

Development Policy Think Tanks

Selected Case Studies from Asia

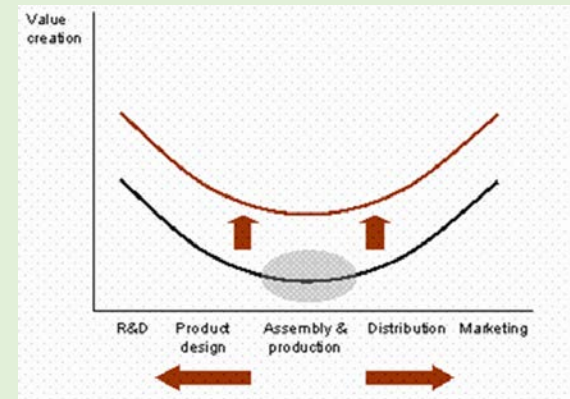


CIER (Taiwan)

KDI & KDI School (Korea)



IPS (Sri Lanka)



Kenichi Ohno (GRIPS)

Addis Ababa, August 2018

Asian Think Tanks Deeply Involved in National Economic Policy Making

Below are think tanks whose research is (was) closely integrated with national economic policy making, rather than purely academic or investigative research detached from the actual policy scene.

Taiwan—Taiwan Institute of Economic Research (TIER) and Chung-Hua Institution for Economic Research (CIER)

Korea—Korea Development Institute (KDI)

Sri Lanka—Institute of Policy Studies (IPS)

Malaysia—Malaysian Institute of Economic Research (MIER)

(Note: information given below was up-to-date as of our policy studies conducted over many years, and may not be current at present. We believe important think tank functions are largely time-invariant and can be learned even from past cases.)

Policy Think Tanks Not Covered Here

Singapore (internalized)

Key ministries have “**Future Divisions**” which work intensively with academic and business stakeholders to map out national strategies.

India (idea outsourcing)

Indian government works closely with universities, researchers and NPOs, and actively incorporates their works into policy.

Thailand (critical)

Thailand Development Research Institute (TDRI), established by private funding, often takes critical positions vis-à-vis government.

Japan (detached)

Research Institute of Economy, Trade and Industry (RIETI) under METI, **Institute of Economic Development** under JETRO, **JICA Research Institute**; their works are not integrated with Japan’s policy formulation and actions.

Vietnam (ineffective)

There are too many official institutes under each ministry and province. They are weak, bureaucratic and unable to provide effective policy advice. Talents and budget should be gathered in one place rather than scattered.

Think Tank Checkpoints

- Mandate and circumstances of establishment
- Key features: location, organization, staffing, funding
- Relation with clients (government and ministries)
- Scope of policy research conducted and how they are initiated (balance between in-house research and commissioned research; government/international/private projects, etc.)
- How to raise quality, dynamism and stakeholder interaction
- Selection/recruitment and incentives for researchers
- How research results are used in national policy design
- How they are disseminated to general public (online access, publication for free or fee, etc.)

