



**ASEAN**  
BUSINESS ADVISORY COUNCIL



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# Connecting Regions: Partnerships for Resilient and Sustainable Supply Chains

*10 Business Recommendations to  
the OECD Southeast Asia Ministerial Forum*

**Ha Noi, Viet Nam  
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## Preamble

The OECD Southeast Asia Ministerial Forum 2022 is taking place under critical geopolitical circumstances. While the global economy was recovering from the devastating effects of the Covid-19 pandemic, Russia's invasion of Ukraine has led to a major humanitarian crisis, triggered significant economic consequences, and compounded long-term challenges that OECD and Southeast Asian countries already faced before the crisis. As multiple crises continue to add business uncertainty also elsewhere, the mission of the OECD as a pathfinder and promoter of policies that stand for democracy, free and open markets, rule of law and the international rules-based order is more important than ever.

Businesses across the globe are confronted with mounting inflation, continuing supply chain disruptions, and surging food, energy, and commodity prices. These call for timely and co-ordinated action to counteract the significant additional burden on companies, which affects competitiveness and threatens business continuity. There must be a new sense of urgency to strengthen our economies, calling for effective co-operation and partnerships among national governments across regions and international organisations.

At the same time, we must not lose sight of addressing major longer-term challenges, such as environmental sustainability, high youth unemployment, gender inequality, and corruption risks. It is clear that climate change remains a top global priority, and no single country or region can solve this on its own. Therefore, we must deepen our co-operation on the 2030 Sustainable Development Agenda, recognizing that private-sector investment and close public-private co-operation are indispensable to move from commitment to action.

The business community represented by *Business at OECD* (BIAC) and ASEAN Business Advisory Council (ASEAN BAC) is most appreciative of this opportunity to contribute to the OECD Southeast Asia Ministerial Forum 2022 on "Connecting Regions: Partnerships for Resilient and Sustainable Supply Chains." We share the conviction that close international co-operation and an effective rules-based order based on international law is a necessary cornerstone for the private sector to ensure global connectivity, foster economic growth and opportunities for all, and realize a transition to a more sustainable future.

In this regard, we call on the OECD to scale up significantly its engagement in Southeast Asia. Today, the 21 economies of the Asia-Pacific region account for 56 percent of world economic output – with an increasing tendency. Considering the multi-faceted characteristic of the region, more can be done and planned to spread OECD good practices and principles, including on tax, trade and investment, economic governance, digital economy, and responsible business conduct. In this regard, we also follow the OECD Blue Dot Network (BDN) initiative, which aims to promote quality infrastructure in the region and beyond.

In line with the Forum theme, this business statement outlines actionable recommendations to the OECD Southeast Asia Ministerial to strengthen supply chain resilience and enhance collaboration for sustainable economies.

# OECD – Southeast Asia Partnerships for Strengthening Supply Chain Resilience

The economic fallout from Covid-19, geopolitical tensions, and ongoing supply chain disruptions have brought into focus the need to strengthen the resilience of supply chains. Our companies see it as a priority to better anticipate, earlier prepare, and faster adapt their operations to ensure business continuity. In our market-based economies, governments can work closely with the private sector to build more resilience but should not interfere in or control supply chains. In this context, we are highly concerned about calls for policies to re-shore global value chains, localize production and decouple our economies. More regional diversification – and not less – increases the scope for businesses to cushion shocks, particularly those that may originate domestically. Further, market opening, co-ordination, and co-operation among countries and regions are needed – especially those that share the values of open markets, fair competition, and private-sector led growth. More than ever, we need policymakers to work together on a global scale to ensure a predictable regulatory, trade, and investment policy environment to reap the benefits of trade and address the cost-of-living crisis. OECD - SEA dialogue should be integrated as part of this discussion.

## *Business recommendations to Ministers:*

### **1. Advance WTO reform to promote open markets over protectionism.**

- Business needs a reliable and trusted multilateral trading system centred on a modernized World Trade Organization (WTO) that effectively discusses, agrees, implements, and enforces trade rules. The OECD and Southeast Asian countries should work together to deepen fact-based analysis on the benefits of open multilateral trade for all and facilitate consensus-building in policy areas related to WTO reform.

