



THE ECONOMIC OUTLOOK FOR SOUTHEAST ASIA, CHINA AND INDIA 2017 AND 3RD EDITION OF REVENUE STATISTICS IN ASIAN COUNTRIES

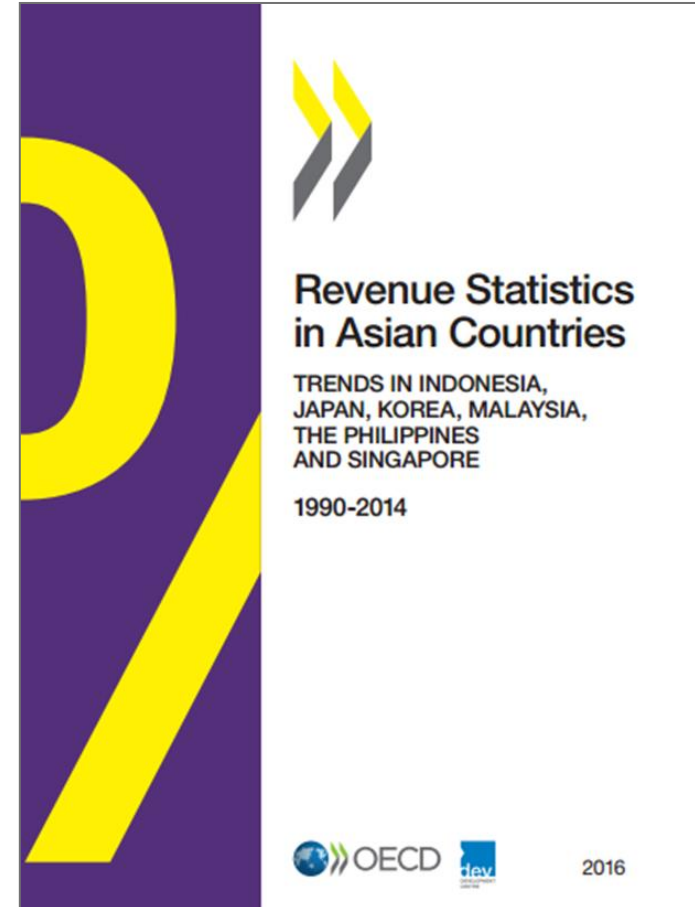
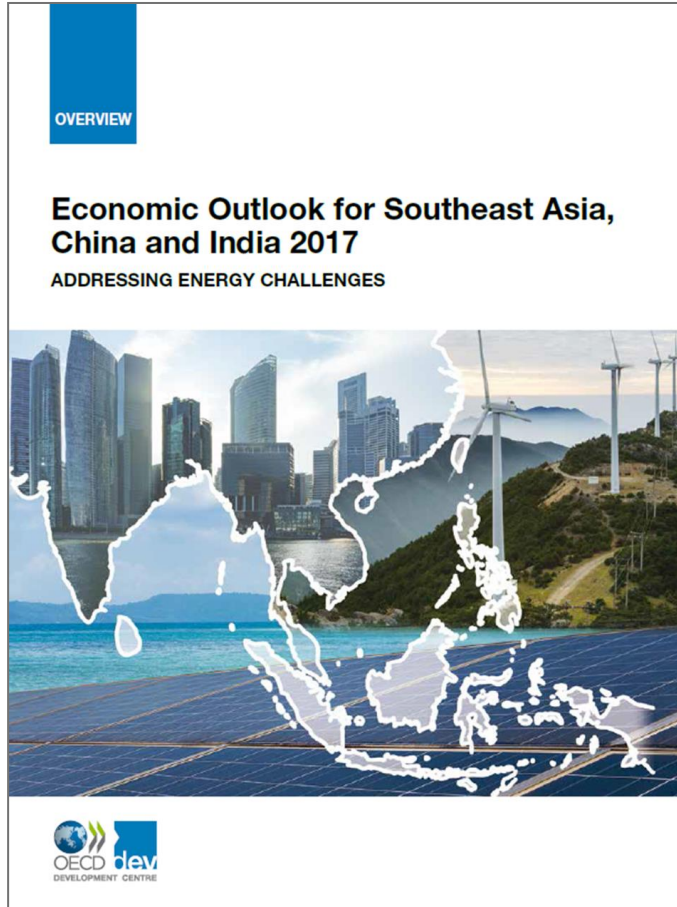
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**Global Development Trends and Challenges in
Emerging Asia: Making the most of the OECD
Development Centre**

19 December 2016, Tokyo, Japan



Recently-released publications





Background on the Outlook

- The *Outlook* was first launched in 2010. This is the **7th edition**, and was **launched in Paris on 15 December 2016**.
- The report is produced in **collaboration with regional partners**. This edition was produced with contributions from UNESCAP and ERIA.
- The *Outlook* is presented each year at the **ASEAN Business Investment Summit**.
- Each edition of the *Outlook* is discussed in a **three-phase consultation** process that includes OECD delegations and representatives of regional governments in Paris.

Outline

Outlook:

- **Economic outlook, risks and policy challenges**
- **Structural policy challenges, including infrastructure**
- **Regional integration challenges**
- **Energy challenges, in particular the development of renewable energy**

Revenue Statistics:

- **Key findings**



Medium-term growth will remain solid on the back of robust domestic demand

Real GDP growth of Emerging Asia

Annual percentage change

Country	2015	2016	2017	2017-21
ASEAN-5 countries				
Indonesia	4.8	5.0	5.1	5.4
Malaysia	5.0	4.2	4.5	4.7
Philippines	5.9	6.8	6.2	6.1
Thailand	2.8	3.2	3.3	3.6
Viet Nam	6.7	6.0	6.2	6.2
Brunei Darussalam and Singapore				
Brunei Darussalam	-0.6	0.7	2.0	1.8
Singapore	2.0	1.8	2.0	1.8
CLM				
Cambodia	7.0	7.1	7.1	7.3
Lao PDR	7.4	7.1	7.3	7.5
Myanmar	8.7	8.3	8.4	8.5
Two large economies in the region				
China	6.9	6.7	6.4	6.0
India	7.6	7.4	7.6	7.3
Average of ASEAN 10 countries	4.7	4.8	4.9	5.1
Average of Emerging Asia	6.6	6.5	6.4	6.2



Risks

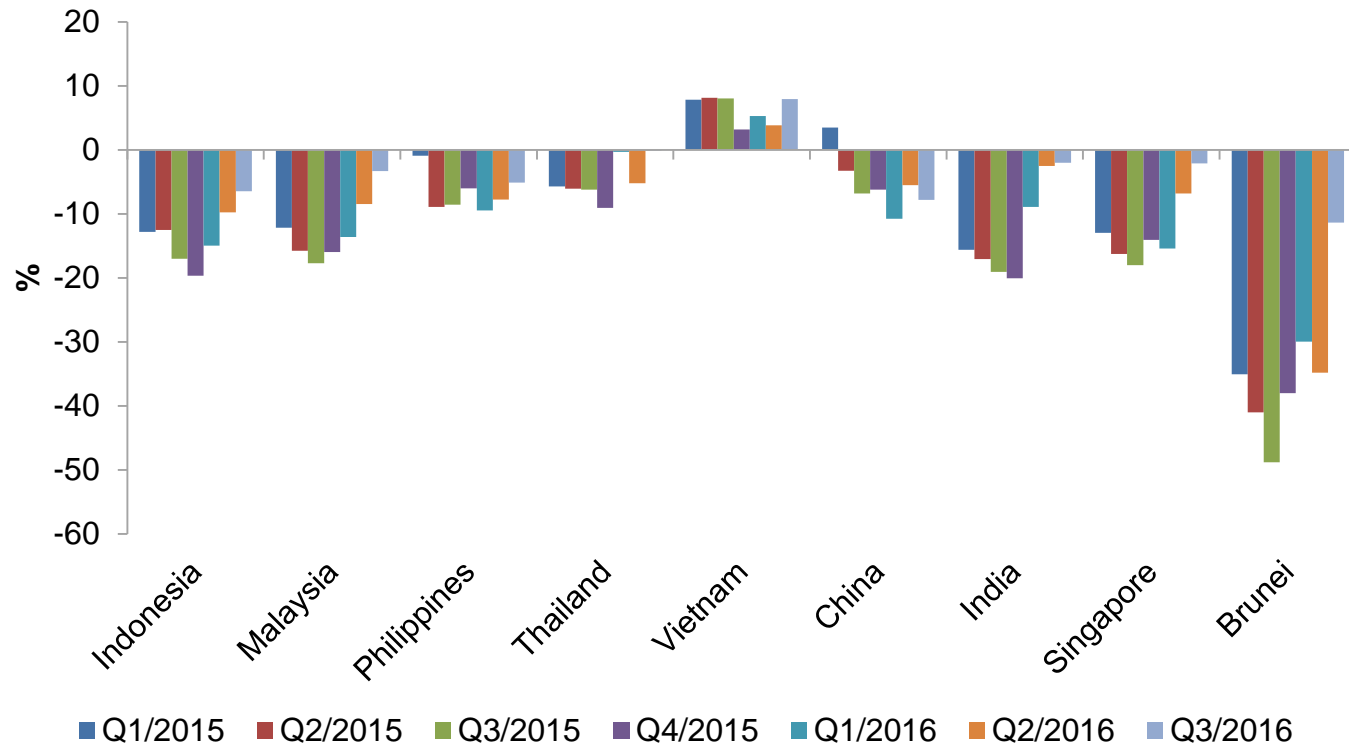
- **Coping with slow export growth**
- **Managing the impact on the region of zero and negative interest rates in OECD economies**
- **Addressing slowing productivity growth**