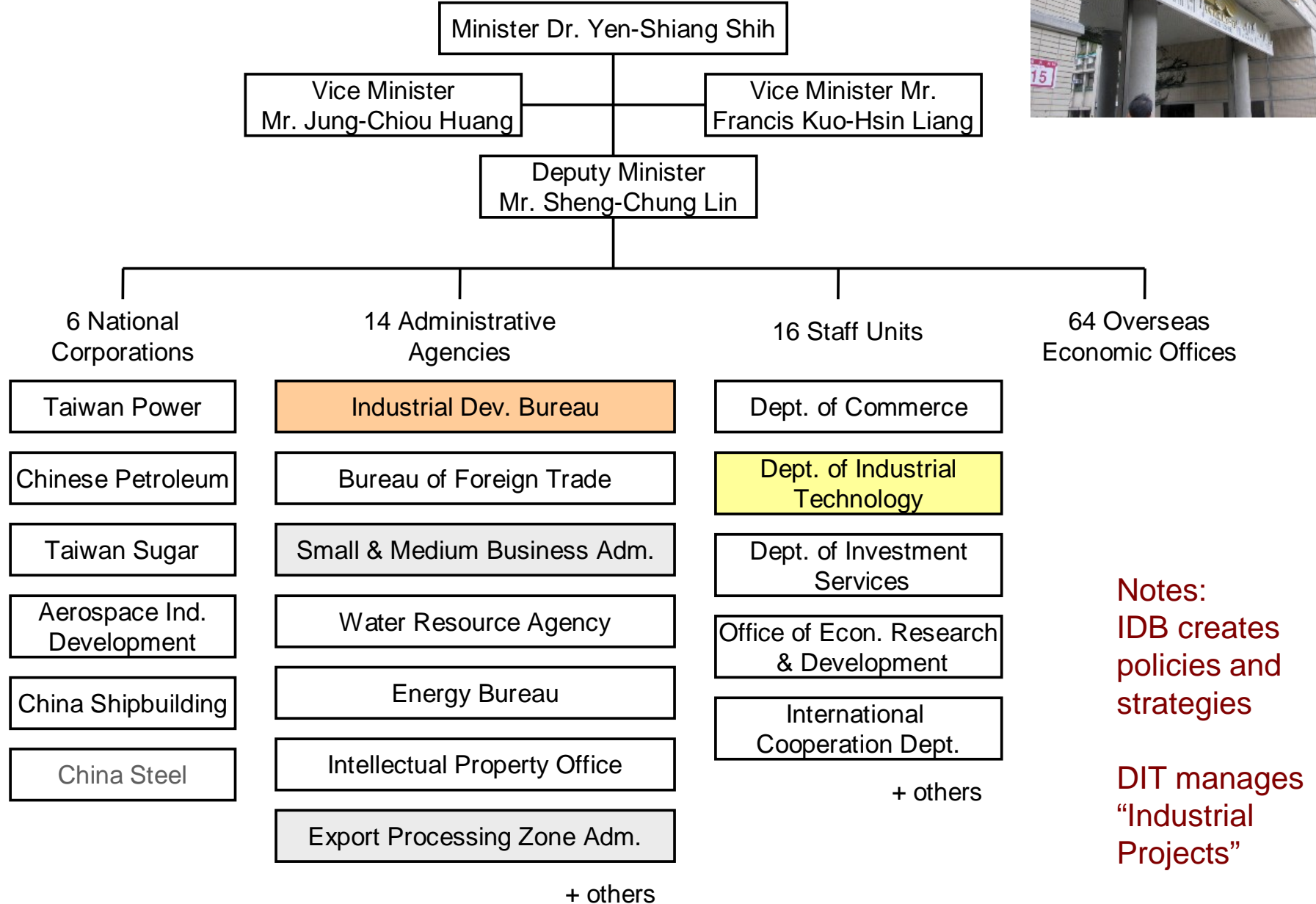
Taiwan's TIER and CIER

(research mission in 2011 with updates)

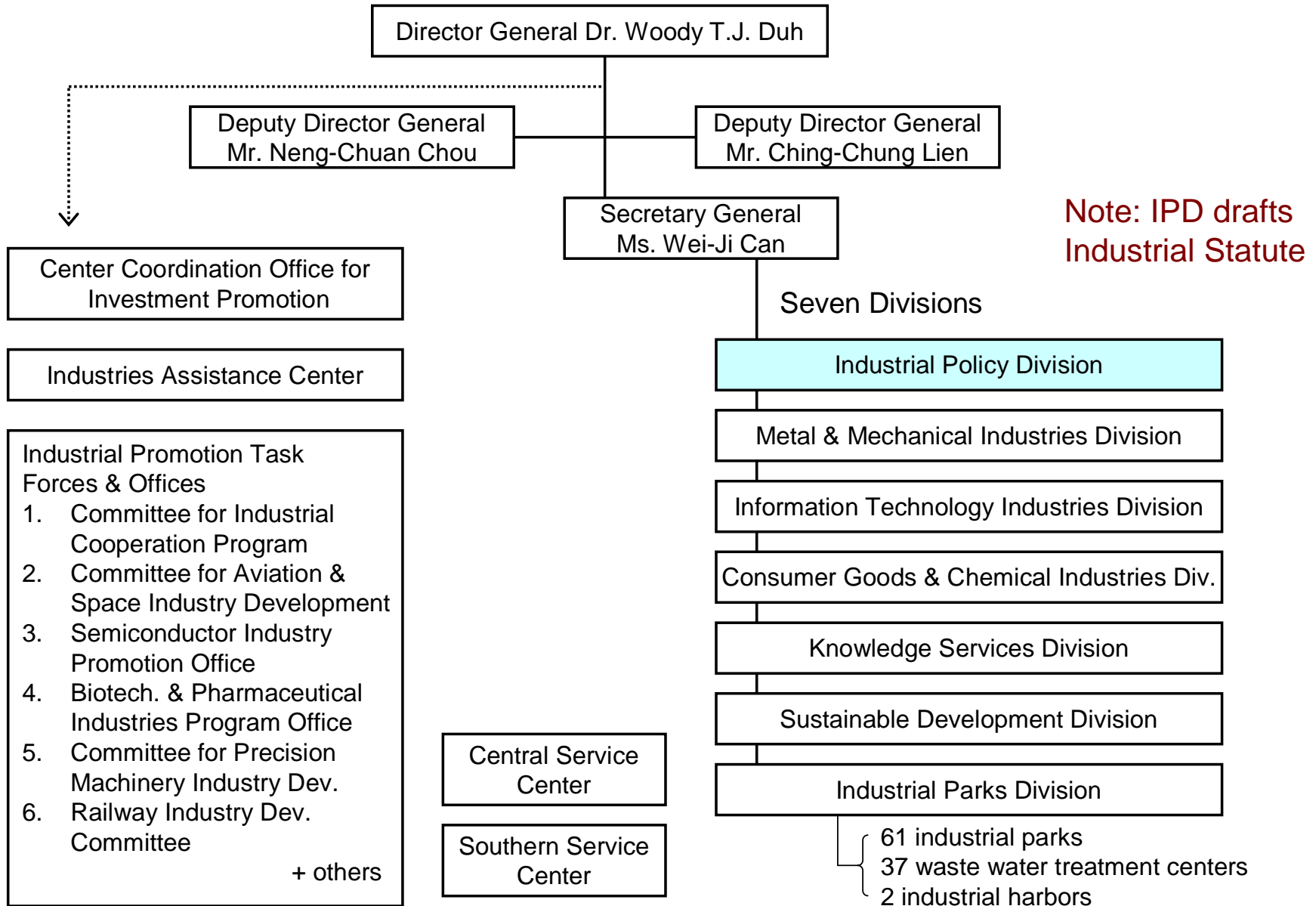


- ❑ Taiwan's industrial policy is directed by the powerful one-stop Ministry of Economic Affairs (MoEA).
- ❑ Taiwan does not produce five-year plans. The key document is the Industrial Statute, a law approved by parliament, which governs industrial policy for 2-3 decades. The current one is *the Statute for Industrial Innovation* (2010).
- ❑ Taiwan's policy tools are simple—(i) “Industrial Projects” (innovation and commercialization support), and (ii) Science Parks, EPZs and Industrial Parks. There is no incentive (except for R&D) and corporate income tax is low and uniform 17%.
- ❑ Policy ideas may originate from MoEA or businesses, but most policy processes are handled by TIER or CIER, two industrial policy think tanks. They compete for government projects, do analyses and forecasts, and provide task-based functions such as Committees, Seminars and Centers.