### **2. Revitalize trade negotiations to build more resilient supply chains.**

- A reduction in tariff and non-tariff barriers is an effective tool to stimulate the economy, allow businesses to diversify, and bring down the costs of living – particularly for low-income households. Despite numerous and recurring international discussions with regard to decreasing tariffs, Non-Tariff Measures (NTMs), and Non-Tariff Barriers (NTBs), the number of NTMs and NTBs continues to increase, with little evidence that they have been contained. The OECD and Southeast Asian countries should work together to ensure that restrictions and bans adopted during the pandemic are rolled back and aim to negotiate and conclude trade and investment agreements bilaterally, plurilaterally, and, above all, multilaterally. Trade policy needs to reflect better the 21st century realities of businesses, advance services trade, enable digital trade, address trade and sustainability, and enable SMEs to participate and benefit. We underline that the private sector is still yearning for concrete and visible steps that significantly boost the ease of doing business by accelerating economic integration and harmonization to safeguard businesses against all disruptions.

### **3. Facilitate procedures at the border to help reduce supply disruptions.**

- Streamlining, modernizing, and harmonizing procedures at the border, including promoting the use of smart procedures – and better co-operation in international customs and trade facilitation programs – enables business to build resilient supply chains. Reducing unnecessary trade costs and increasing speed to market also reduces supply chain disruptions. The OECD and Southeast Asian countries should collaborate to identify areas for action and assess the potential benefits of trade facilitation reforms. In the context of making trade more sustainable, how trade facilitation can help advance resource efficiency and a more circular economy should also be explored.

### **4. Promote investment in critical trade infrastructure for diversification.**

- Strengthening trade infrastructure is key for business to mitigate supply chain shocks, minimize bottlenecks, secure alternative modes of transportation, and increase speed-to-market. At the same time, strategies to foster and attract investments in energy and digital infrastructure will also be critically important to support the region in the digital and green transitions, providing a basis for digital inclusion and future competitiveness and growth. On the energy front, establishing new energy partnerships is a top priority, and it is, therefore, particularly important to foster investment in networks and infrastructure for energy diversification. This will require significant private sector foreign direct investment, as government supports will not be enough to achieve these goals. To ensure that the private sector can make the necessary investments in critical infrastructure, an open, predictable, stable, and encouraging, rules-based investment environment that includes investor state dispute settlement is essential. This also includes ensuring regulatory stability and legal certainty, investment protection, the reduction of unnecessary regulatory burden, international standard-setting, robust dialogue with industry, and a level playing field among privately owned and publicly owned companies. The OECD Policy Framework for FDI as well as the recently released OECD FDI Qualities toolkit can provide useful guidance on attracting quality investment, recalling that there may be potential trade-offs between different sustainability-related policy goals and that FDI policies should always be evaluated in light of their contribution to sustainable development broadly (e.g., all 17 SDGs). The Blue Dot Initiative launched by the US, Japan, and Australia is also aiming to promote quality investment with the help of a certification framework that is currently being developed by the OECD, and we continue to follow related discussions closely.

### **5. Develop and implement policies that encompass businesses of all sizes.**

- Each policy action should be tailored according to the circumstances of each country with a full understanding of the diversity among ASEAN countries and the varying sizes of their businesses. SMEs form the backbone of many economies, including in Southeast Asia, representing 97% of all firms on average and employing 85% of the total labour force at regional levels. SMEs face many challenges compared to larger enterprises, including low participation in global value chains as well as adequate access to finance and digital and green transitions. Effective policies and an enabling environment by governments aimed at companies of all sizes can help SMEs overcome these challenges.

## Enhancing Collaboration between Government and Business for Sustainable Economies

A healthy private sector is essential to ensure sustainable growth to address our societies' environmental challenges – particularly by addressing climate change and a just transition, increasing resource efficiency and a circular economy, preventing biodiversity loss, and ensuring affordable and secure energy supply. We reiterate our commitment to addressing the global challenge of climate change and our strongest efforts to make it happen. Still, the current energy crisis is a game changer, and the private sector needs urgent policy responses to safeguard affordable access to energy in order to maintain employment, mitigate the effects on consumers, and have a viable business case to continue the necessary investments in sustainability.

