organised an FGD with the objective of seeking views, inputs, and comments from experts and individuals who had worked on NTMs, GRPs, and related issues to develop and improve the draft NTM Toolkit. The participants included experts from ERIA, the ASEAN Secretariat, the ATF-JCC chair, former government officials, think tank experts, and UNCTAD officials. Inputs and recommendations from the group were considered in the completion of the draft final version of the NTM Toolkit. The NTM Toolkit was endorsed by the 53rd ASEAN Economic Ministers Meeting in September 2021.

xix. Online Training on Assessing the Trade Effects of NTMs

PDD and the Research Department conducted a 6-week online training course on assessing the trade effects of NTMs for officials of the Philippine Tariff Commission. This capacity building activity from mid-August to the end of September 2021 was amongst ERIA's continuous commitments to support AMS in evidence-based policymaking efforts. The course introduced the core analytical approaches to measure the prevalence of NTMs and their impact on bilateral trade flows.

xx. Southeast Asia and the WTO

PDD contributed a chapter on 'Southeast Asia and the WTO' for *The Elgar Companion to the World Trade Organization* on AMS commitments under the WTO and the implementation of WTO rules in AMS.

xxi. Elgar Encyclopaedia of International Economic Law

PDD also contributed a country report on Brunei Darussalam to the *Elgar Encyclopaedia of International Economic Law*. The *Elgar Encyclopaedia* is a resource reference on international economic law that encompasses four main sections: the foundations and architecture of international economic law, its principles, its main regulatory areas, and the future challenges it faces. The *Elgar Encyclopaedia* has over 250 entries, with leading scholars and practitioners as contributors. The encyclopaedia is used as a reference on all areas of international economic law and provides a good starting point for research.