Ministry of Economic Affairs (MoEA)



Industrial Development Bureau of MoEA



Taiwan: Policy and Technology Institutes

- ❑ Taiwan has 19 state-supported research institutes playing key roles in designing and implementing industrial policy:
 - ┌ 8 policy institutes for designing policy (incl. TIER & CIER)
 - └ 11 technology institutes for implementation (incl. ITRI, MIRDC)
- ❑ Some institutes initially received seed money from the state, but they now operate as self-funding NPOs.
- ❑ Policy think tanks compete for state and private commissioned projects. TIER and CIER are competitors for MoEA's policy projects.
- ❑ Technology institutes compete for MoEA's "Industrial Projects" as well as private-sector projects and service fees.



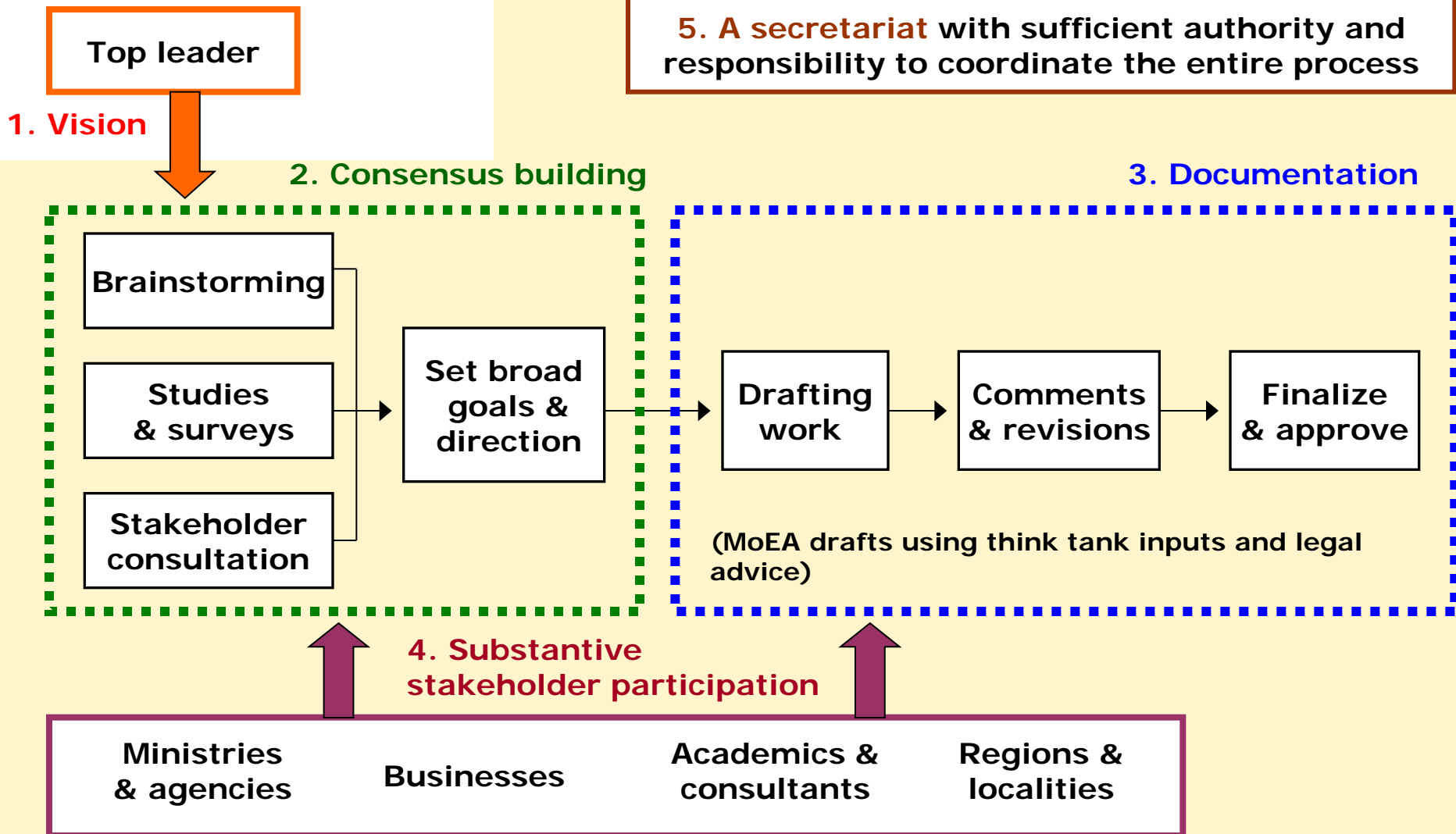
Industrial Technology Research Institute (ITRI)



Metal Industries R&D Center (MIRDC)

Standard Policy Making Procedure

Taiwan's TIER/CIER undertakes all works needed for producing good policy (except top leader's vision) under the guidance of MoEA.



Taiwan Institute of Economic Research (TIER)

- ❑ It is a “private” NPO established in 1976 without state money. Revenues come from government projects (70%) and private sector projects (30%).
- ❑ Main works include maintenance of industrial databank; domestic and global economic forecasts; secretariat support to MoEA’s Industrial Development Advisory Council (see below); and cross-strait (China-Taiwan) economic cooperation projects.
- ❑ TIER has six research divisions, several service providing divisions, and other departments and committees (see below).