Further prolongation of export contraction is a downside risk

Export growth in Emerging Asia

Year-on-year percentage change

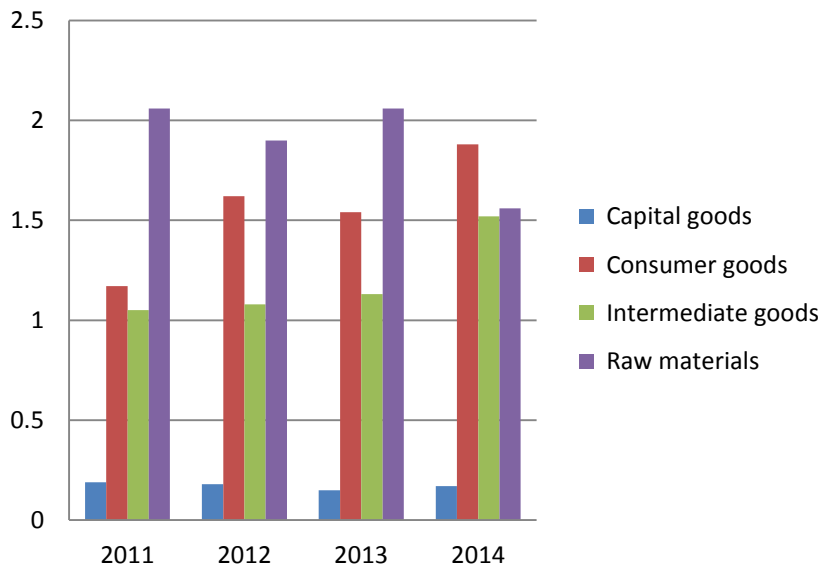




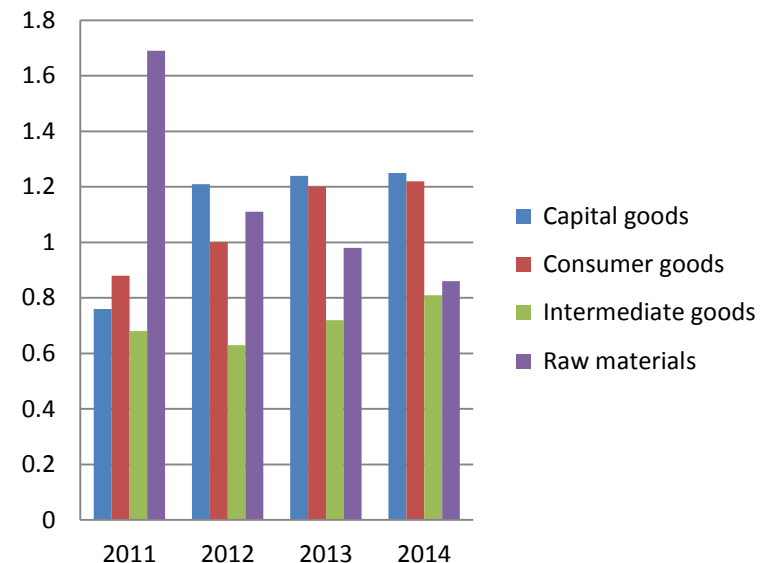
Trade strategies and production should be re-examined

Revealed comparative advantage for Indonesia and Viet Nam

RCA for Indonesia's exports to China



RCA for Viet Nam's Exports to China



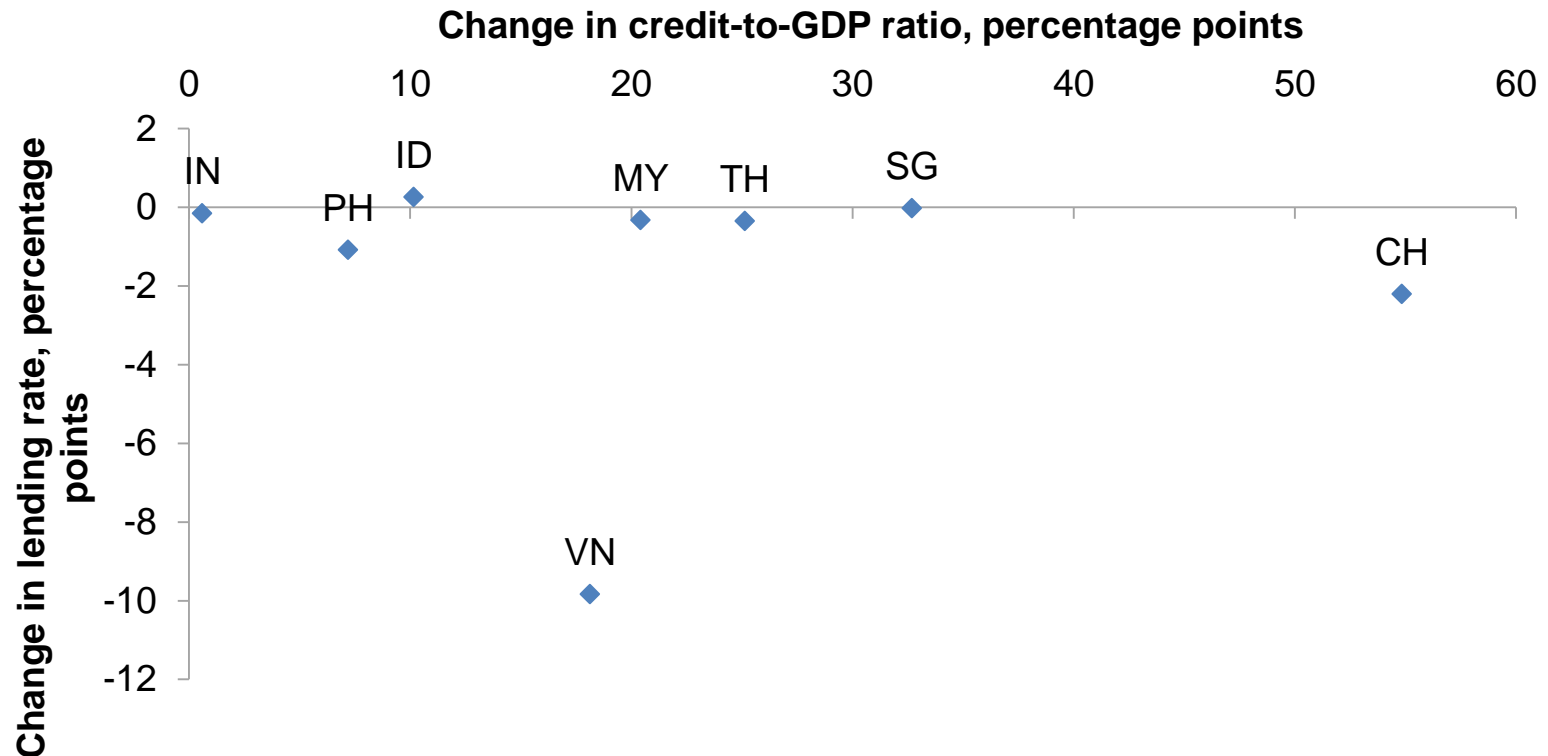
Note: A value of the RCA index above one, is interpreted as a revealed comparative advantage for the good.

Source: OECD Development Centre's calculations based on World Bank WITS database



Persistent low interest rates in advanced economies can also disrupt market stability

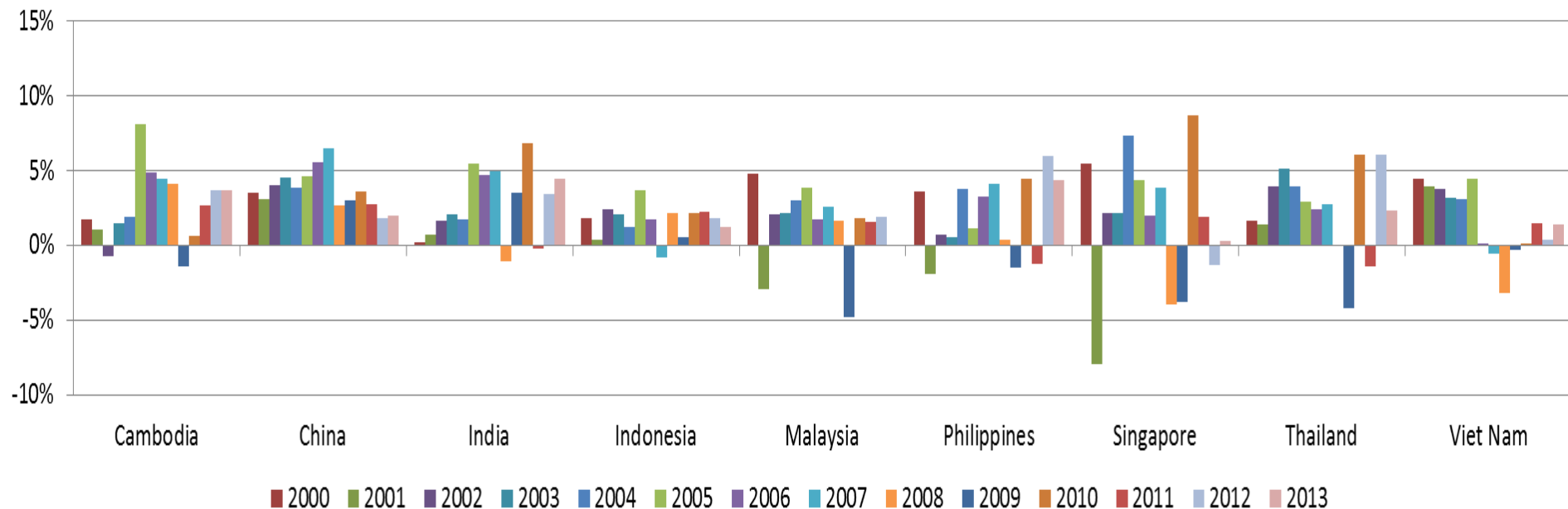
Credit-to-GDP ratio and Lending rate
Change 2011 vs 2015





