

Reducing Unnecessary Regulatory Burdens (RURB) on Business in ASEAN

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Outline of the Presentation

1

Key Achievements of AEC 2015 and
Some Continuing Policy Issues and Challenges

2

Regulatory Coherence and AEC 2025

3

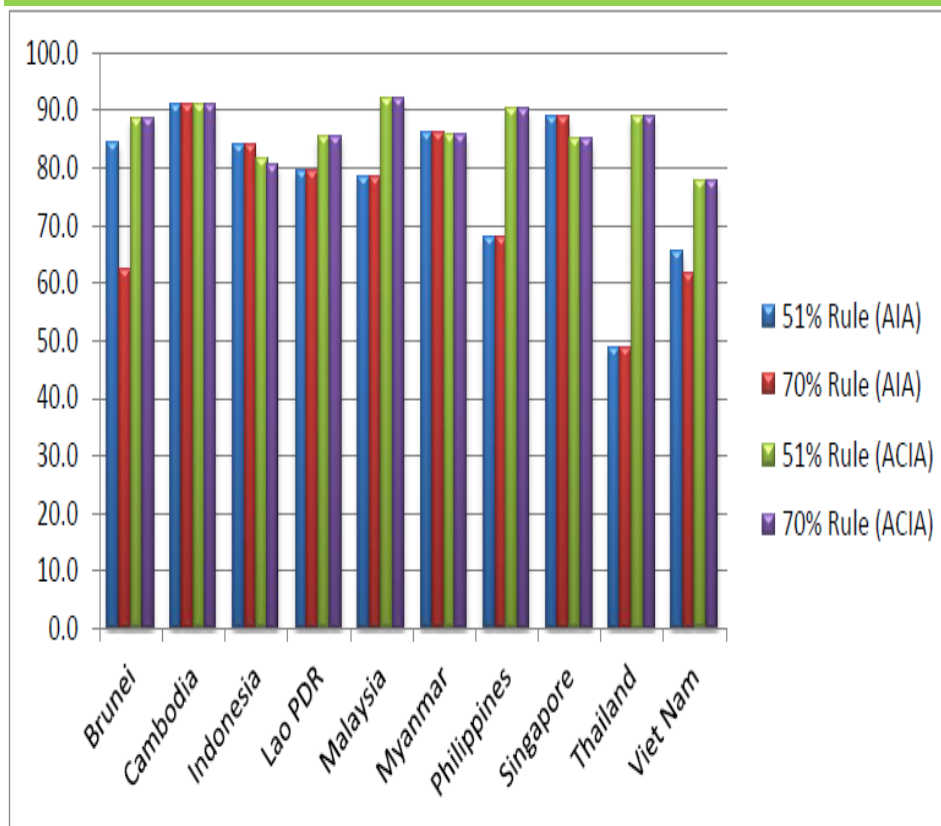
Understanding RURB and the
ERIA-MPC RURB Research Project

Significant progress under AEC 2015

Major Examples

- 💧 **CEPT rates very low to nearly zero**
- 💧 **ATIGA ROOs business friendly**
- 💧 **NSW operational in 5 AMSs**
- 💧 **ASEAN + 1 FTAs/RCEP**
- 💧 **Chiang Mai Initiative**
- 💧 **RIATS in force under ASEAN - X**

Liberal Investment Regime in many AMSs (based on ACIA)



AEC Post 2015 Agenda

Integrated and Highly Contestable ASEAN



Non-protective nontariff measures (NTMs)



More efficient and seamless trade facilitation



**Highly contestable services and investment;
Effective competition policy**



Facilitative standards & conformance



Greater connectivity and transport facilitation



Greater mobility of skilled labor

Integrated and Highly Contestable ASEAN

Non Tariff Measures (NTMs)

AEC Scorecard Phase 4 cases: Meeting SPS,TBT, and clearance requirements increase the cost of firms in doing trade.