TIER



Current President:

Dr. Chien Fu Jeff Lin

Total staff: about 500

Location: Taipei only

Research Divisions:

I : Energy, trade

II: Industry, China, Asia

III: Technology, innovation

IV: Digital economy, culture

V: Resource, environment

VI: Policy assessment for MoEA

TIER's Services

Policy study and support—undertaking government and private projects; industrial survey, statistics and analysis; provide policy suggestions and references to government.

Academic services (members only)—information provision, conference attendance, database usage rights, personalized consultation service.

Taiwan Industry Economics (TIE) Services—reports on more than 400 sectors and 2,000 largest enterprises; Chinese and English online search.

Economic forecasts—monthly and quarterly forecasts on macroeconomy, interest rates, exchange rates, etc. (global and domestic).

Publication—publish research results; TIER Monthly, economic forecast reports, monthly economic indices, APEC Review and Newsletter, etc.

Conference management—plan and conduct seminars, summits, roundtables, conferences, public hearings, announcements; produce Project Reports.

Training and consultation—assist training by government or private firms; industry-government-academia collaboration for professional consultation.

International cooperation—Korea (SERI & KIET), Japan (RIETI), Philippines (CRC Research Center), Vietnam (VASS); Association of Pacific Rim Universities World Institute, New Zealand Agricultural Roundtable, etc.

TIER's Recent Industrial Reports

(Excerpted from HP)

Conventional Industry

Jul 2018 Tram-train and Parts Manufacturing

Jul 2018 Petroleum and Coal Products Manufacturing

Jul 2018 Knit Fabric Mills

High-Tech Industry

Jul 2018 Discrete Devices Manufacturing

Jul 2018 Wireless Communication Device Manufacturing

Jul 2018 Oscillators Manufacturing

Service Industry

Jul 2018 Securities Finance

Jul 2018 Motorcycle Distribution

Jun 2018 Retail Sale of Information and Communications Equipment in
Specialized Stores

Emerging Industry

Jun 2018 Food Biotechnology Industry

Mar 2017 Regenerative Medicine

Dec 2016 Food Biotechnology Industry

Industrial Development Advisory Council (IDAC)



- ❑ IDAC is a regular meeting among government, businesses and academics. It was established in 1984 following the Japanese MITI model of the Industrial Structure Deliberation Council.
- ❑ MoEA uses this Council to hear business requests as well as reaction to proposed policies by businesses and academics.
- ❑ The Council holds 15 meetings per year. Two are organized by MoEA/IDB (overall industry policy) while others are organized by different bureaus of MoEA (trade, energy, SME, etc.)
- ❑ TIER serves as the secretariat, and hosts these meetings at the TIER meeting room.

Chung-Hua Institution for Economic Research (CIER)



- ❑ To cope with an external crisis (ending of diplomatic relation with USA, 1979), Taiwan created CIER for economic policy input with combined state and private money of NT\$1 billion, in 1981.
- ❑ It is located inside the National Taiwan University (no relations).
- ❑ CIER is an NPO under MoEA. It conducts commissioned studies for the President, Executive Yuan (Cabinet), ministries and agencies. Main tasks include economic forecasts and studies on China, global and domestic economies.
- ❑ CIER has three research divisions (China, global, domestic) and about 10 centers specializing in specific issues.
- ❑ CIER has served as the secretariat for Taiwan's important economic policies such as the 2010 Industrial Statute, ECFA (China-Taiwan FTA) and WTO entry.



Research divisions

First Research Division (Chinese economy)
Second Research Division (global economy)
Third Research Division (domestic economy)

Centers

Center for Economic Forecasting
Taiwan WTO and RTA Center
Center for Financial and Economic Strategies
Regional Development Study Center
Center for Energy and Environmental Research
Center for Science and Technology Policy
Evaluation and Research
Taiwan ASEAN Studies Center
Center for Small and Medium Enterprise Research
Japan Center Sub-Committee
Center for Green Economy

Support functions

Secretarial Section
Library
Data Processing Office
Publication Office

Think Tank-based Policy Making

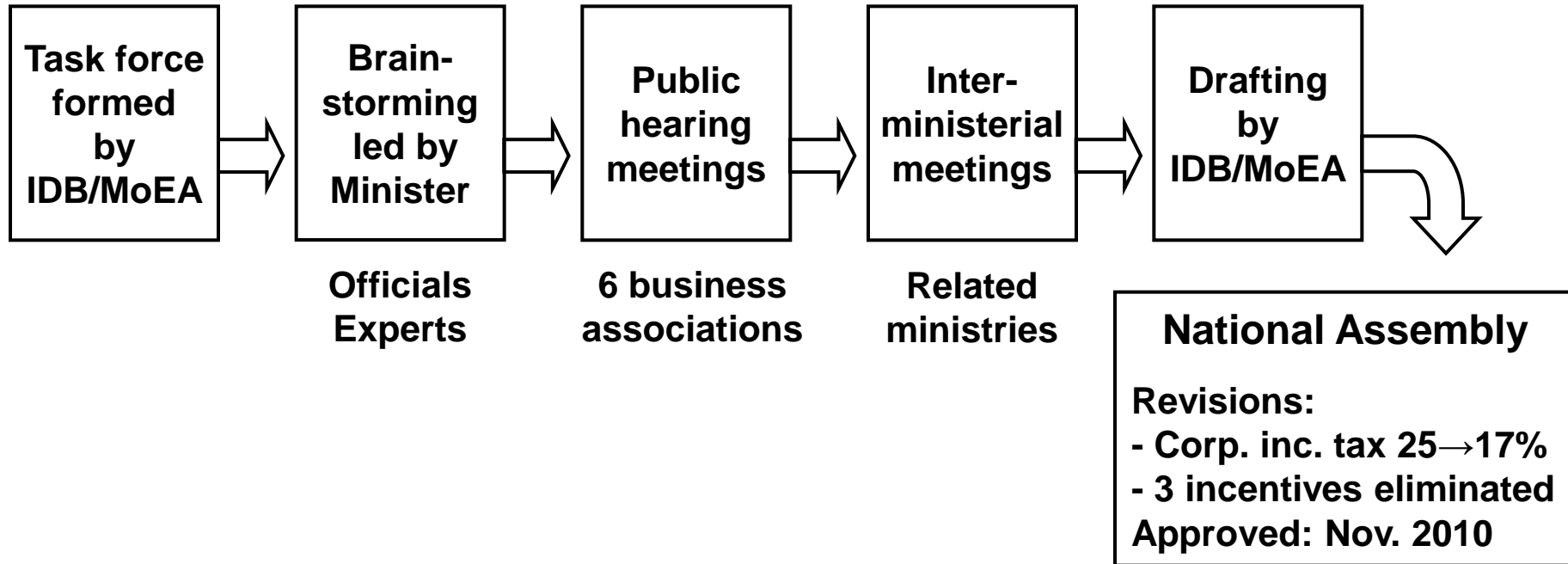
(Interview with CIER Vice President, 2011)