Productivity decline requires more targeted measures to improve human capital

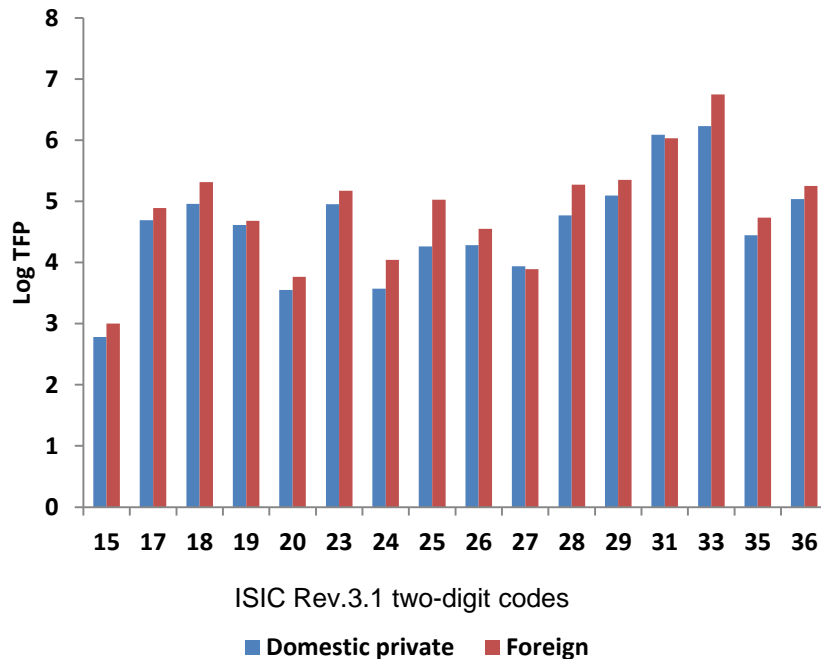
Annual growth in total factor productivity in Emerging Asia, 2000-13
Percent



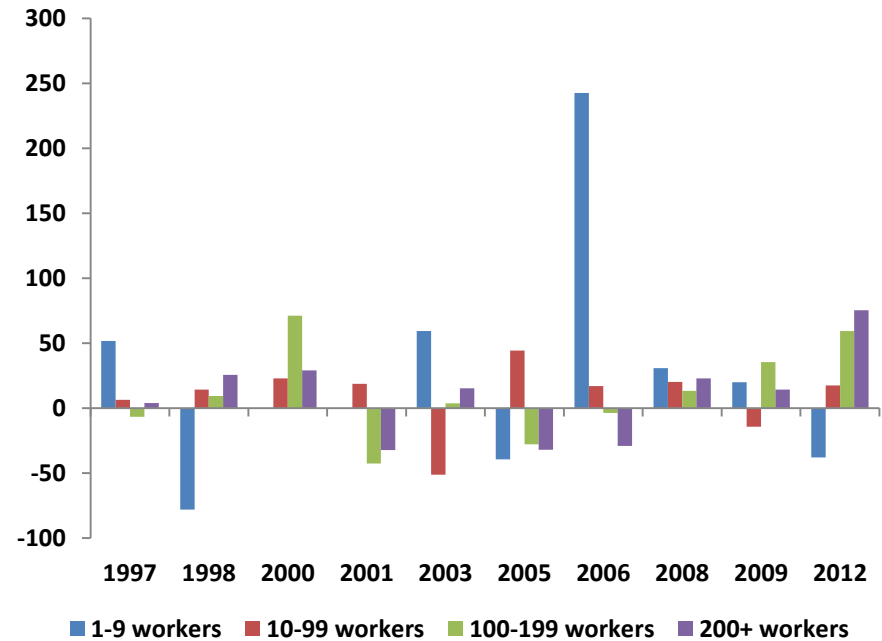


TFP differs by ownership types and firm sizes

Median TFP in Indonesia, by ownership, 2013



Average annual growth in TFP by firm size in the Philippines, 1997-2013 (%)



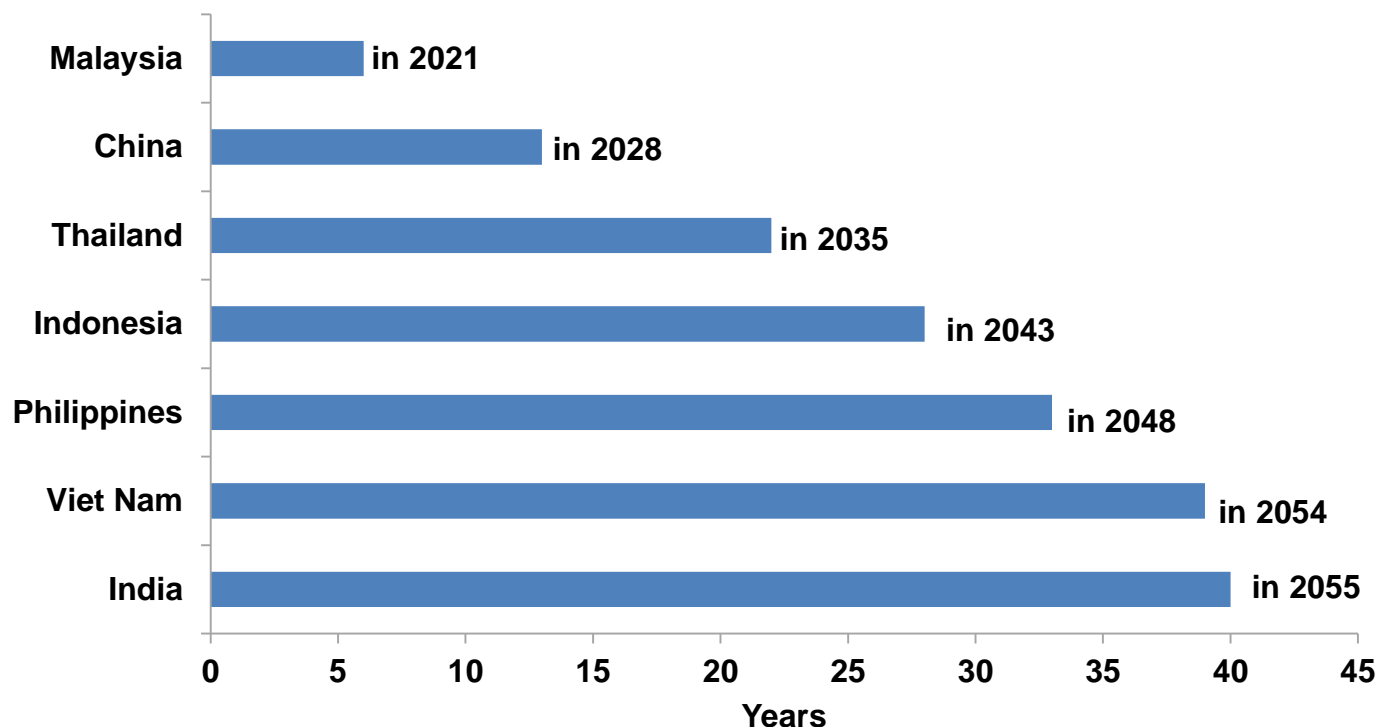
Note: Manufacturing sectors represented by their ISIC Rev.3.1 two-digit codes, with the following definitions: 15: Manufacture of food products and beverages; 16: Manufacture of tobacco products; 17: Manufacture of textiles; 18: Manufacture of wearing apparel; dressing and dyeing of fur; 19: Tanning and dressing of leather; manufacture of luggage, handbags, saddlery, harness and footwear; 20: Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials; 21: Manufacture of paper and paper products; 22: Publishing, printing and reproduction of recorded media; 23: Manufacture of coke, refined petroleum products and nuclear fuel; 24: Manufacture of chemicals and chemical products; 25: Manufacture of rubber and plastics products; 26: Manufacture of other non-metallic mineral products; 27: Manufacture of basic metals; 28: Manufacture of fabricated metal products, except machinery and equipment; 29: Manufacture of machinery and equipment n.e.c.; 30: Manufacture of office, accounting and computing machinery; 31: Manufacture of electrical machinery and apparatus n.e.c.; 32: Manufacture of radio, television and communication equipment and apparatus; 33: Manufacture of medical, precision and optical instruments, watches and clocks; 34: Manufacture of motor vehicles, trailers and semi-trailers; 35: Manufacture of other transport equipment; 36: Manufacture of furniture; manufacturing n.e.c.; and 37: Recycling.

Source: OECD Development Centre's calculations using the BPS (2002-13), Survei Tahunan Perusahaan Industri Manufaktur, Badan Pusat Statistik, Jakarta and the Philippines Statistics Authority (1996-2012). Annual Survey of Philippines Business and Industry (ASPBI). Philippine Statistics Authority. Quezon City.