### *Business recommendations to Ministers:*

#### **6. Ensure effective business dialogue to move from commitment to action.**

- A coherent, reliable, and evidence-based policy framework is a key lever to create fair and attractive market conditions that accelerate the green transition. Policy uncertainty significantly slows down investment efforts into environmentally friendly technologies, including in the most carbon-intensive sectors. Close public-private partnership is indispensable to move from commitment to action, and there is an urgent need to ensure early business engagement in policymaking. For example, the engagement of the ASEAN BAC in various sectoral consultative bodies for trade facilitation is institutionalised and highly regarded. We call for immediate expansion of private sector participation in discussions on other crucial policy issues, such as green and digital transitions, which are difficult for individual companies and individual nations to solve. Furthermore, we believe that the time has come to shift from quantity to quality of engagement. The high-level statements by ASEAN and national leaders and ministers must be put into practice properly, by designing mechanisms that bring together the public and private sectors. The OECD and Southeast Asian governments should work closely with representative business organizations and employers to draw from their experience and expertise to undertake transformational change at a scale and pace that better meets the aspirations of their sustainability ambitions, including the Paris Agreement.

#### **7. Promote affordable and secure energy access and deepen partnerships.**

- The current energy crisis provides a powerful incentive for countries to build new energy partnerships to address affordability and security concerns while decisively moving forward with the green energy transition. More than ever, OECD and Southeast Asian governments need to work together to take the necessary steps to diversify the energy supply, considering the potential of different energy options; promote the development and modernization of energy infrastructures that sustain the transition towards a carbon-neutral energy mix; and

strengthen energy efficiency to reduce the energy intensity of GDP. We call on governments to take the necessary short-term measures to reduce the burden of surging energy prices on business.

## **8. Foster the development, diffusion, and deployment of green innovation.**

- OECD and Southeast Asian governments should foster an enabling environment for the development, diffusion, and deployment of new business solutions – including by facilitating planning certainty, reducing unnecessary regulatory burden, ensuring robust intellectual property systems, and fostering open markets. Underlining the importance of technology-neutral policies, governments should identify general-purpose technologies with environmental benefits and diversify the portfolio of technologies for which support is provided. Advancing the trade agenda to allow for environmentally secure and economically efficient free trade flows provides an important opportunity for the development, deployment, and diffusion of environmentally-friendly goods and services.

## **9. Strengthen resource efficiency and a more circular economy.**

- Global materials use is projected to double up to 167 Gt by 2060. In order to meet our societies' growing demand for resources, achieve important environmental policy goals, lessen our economies' exposure to supply risks, and foster new business opportunities, we call on OECD and Southeast Asian countries to support our businesses in their efforts to achieve higher resource efficiency and a more circular economy. In this context, governments should strengthen their co-operation to ensure universal access to waste collection. To tap the upside potential of plastics recycling, governments should encourage investment into recycling operations, including through economically efficient and environmentally effective trade policies.

## **10. Ensure education, employment, and social participation for transition.**

- Governments need to ensure that all parts of society have access to education, employment, and social participation opportunities to acquire the skills needed for digital and green transitions. This requires accessible and affordable retraining options and a realistic understanding of specific transition timeframes.

## Conclusion

Business thanks the OECD and the Ministers of Southeast Asian countries for hosting the OECD Southeast Asia Ministerial Forum 2022. For Southeast Asia, ASEAN's platform for consensus-based decision-making is an excellent infrastructure for good governance based on the region's multifaceted nature. While continuing to leverage its advantages, we believe that the public and private sectors should work together to ensure that policies are implemented in a timely manner, effectively and efficiently, to improve the lives of people in the region, grow business in the region, and increase the region's global presence. We encourage the OECD to strengthen co-operation with the region and share good practices, guidance, and principles to improve the business environment in Southeast Asia more broadly. Analysis and tools from the OECD can be used to contribute to better economic governance and a level playing field for firms to compete within and across markets. We in the private sector reaffirm our commitment to working with the OECD and regional policymakers to develop policies that benefit both the public and private sectors and, most importantly, improve the lives of Southeast Asian citizens.