- ❑ Important policies such as the Industrial Statute, ECFA or WTO require three years of study before finalizing CIER reports.
- ❑ The policy drafting process goes as follows:
 1. CIER research for 2-3 years; submits report on benefits/costs, etc.
 2. Concerned authority reviews (MoEA, MoF, China Commission, etc.)
 3. Comments by businesses, other ministries, law makers; final policy draft
 4. National Assembly revises and approves
- ❑ CIER mainly works with IDB/MoEA, but must also talk to MoF for tax and budget matters. Taiwanese Parliament is aggressive, and often changes government proposal significantly.
- ❑ About 70-80% of CIER's original policy proposal makes it to final stage.
- ❑ CIER and TIER are competitors for MoEA project bidding. CIER won Industrial Statute and WTO, while TIER won APEC and Future Vision.

Drafting of the Industrial Statute of 2010

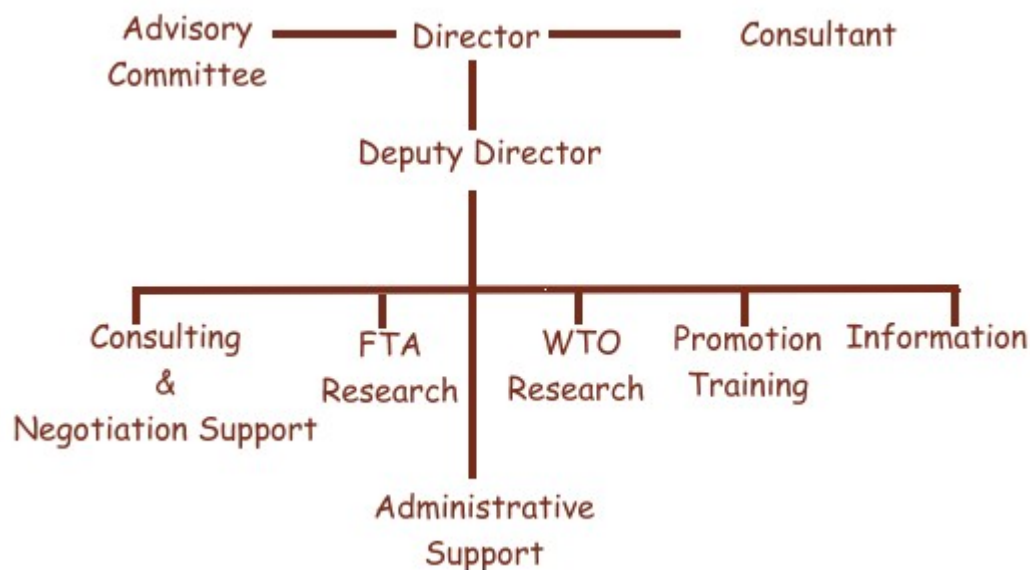
(CIER under guidance from MoEA)



- The whole process took about three years.
- CIER managed the process under MoEA's leadership.
- This mechanism was introduced in the late 1980s. Before that, a few elite technocrats drafted policies without deep prior consultation with stakeholders.

WTO Center at CIER

Taiwan joined WTO in 2002. CIER established the WTO Center in 2003. Its main functions were (i) WTO policy research to support government (ii) WTO database and website; (iii) training in trade and economics; and (iv) international cooperation. WTO Center seems to have been most active in its first ten years.



14 research staff

(8 hold PhDs, others hold Masters or law degrees)

They specialize in monetary and financial economics, trade, WTO, EU, regional integration, international trade laws and taxation, economic forecasting, etc.

Korea Development Institute (KDI)

(Research mission in 2010 with updates)

- ❑ Korea has many economic think tanks including KIET (industry/trade), KIEP (international economy), KEEI (energy), KIPF (public finance) and private institutes. KDI is the first and the leading one among them. It is also among the top think tanks in the world.
- ❑ Established in 1971, the key role of strongly state-supported KDI was to assist formulation of five-year development plans. It also supported 3-year rolling plans, annual plans and other plan documents.
- ❑ Initial success factors were US financial aid and 12 dedicated Korean researchers. It is said that President Park Chung-hee requested America to help build idea capacity, not hard infrastructure.