Approx. 20-40 years will be needed for Emerging Asia's middle-income countries to reach high-income status

Best-case scenario simulation of estimated time required for middle-income countries in Emerging Asia to become high-income countries





Medium-term policy challenges and responses in Emerging Asia

Country	Focus
ASEAN-5	
Indonesia	Strengthen investment in tourism
	Improve connectivity and infrastructure development
	Reduce urban-rural gaps in energy access
Malaysia	Keep housing affordable and ensure the supply of affordable housing
	Enhance the social safety net to ensure the wellbeing and participation of citizens
Philippines	Invest in infrastructure improvements
	Foster growth in the services sector to create new jobs
	Eliminate hurdles to attract more FDI
Thailand	Develop the digital economy as a new engine of growth
	Develop human capital through education to make the most of the country's economic potential
Viet Nam	Train a skilled workforce to supply high-tech manufacturing
	Build hard and soft infrastructure to support participation in the fourth industrial revolution
Brunei Darussalam and Singapore	
Brunei Darussalam	Promote economic diversification by inviting foreign investment and supporting the private sector
	Improve legislation on business competition
Singapore	Support the older population in the labour market and strengthen their social safety net
	Pursue efficient urban planning and optimise land use



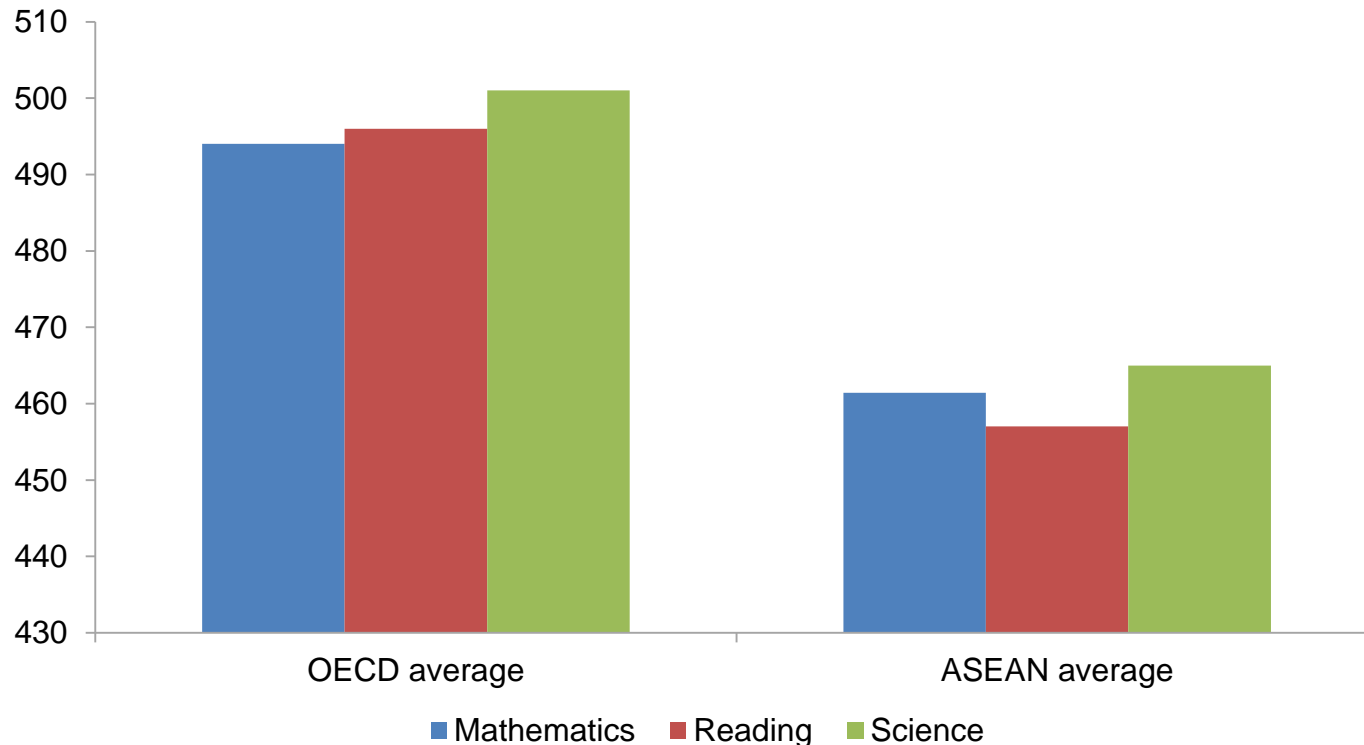
Medium-term policy challenges and responses in Emerging Asia (continued)

Country	Focus
CLM	
Cambodia	Advance the agricultural sector
Lao PDR	Promote small hydropower projects
	Strengthen skills to make the most of Special Economic Zones (SEZs)
	Boost tourism by fully exploring opportunities in the ASEAN Economic Community (AEC)
Myanmar	Promote capital-markets to bolster the private sector
	Support investment in infrastructure
	Reform higher education to deliver better quality
China and India	
China	Work off excess capacity
	Upgrade environmental quality
India	Foster foreign direct investment (FDI) and promote Make in India
	Strengthen Startup India initiatives



Increased attention should be paid to the quality of education

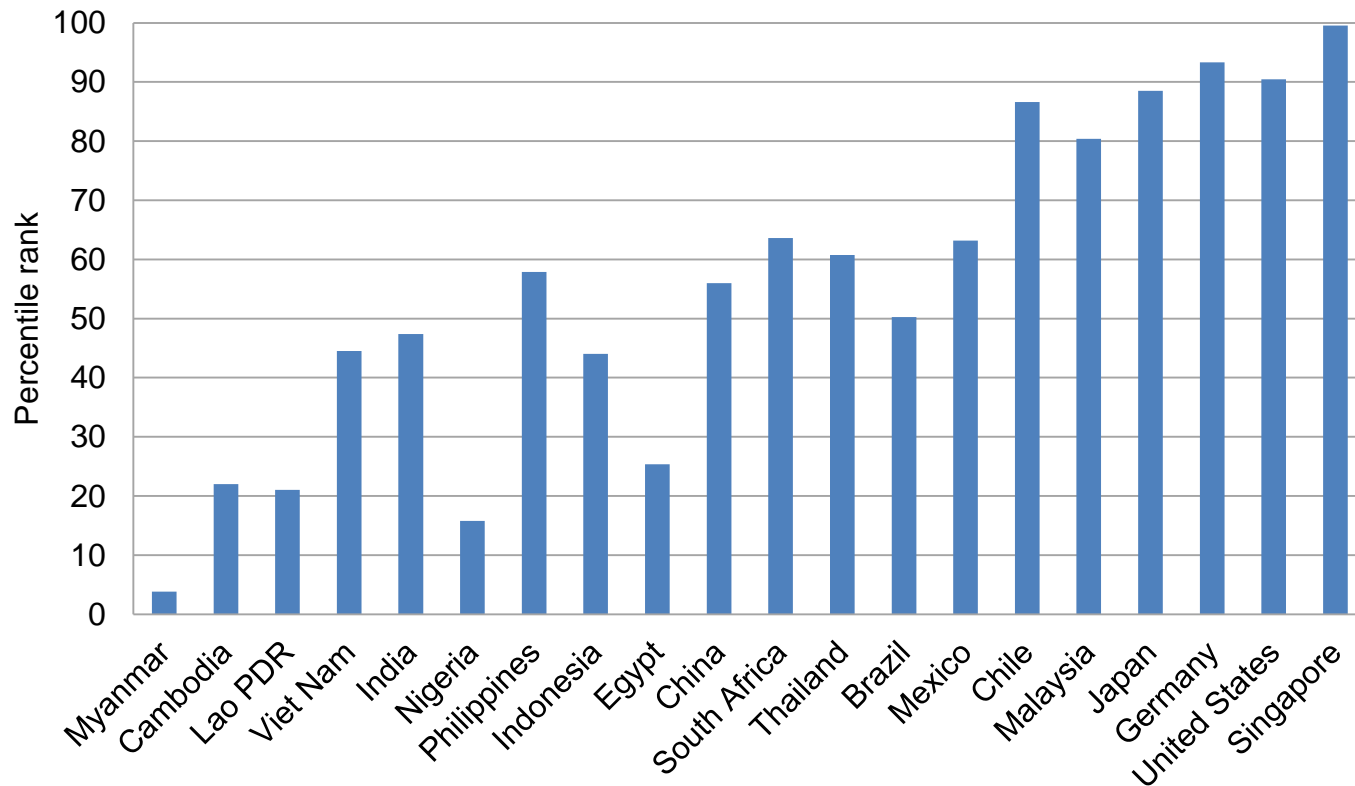
OECD Product Market Regulation Indicators in BRICS, Japan and Korea in 2008 (index scale of 0-6 from least to most restrictive)





The quality of governance is an important factor in the capacity to implement reform

OECD Product Market Regulation Indicators in BRICS, Japan and Korea in 2008 (index scale of 0-6 from least to most restrictive)