Cases of marginal cost and time impacts

- Fast clearance
- Efficient, consistent and transparent procedures and practices

Sources of substantial cost and time impacts:

- High permit fees
- Complicated and burdensome procedures
- Excessive documents
- Lack of in-country testing facilities

Integrated and Highly Contestable ASEAN

Toward Non-protective NTMs

- **Effective monitoring and transparency mechanism on NTMs**
 - Exhaustive inventory of NTMs using new classification system
 - Part of National and ASEAN Trade Repositories
- **Address technical barriers to trade**
 - Facilitative standards and conformance
 - Non-protective sanitary and phyto-sanitary standards
- **NTM streamlining as a concerted domestic initiative toward better regulation, not as trade negotiation**
 - *Streamline processes and documentation and reduce cost for permits and certificates*
 - E.g., Malaysia's PEMUDAH Task Force; Vietnam's regulatory guillotine; Singapore's regular regulatory review; Philippines' NCC
 - *Improve testing infrastructure in order to provide cheaper cost for firms to meet conformance requirements*

Some Observations

Key way of addressing the NTB effect of NTMs is Good Regulatory Practices (GRP)

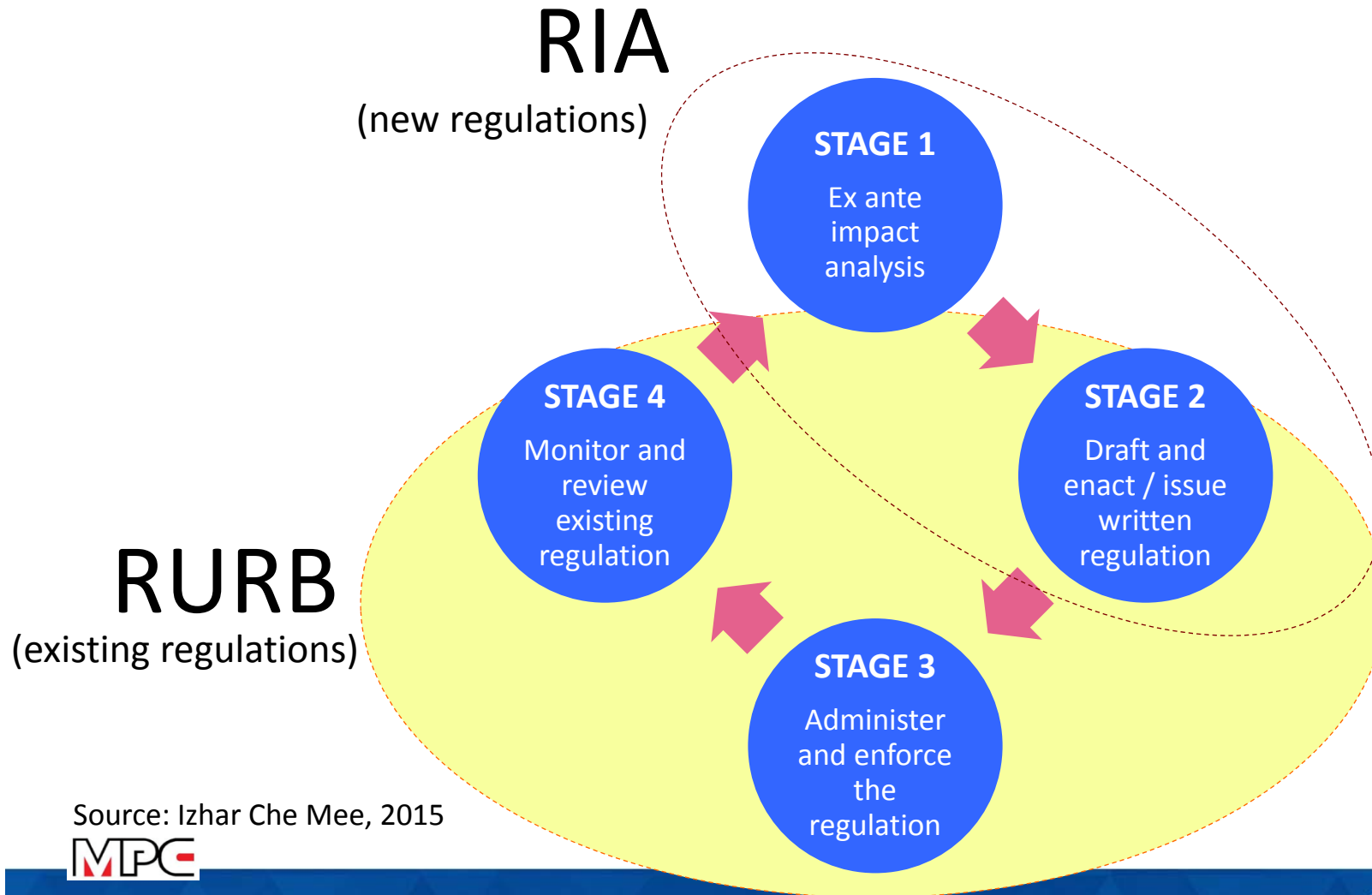
Regional cooperation in standards and conformance may need to expand to capacity building and streamlined processes