Former KDI building in Seoul



Park Chung-hee

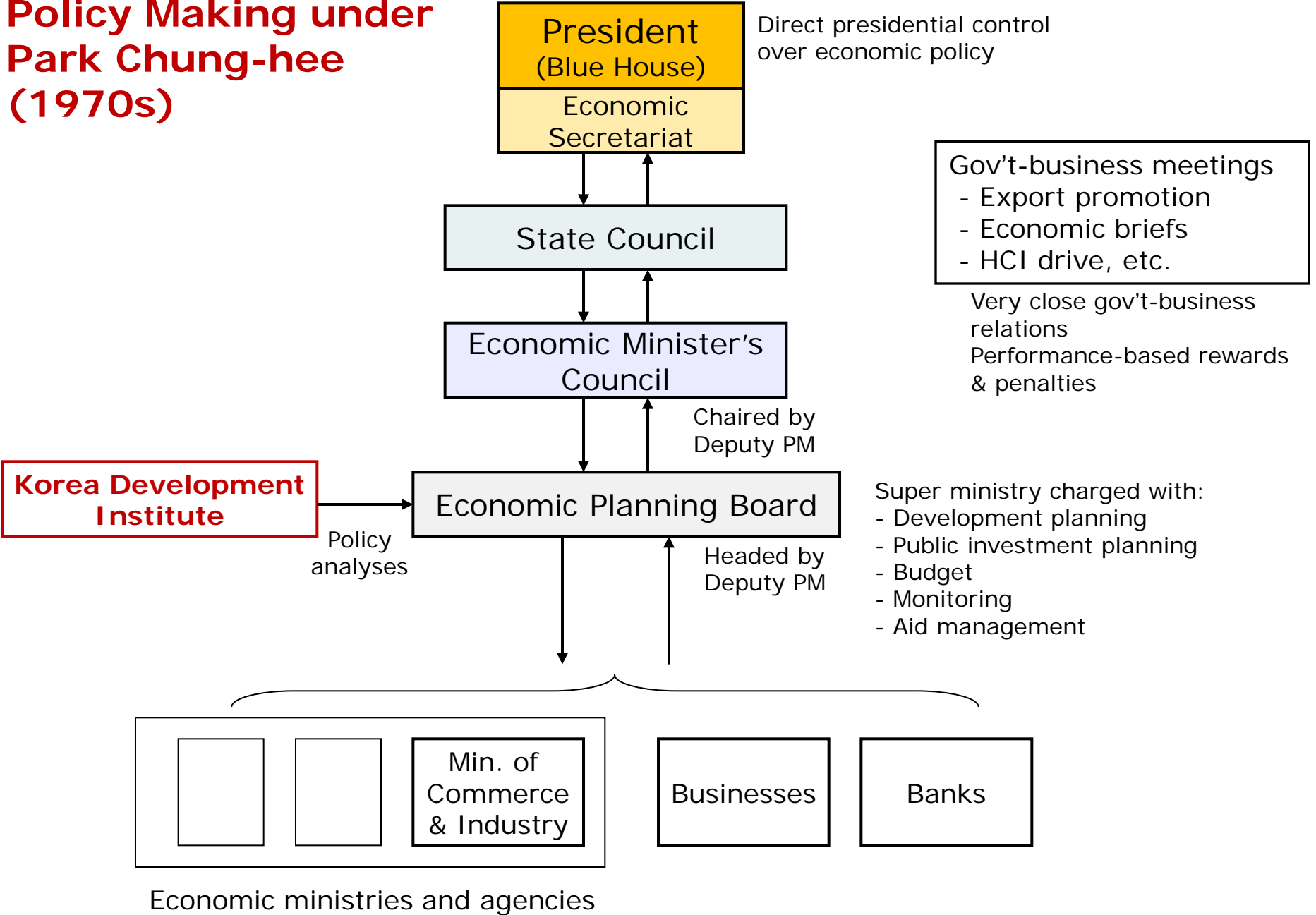


Brief History



- ❑ In the 1970s, KDI conducted a wide variety of policy studies: macro-economics, public finance, money and finance, industry, agriculture, trade, labor, social welfare, poverty, etc. In cooperation with Harvard Univ. (HIID), KDI also reviewed Korea's economic history since 1946.
- ❑ In the 1980s, Korea underwent significant social and political change from developmental dictatorship to middle-income democracy. KDI studied competition policy against monopoly (chaebols), and stressed social issues including employment, gender and environment.
- ❑ In the 1990s, KDI coped with the end of five-year plans, economic liberalization and the 1997-1998 financial crisis.
- ❑ More recently, research scope was widened to include sustainable development, innovation, equality, global co-prosperity, and so on. Collaboration with WB, OECD and civic groups has been enhanced.

Korea's Economic Policy Making under Park Chung-hee (1970s)





KDI, Sejong City, Korea

President Choi, Jeong Pyo



Researchers (as of 1995):
256, including 79 fellows and 177
research associates and assistants.

KDI is fully funded and supported
by the Korean government.

A number of Centers and
Taskforces are created to deal
with specific issues.

KDI School of Public Policy and
Management provides a wide
range of MA, PhD and e-learning
courses (English) to Korean and
foreign students.



KDI Publications



KDI publishes research in various forms incl. Research Monographs, Policy Studies, KDI Focus, KDI Policy Forum, Economic Outlook/Trends/Bulletin, KDI Journal of Economic Policy, and VOD.