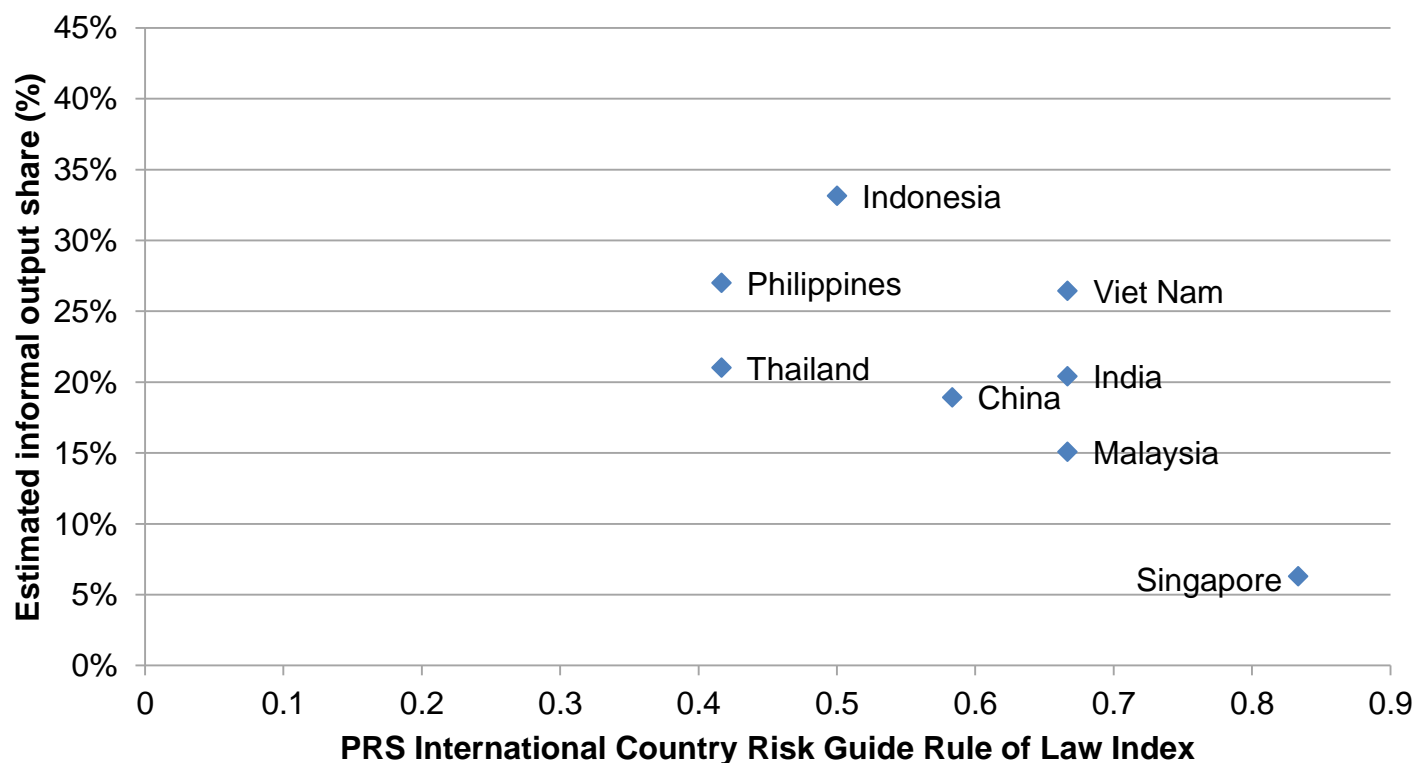




Appropriate strategies are needed to address high levels of informality

Weaker rule of law is associated with higher informality

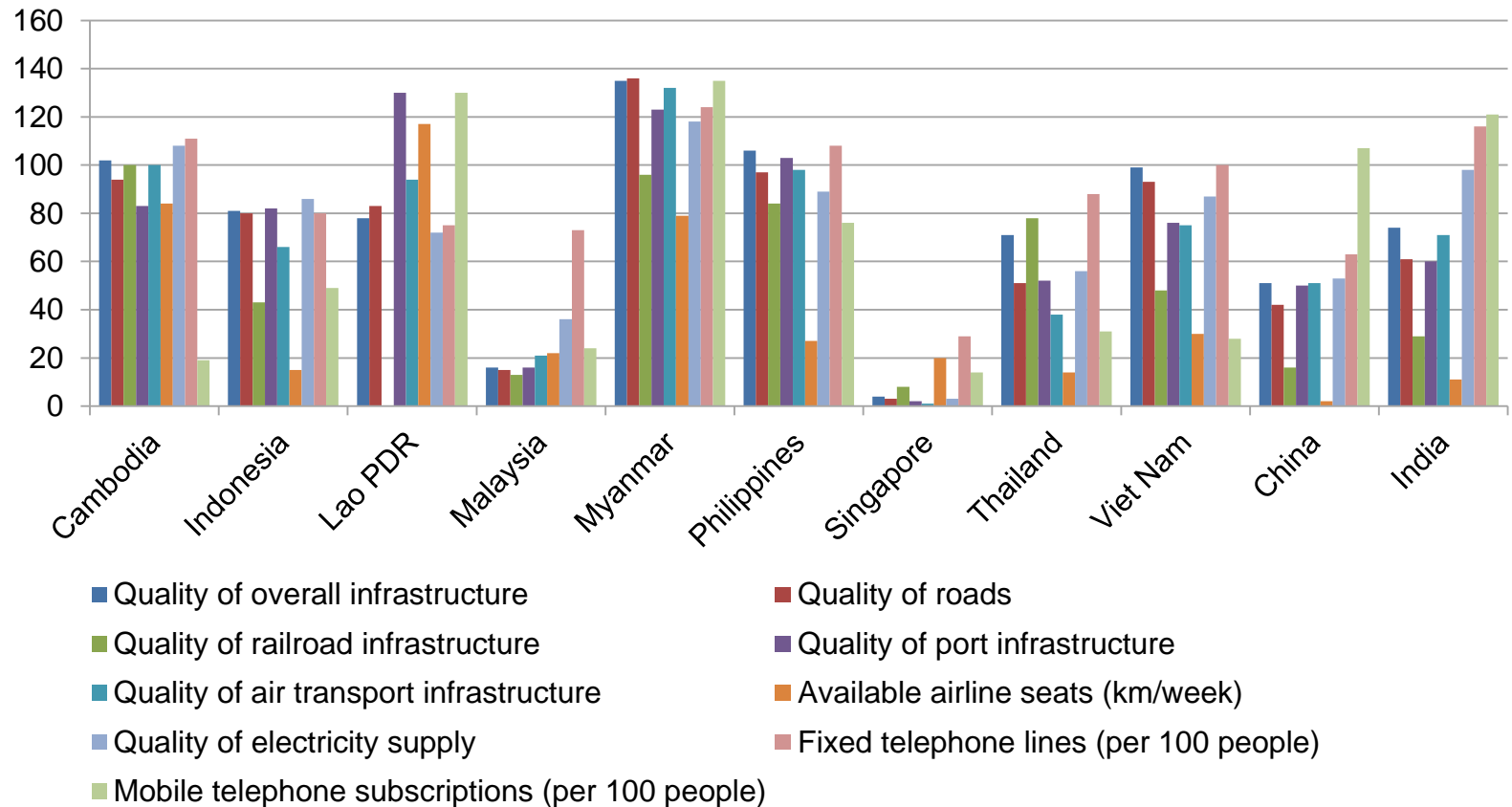
Rule of law and estimated informal share of total output in selected countries, 2011





Infrastructure quality is relatively low in much of the region

Emerging Asia infrastructure quality rankings, 2015





Progress in Emerging Asia's integration in key policy areas

Policy area	Assessment of the progress in integration
Trade in goods	The elimination of tariff rates for most of the tradeable products has been undergone. The issue of Non-Tariff Measures (NTMs) however needs to be addressed by each country as part of its national policy.
Trade in services	The mutual recognition arrangements (MRAs) were implemented successfully in recent years. Nevertheless, owing to the existence of skill gaps in ASEAN, the issue of the applicability of MRAs needs to be addressed.
Investment and capital market liberalisation	Efforts have been made in integrating the capital market. Nevertheless, ASEAN countries need to harmonise their laws and regulations, in particular investment protection.
Competition and consumer protection	Many ASEAN countries face difficulties in enforcing the details of their competition and consumer protection policies, especially with the slow speed of adopting these policies.
Intellectual property	The new Blueprint highlighted similar sectors to work on to strengthen co-operation and integration among member countries. Progress made is somewhat slow as different countries have different levels of development and intellectual property (IP) awareness.
Infrastructure and connectivity	The past decade has seen progress on regional infrastructure projects such as the ASEAN Highway Network, power and gas connectivity and the ASEAN Broadband Corridor. Nevertheless implementation of rail links remains a challenge in the region.
Small and medium-sized enterprises	Key deliverables from the Strategic Action Plan 2010-2015 include the ASEAN SME Policy Index, the ASEAN Guidelines on One Village One Product and the ASEAN SME Online Academy.
Food, agriculture and forestry	Progress has been made in information sharing, food safety testing and inspection. Due to the high risk of exposure to foodborne disease and the complexity of regional food industry in the region, ensuring food safety in Southeast Asia remains a difficult task.
Tourism	Integration in the tourism sector has received wide attention from policy makers in the region after the inception of AEC in 2015. The development of ecotourism will enhance connectivity of ecotourism sites among ASEAN countries and improve economic conditions of poor communities.
Human and social development	Human and social development concerns are addressed in the ASEAN Socio-Cultural Community Blueprint and recent ASEAN sectoral plans. Other forms of co-operations included a strong focus on issues of human and social development, particularly in education and health.
Energy	Though the progress in developing the ASEAN Power Grid (APG) and Trans-ASEAN Gas Pipeline (TAGP) continues gradually, it has been slow owing to technical and financial challenges.
Initiative for ASEAN Integration (IAI)	The Initiative for ASEAN Integration Work Plan II ended in 2015 and was replaced by Work Plan III, covering 2016-20. The new plan provides greater detail on intended support for improving the implementation of IAI actions.