Post 2015, ASEAN needs to focus more on agreement on and cooperation in Good Regulatory Practices, Regulatory Management Systems, and Responsive Regulations

A key component of AEC 2025 under 2nd Pillar (A Competitive, Innovative and Dynamic ASEAN) is

“Effective, Efficient, Coherent and Responsive Regulations, and Good Regulatory Practice”

4 STAGES OF MAKING AND IMPLEMENTING REGULATION



Source: Izhar Che Mee, 2015



REGULATORY BURDENS

1. Often regulations have legitimate social, economic or environmental objectives
2. It is usually necessary that some burden is placed on business for regulation to achieve its objectives
3. However, regulations create **unnecessary burdens** on business where they are:
 - *poorly designed*
 - *poorly administered and enforced*

What are the adverse impacts?

- administrative and operational **costs**
 - *reporting, record keeping, publications and documentation*
 - *education and consulting costs required to interpret legislation and guidelines*
- changing the way products are produced or services are provided
- changing the characteristics of what is produced
- lost production and marketing opportunities

Source: Goh Swee Seang, 2015

UNNECESSARY REGULATORY BURDENS RESULT FROM...

- **Excessive regulatory coverage** - regulations that encompass more activities than required to achieve their objective
- **Prescriptive regulation** that excessively limits the ways in which businesses may meet the underlying objectives of regulation
- **Overly complex** regulation (*difficult to understand*)
- **Inconsistent regulatory frameworks** across jurisdictions affect businesses operating regional borders
- **Multiple regulations** or regulators which overlap or in conflict
- **Unwieldy license** application and approval processes
- **Excessive time delays** in obtaining responses and decisions from regulators
- **Unnecessarily invasive** regulator behavior... overly frequent inspections or information requests
- **Inconsistent application or interpretation** of regulation by regulators

Source: Goh Swee Seang, 2015

ERIA-NZIER Project on RMS in East Asia

Project Brief

- Examined the evolution and key elements of regulatory management systems (RMS) in 10 East Asian countries
- Explored which elements are necessary for improving regulatory quality
- ERIA-NZIER project, with support from MPC
- Co-funding by ERIA and NZ government, with strong advocacy support from NZ and Malaysian government

Some Key Insights and Recommendations

- Primacy of strong and continuing political commitment from top leadership
- Deep and continuing engagement of the stakeholders
- Jumpstarting the GRP Agenda, and RURB
- Regulations and raising the quality of regulatory institutions
- Keen sense of market and international competition (benchmarking)
- Crisis as opportunities
- GRP, regulatory alignment (coherence?), and international regulatory cooperation