Examples of recent research (July-Aug. 2018)

- Employment effect of minimum wage increase
- Healing Korea's self-cultivating society with education
- North Korean economy review
- KDI Journal of Economic Policy May 2018 (incl. private retail brands, estimating net transport capital stock, generational impact of tax, etc.)
- Economic Bulletin, July 2018
- Economic Outlook 2018:H1

Institute of Policy Studies of Sri Lanka

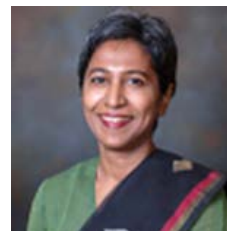
(research mission in 2017)



- ❑ Institute of Policy Studies (IPS) was established in 1990 by the Act of Parliament. It belongs to the Prime Minister and the Ministry of Policy Planning.
- ❑ An endowment fund was donated by the Dutch government. In the past, IPS also received grants and consultation fees from Canada, World Bank, IMF, ILO, etc.
- ❑ Since 2005, government covers 10-15% of the cost and the rest is financed by IPS's own research projects.
- ❑ It is housed in a nicely-designed building. Land was given by the government and the building was supported by the Dutch.

Sri Lanka's IPS

- ❑ IPS activities are divided into RESEARCH, POLICY ADVICE and INTERNATIONAL COOPERATION.
- ❑ There are seven research units: (i) macroeconomy, (ii) trade, (iii) investment and industry; (iv) environment; (v) agriculture; (vi) labor; and (vii) poverty.
- ❑ Total staff numbers 50, of which researchers are 20-25. Each unit is staffed by about three researchers who are young but highly competent. Most hold Master degrees, a few hold PhDs. BAs are hired as research assistants. Some go abroad to receive PhDs. IPS serves as an incubator of young researchers.
- ❑ Because of freedom, high quality and visibility of research, young researchers prefer to work here. Recruitment is competitive.



Dushni Weerakoon
Executive Director



Sri Lanka's IPS

- ❑ Topics are sometimes given by government, and research is conducted in close consultation with relevant ministries and agencies. Otherwise, IPS bids for competitive projects of international organizations and foreign governments.
- ❑ IPS represents Sri Lanka in global and regional exchange among think tanks.
- ❑ Results are published in working papers, policy papers, academic journals, international organization publications, books and news media. IPS publications are for sale, not for free circulation.



Library



IPS publications on display

Sri Lanka's IPS



Examples of recent major projects

- ❑ Possibility of FTA with India or China
- ❑ Climate change and agriculture
- ❑ Historical review of FDI policy since 1977

Malaysian Institute of Economic Research (MIER)

(Research missions in 2006, 2013 with updates)



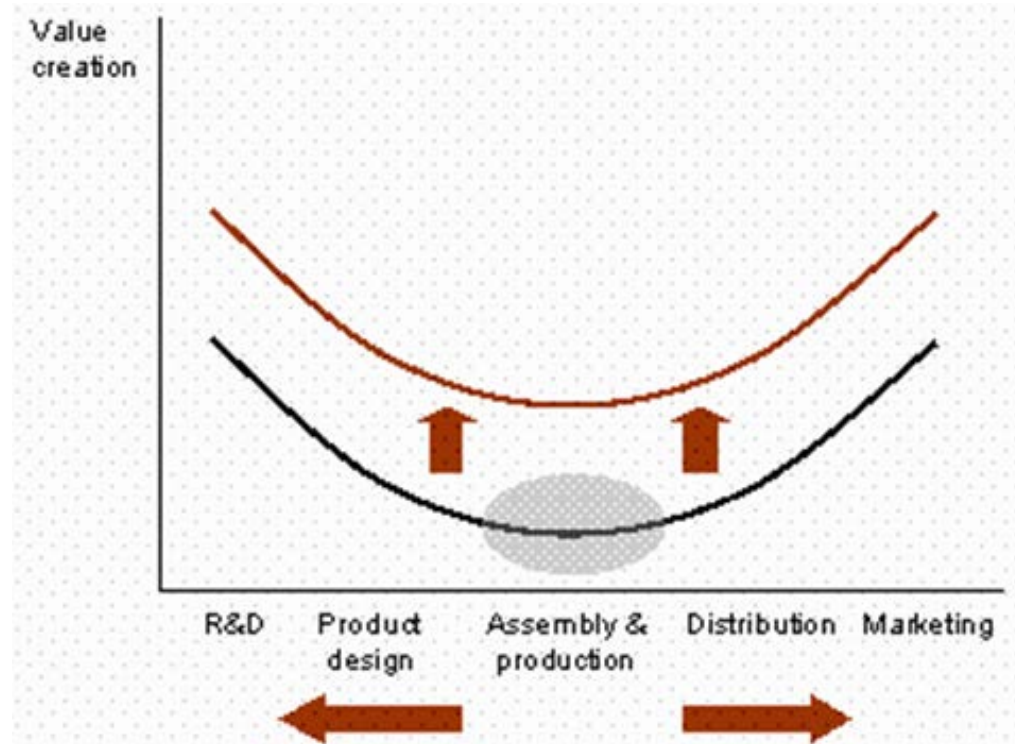
- ❑ MIER, created by official initiative in 1986, is an independent NPO for economic, financial and business research (applied and policy-oriented). It serves both government and the private sector.
- ❑ MIER is incorporated as a limited company. It is governed by a Board of Trustees and an Advisory Panel provides guidance.
- ❑ The Executive Director runs MIER with 12 full-time research fellows and officers and 4 support staff. It also engages associate research fellows and consultants, and receives interns (both local and foreign).
- ❑ Research divisions are (i) Macroeconomic Surveillance & Forecasting, (ii) Policy Studies, (iii) Industry Studies, and (iv) Area Studies.
- ❑ Direct project funds as well as consultancy fees make up the bulk of MIER's budget. MIER is funded partly by investment income from an Endowment Fund with contributions from private corporations and the government. The Institute currently also receives an annual grant from government.