Significant progress made in regional integration but at a relatively slower pace

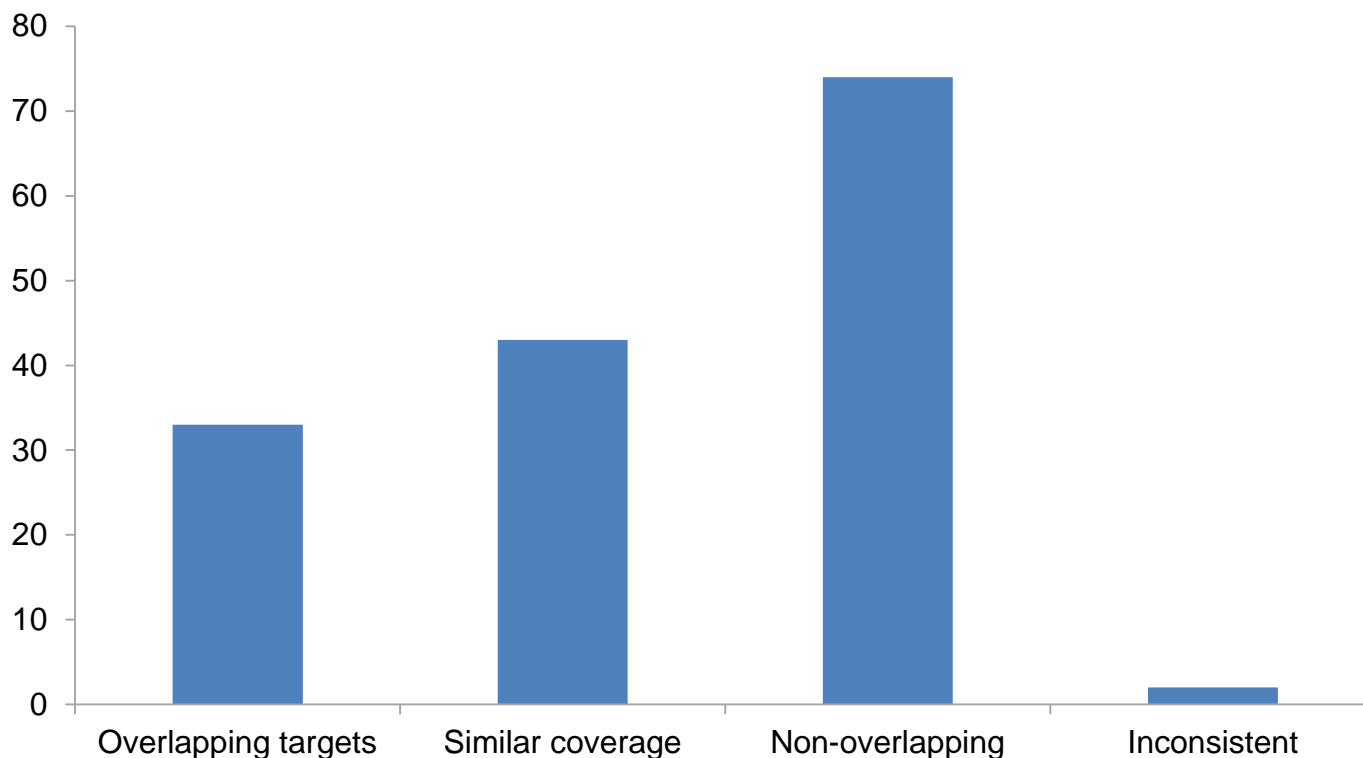
- Many efforts were made in the region to support the AEC Vision of free flow of goods, services, investments, capital and skilled labour
- Recently the ASEAN leaders adopted two initiatives that form the backbone of the Vision:
 - the *Initiative for ASEAN Integration (IAI) Work Plan III* highlights the importance of narrowing development gaps and;
 - the *Master Plan on ASEAN Connectivity 2025* that stresses the need to improve connectivity in the region



Improved alignment of regional and national goals could facilitate integration

Alignment of national and regional targets in ASEAN, based on AEC Blueprint 2015

Number of policy areas



Notes: The coverage and targets of recent national plans of eight ASEAN members (excluding Singapore and Brunei Darussalam, which do not produce comparable development plans) are compared with the targets of the AEC Blueprint, grouped into 19 policy areas as in the AEC Scorecard. National targets were compared against each category and defined as either having Strongly aligned (i.e. sharing at least part of an explicit target in the Blueprint), Weakly aligned (i.e. addressing a policy area identified in the Blueprint in a way consistent with the latter's targets) or potentially Inconsistent (i.e. explicitly or potentially contradictory to one or more targets in the Blueprint). Cases where national plans were silent on a policy area identified in the Blueprint were defined as Non-aligned and left blank. The mention of the AEC as a target overall was added as a 20th category of evaluation.

Source: OECD Development Centre.



A variety of supports are offered to foster renewable energy development

Renewable energy policy supports in Emerging Asia

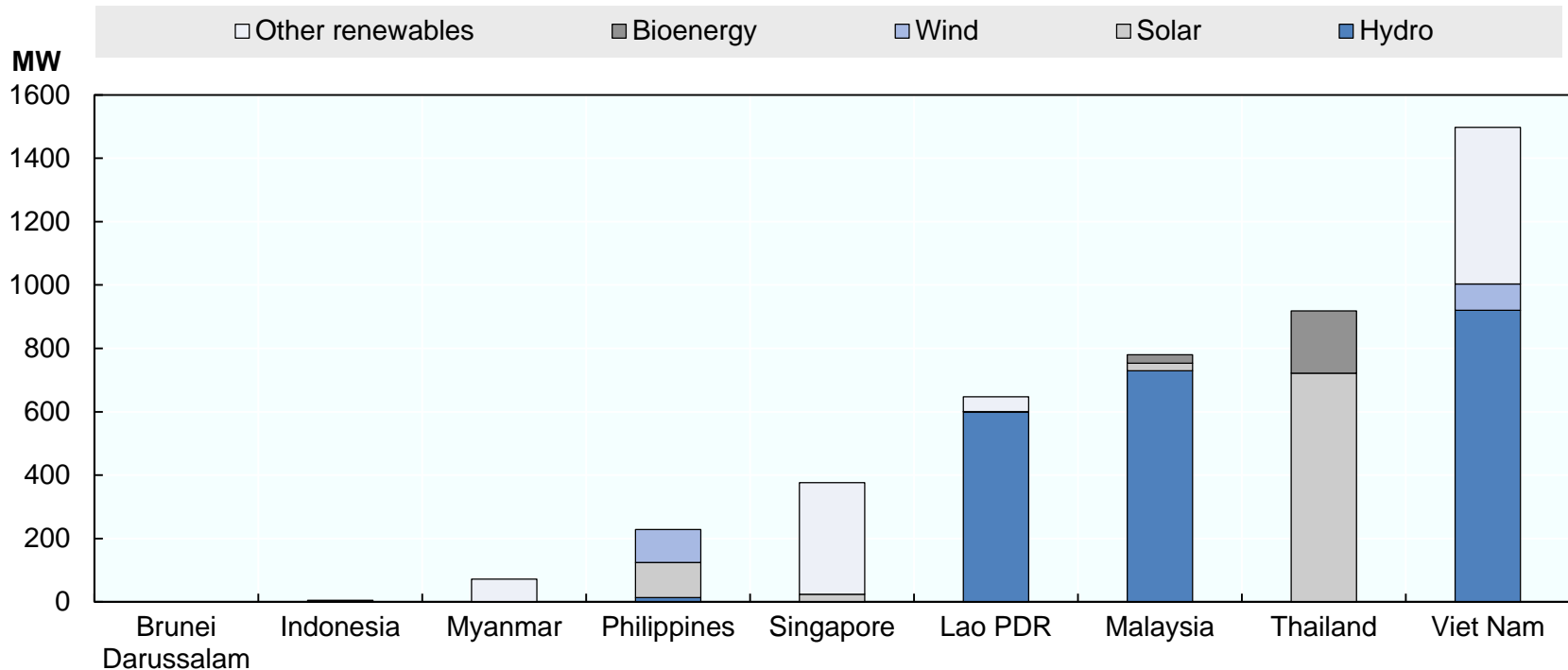
Country	Economic support policies and fiscal incentives								Regulatory support	
	Feed-in tariff	Capital subsidy, grant or rebate	Public investment, loans or grants	Tax relief	Net metering	Auction schemes	Carbon pricing	Renewable Portfolio Standard	RE Act/Law (REA)/(REL)	RE Action Plan /Roadmap
ASEAN										
Brunei Darussalam										
Cambodia										
Indonesia	✓	✓	✓	✓		✓			2014 Geothermal	Roadmap NRE 2015-2025
Lao PDR				✓						
Malaysia	✓	✓	✓	✓		✓			2011 REA	2010 FIT RE Action Plan
Myanmar				✓						
Philippines	✓	✓	✓	✓	✓			✓	2008 REA	NREP 2011-2030
Singapore		✓		✓						
Thailand	✓	✓	✓	✓	✓					AEDP 2015-2036
Viet Nam	✓	✓		✓						REDS 2015-2030
China and India										
China	✓	✓	✓	✓		✓	✓		2005 REL	13 th FYP 2016-2020
India	✓	✓	✓	✓	✓	✓	✓			

Source: OECD Development Centre's compilation based on ASEAN Centre for Energy, (2016) and REN21 (2016), Renewables 2016 Global Status Report.