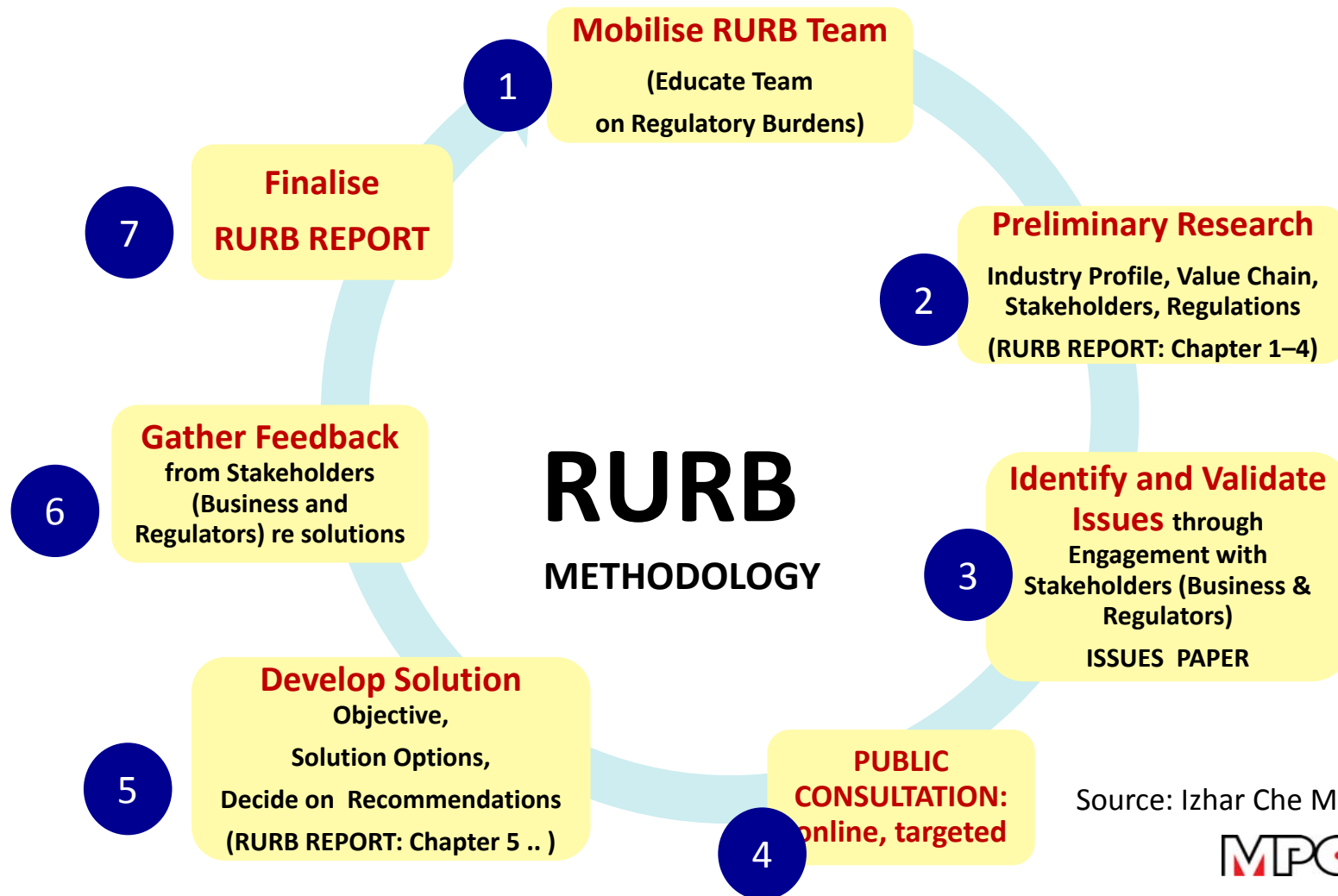
ERIA-MPC Project on RURB on Business and Informed Regulatory Conversations in PIS in ASEAN

Project Brief

- Follows the MPC methodology on RURB aimed at reducing unnecessary regulatory burdens on business in a selected PIS in 9 AMSs (excl. Singapore)
- Focus on regulations related to starting a business, sourcing of inputs and exporting of outputs, and meeting standards/SPS requirements along value chain
- Capacity building component for CLM countries with government official in country team
- Country study teams undertook training on RURB with MPC experts
- PIS selected are: tuna industry (PHL), automotive (IDN), halal mfg (BRN), pepper (Cam), fishery prodn (Myanmar), fishery exports (VN), processed food and warehousing (Malaysia), coffee and maize (Laos), passenger bus service (Thailand)
- Set out options to address regulatory concerns, and facilitate consensus among stakeholders on the options and the specific way forward

Key objective: test out MPC methodology; if successful, next RURB focus is on RURB of NTMs in ASEAN

RURB METHODOLOGY



Source: Izhar Che Mee, 2015



Selected References:

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Thank you very much