Malaysia's Industrial Master Plan (IMP)

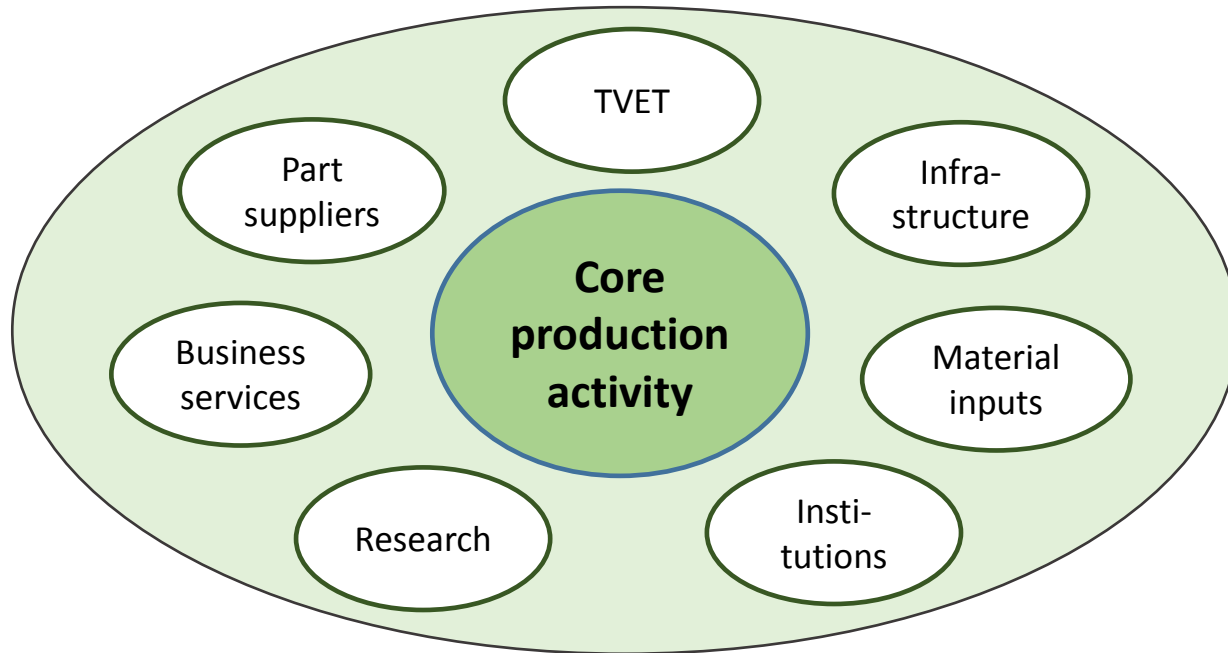
- ❑ From the mid 1980s to the early 2000s, Malaysia's key industrial document was IMP I, II & III of the Ministry of International Trade and Industry (MITI). Each document had different drafting procedure, content and structure.
- ❑ For IMP II (1996-2005), MIER wrote a background paper and defined two key concepts which governed all chapters of IMP II.
- ❑ IMP II had 10 chapters over 453 pages. It had clear policy orientation with two general chapters (**challenges & an analytical framework**) followed by eight sectoral chapters:
 - E&E, textile & apparel, chemicals, resource-based industries, food processing, transport equipment (cars), materials, machinery & equipment**
- ❑ The GRIPS/VDF mission raised three issues: (i) using the same framework for all sectors was too mechanical; (ii) eight sectors covered virtually all key industries in Malaysia (no selectivity); and (iii) promoting all sectors broadly was against the pursuit of comparative advantage in an integrated world.

“Manufacturing Plus Plus”

- ❑ The first key idea advocated by MIER was **Manufacturing + +**. It expressed a two-dimensional desire along the value chain to (i) expand horizontally to cover higher-value upstream and downstream activities (not just assembly); and (ii) raise productivity vertically along the entire value chain.
- ❑ Since Malaysia was a simple assembler, at the lowest point on the value chain, MIER argued that it should master R&D, product design, distribution, marketing, etc. as well as improve skills of all activities.



“Cluster-based Industrial Development”



- ❑ This concept broadens the definition of an industry to include not just core production but also supporting industries and surrounding services. All activities must be strengthened for competitiveness.
- ❑ In IMP II, a **cluster** is defined as “an agglomeration of inter-linked or related activities comprising industries, suppliers, critical supporting business services, requisite infrastructure and institutions.” (p.23)

SUMMARY

	Taiwan		Korea	Sri Lanka	Malaysia
	TIER	CIER	KDI	IPS	MIER
Establishment	1976	1981	1971	1990	1986
Who established?	Private initiative	Government, also private money	Government with US aid	Government with Dutch aid	Government (company form)
State guidance and influence	Strong (MoEA)	Strong (MoEA)	Very strong	Strong	Relatively strong
Current funding	Public (70%) & private (30%) projects by competitive bidding		State budget	Gov't & international project bidding + state budget (10-15%)	Projects & consultation fees, endowment return, limited state grant
Researcher size	Large	Large	Large	Small	Small
Number of regular research divisions	6	3	7-8	7	4
Task-based teams, centers, committees	YES	YES	YES	NO	NO
National development plan documents	Conducts all necessary works for drafting under MoEA guidance		Directly assisted EPB (drafter): 1970s	Prepare background papers by order	Drafted key ideas for IMP II (1990s)
Specific Issue analysis	YES	YES	YES	YES	YES
Economic forecasts	YES	YES	YES	YES	YES
Secretariat for state policy works	YES	YES	YES	NO	NO
Manage large database	YES	YES	YES	NO	NO
International collaboration	YES	YES	Very Active	YES	?