Most new renewable energy capacity in ASEAN is from hydropower

New installed capacity of renewable energy by energy source in ASEAN in 2015



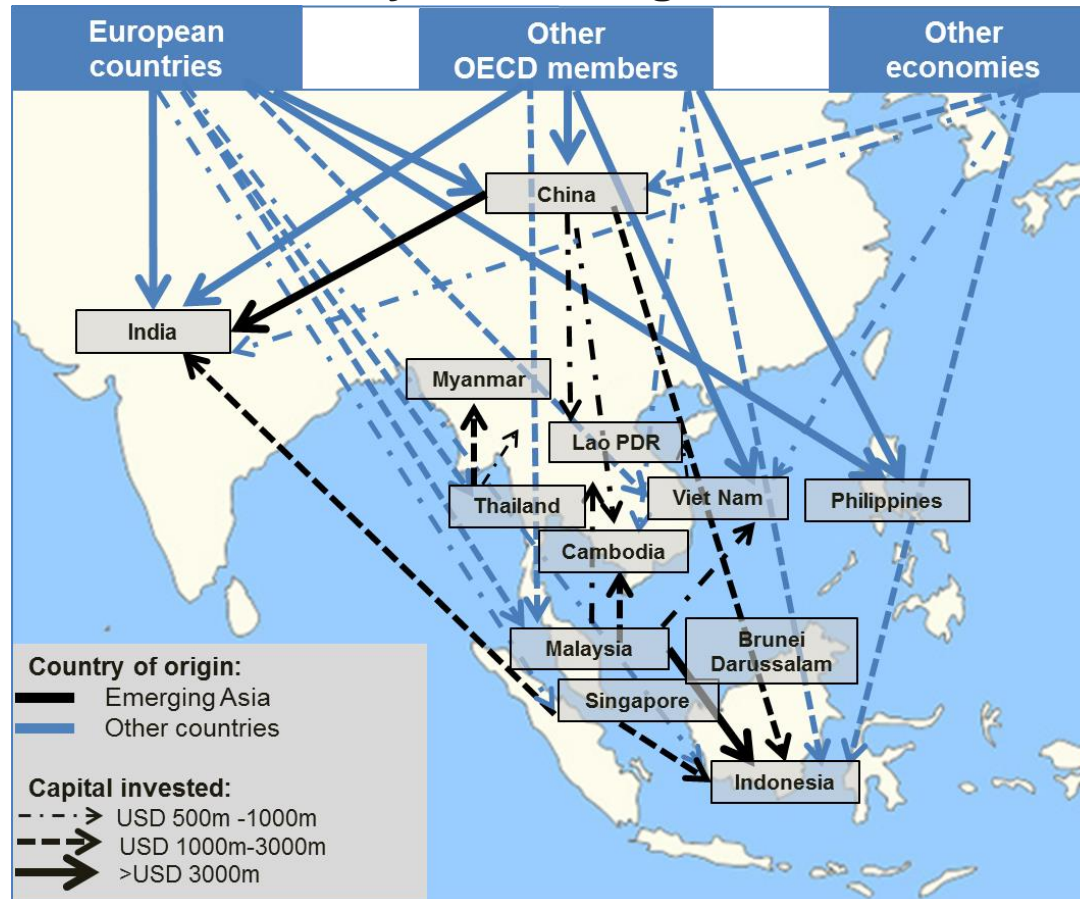
Note: *"Other renewables" includes waste, solid, other biofuels, biogas, geothermal.

Sources: OECD Development Centre's calculations based on IRENA (2016), Renewable Capacity Statistics 2016; Federal Ministry for Economic Affairs and Energy (2016), and Thailand Solar PV Policy Update 05/2016.



Most greenfield FDI in renewable energy flows to India, China and Indonesia

Greenfield FDI inflows in Emerging Asia's renewable energy sector,
January 2003 – August 2016



Note: European countries: OECD Members which are members of the European Union, Norway and Switzerland. Other OECD Members: Australia, Canada, Israel, Japan, Mexico, New Zealand, Korea, Turkey, the United States. Other economies: Argentina; Chinese Taipei; Hong Kong, China; Russian Federation; and Saudi Arabia.

Source: OECD Development Centre's calculations based on the dataset of the FDI Markets (2016), <https://www.fdimarkets.com>.



Outlook 2017 - Key messages

- **Robust growth** in Emerging Asia is expected to continue, though key risks – slowing export growth, low interest rates in the advanced economies and sluggish productivity growth – need to be addressed.
- **Structural reforms** need to be strengthened further.
- **Regional integration** is continuing at a slow pace. Additional work could be done in implementing regional plans and addressing development gaps within ASEAN.
- Emerging Asia holds significant potential to develop **renewable energy**, but reforms are needed to foster the needed investment in the sector.

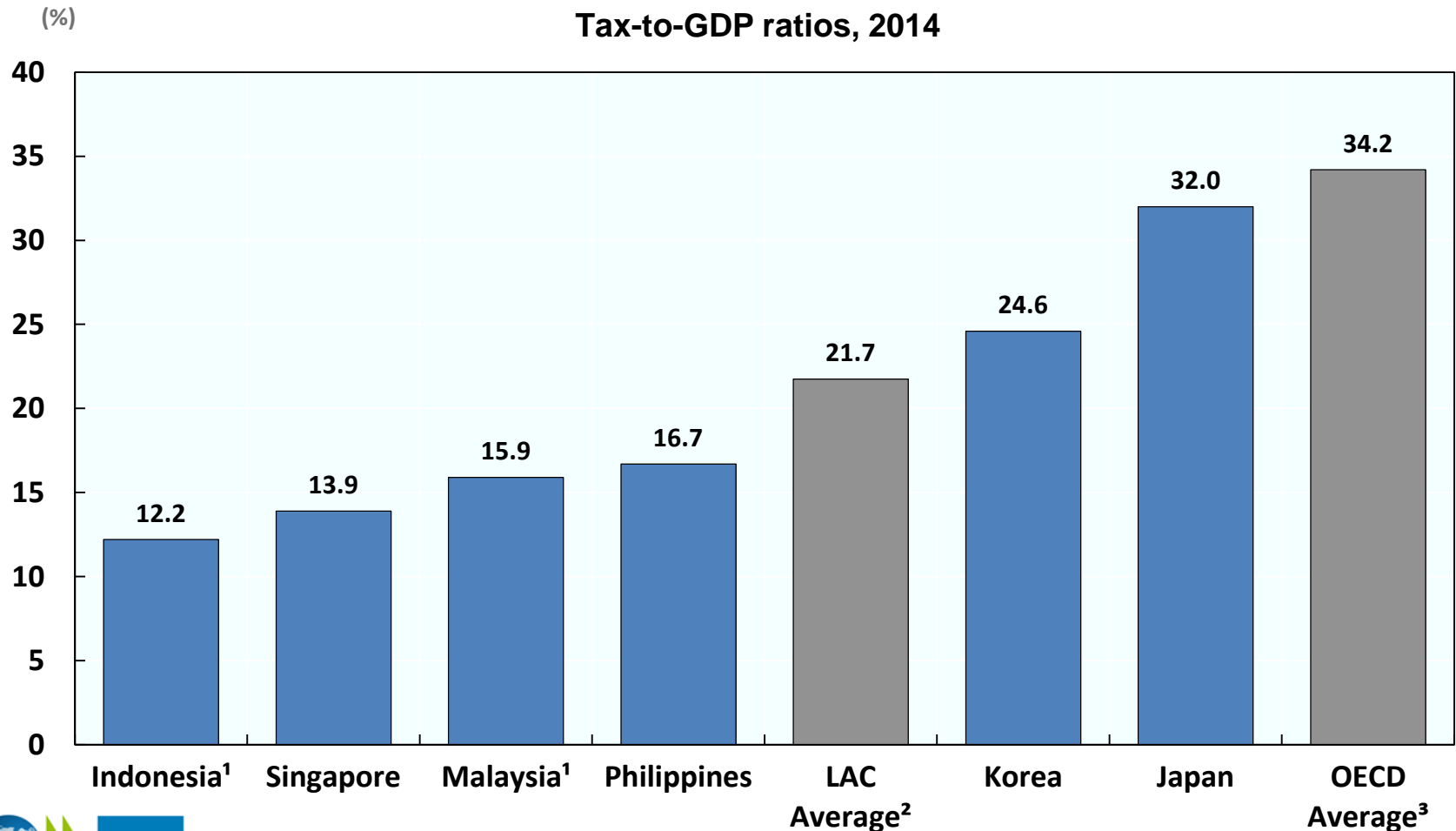


Background: Revenue Statistics in Asian Countries 2016

- **Revenue Statistics in Asian Countries 2016** covers 6 countries: Indonesia, Japan, Korea, Malaysia, the Philippines and Singapore
- Annual publication jointly published by the OECD Centre for Tax Policy and Administration and the OECD Development Centre with the co-operation of the Asian Development Bank



There is room for further resource mobilization in Southeast Asia



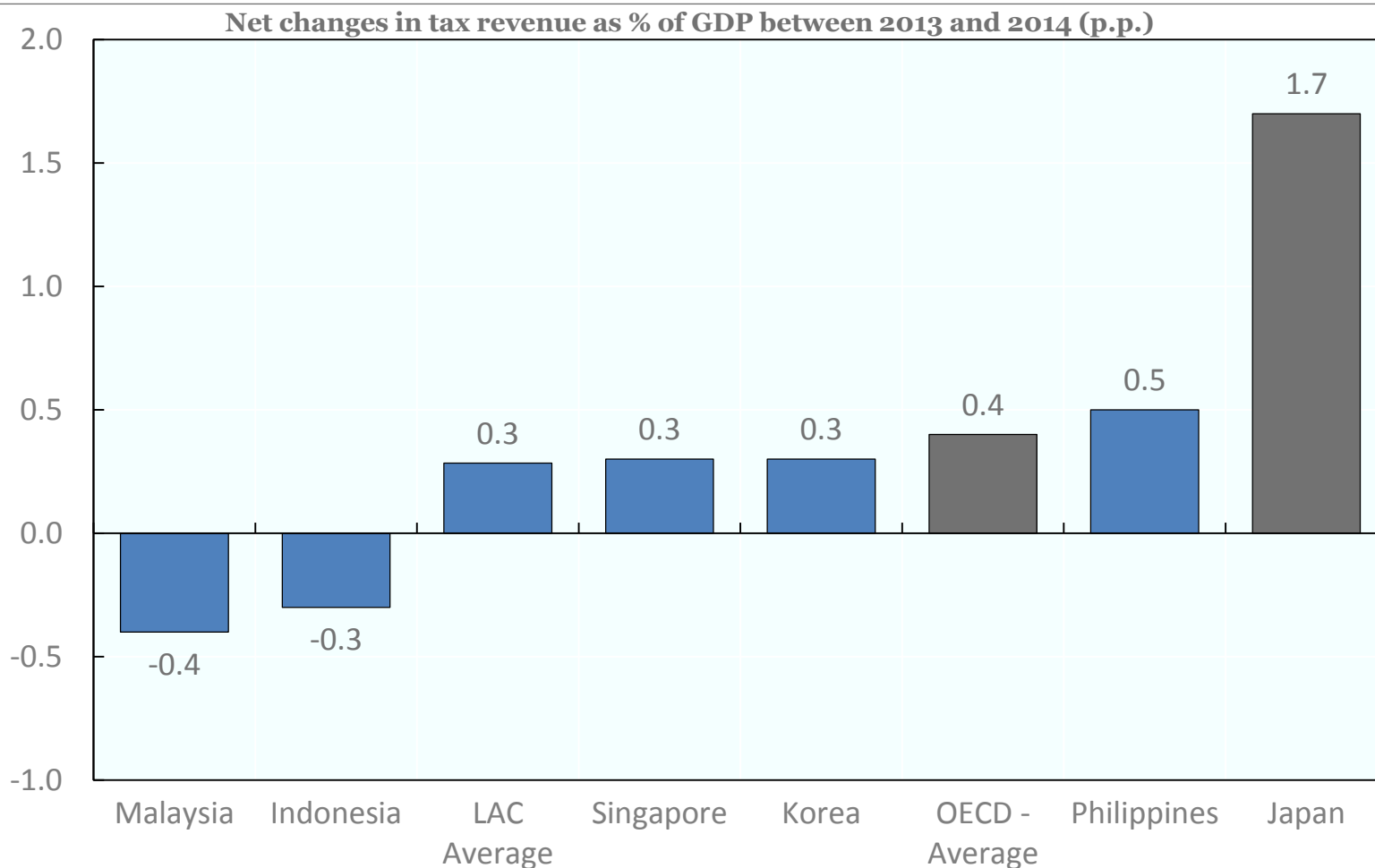
¹ The figures exclude state government revenues for Malaysia and social security contributions for Indonesia.

² Represents the unweighted average for 22 LAC (Latin American and Caribbean) countries.

³ Represents the unweighted average for OECD member countries. Japan and Korea are also part of the OECD (35) group.



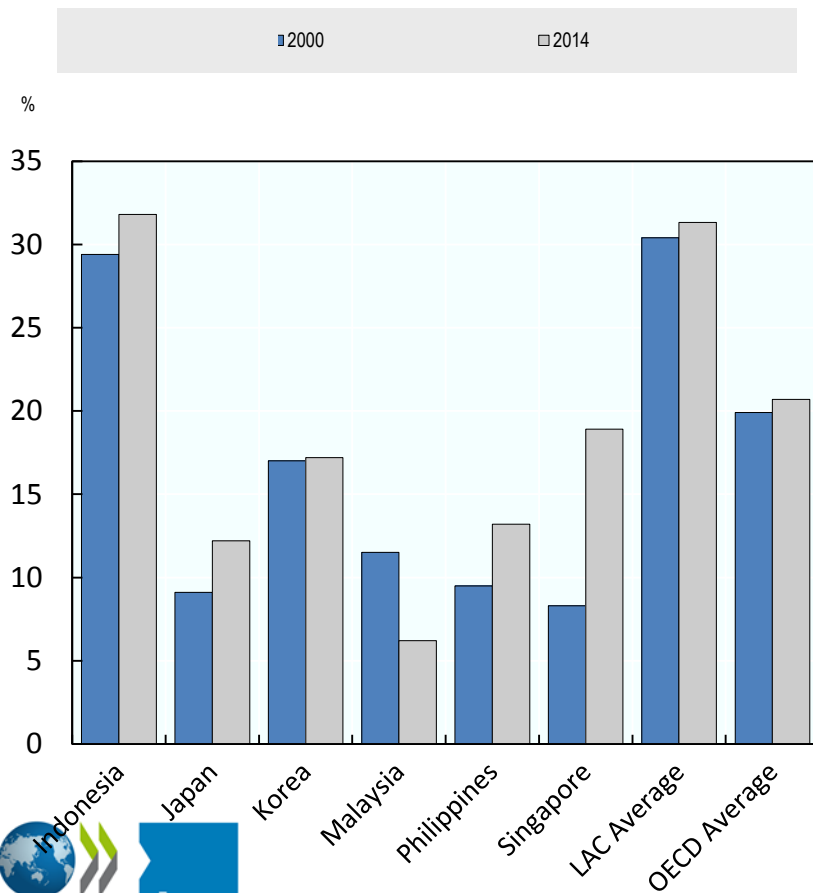
The Philippines and Singapore experienced increases in their tax-to-GDP ratio, whereas Indonesia and Malaysia experienced decreases



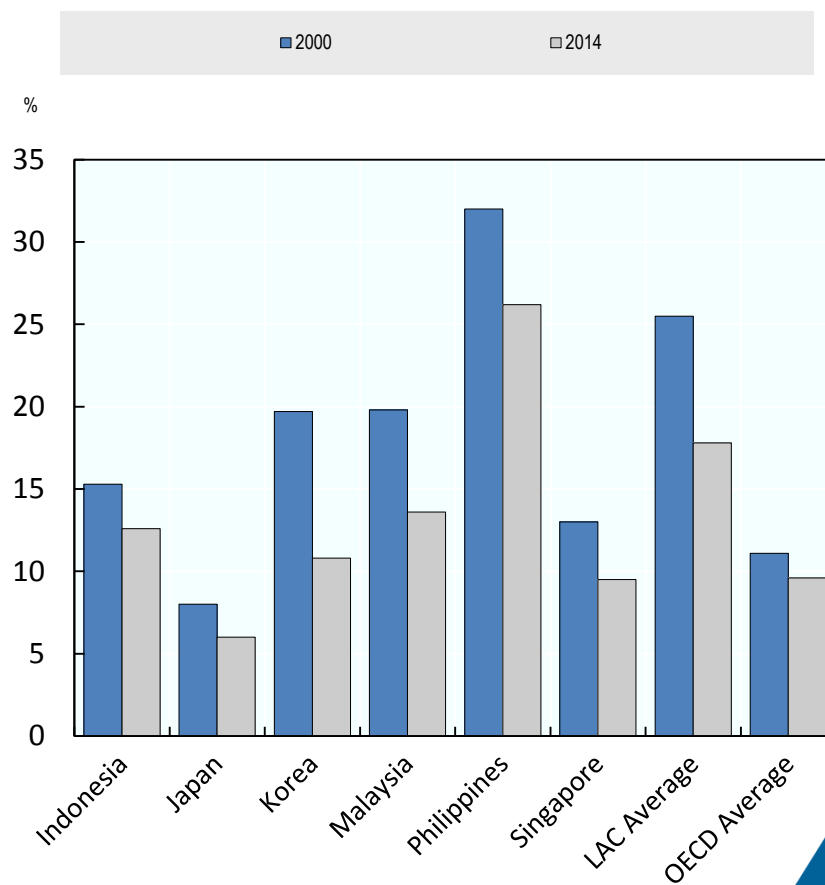


All countries have shifted focus from specific to general consumption taxes

Revenue from taxes on general consumption
(e.g. VAT) as a % of total tax revenue,
2000 and 2014



Revenue from taxes on specific consumption
(e.g. excises and customs duties) as a % of total
tax revenue, 2000 and 2014





Corporate income taxes are a significant source of tax revenue

Corporate income tax as % total tax revenue, 2000 and 2014

