

**STATEMENT OF
THE 7th ERIA GOVERNING BOARD MEETING**

30 May 2014
Jakarta, Indonesia

ASEAN and East Asia: Focus of the World

The ASEAN and East Asia region has been attracting economic attention from all over the world in recent times. Last year, the APEC Summit was held in Bali, Indonesia, and this year, it will be held in Beijing, China. Indonesia, in addition to hosting the APEC Summit, achieved spectacular mileage in her successful hosting of the World Trade Organization (WTO) Ministerial Conference last December. Australia is hosting the G20 meeting this year while the Organization for Economic Co-operation and Development (OECD) has launched its “Southeast Asia Regional Programme” a few weeks ago. Clearly, most influential policy makers and organizations from all over the world want to put their marks in the region and incorporate its dynamism into their agenda.

What makes the region so attractive? This is in part because the nations in the region, either individually or as a group, have done so much to make their homelands better places to invest in, trade with, and live in. As ASEAN Member States make concerted further push towards the realization of the ASEAN Economic Community (AEC) at the end of 2015 and at the same time draw up their “post 2015 vision”, the world realizes that the region is and will be a “game changer” in the global economic landscape. The conclusion of the Regional Comprehensive Economic Partnership (RCEP) negotiation, which will bring in deeper regional integration in this region, is expected to cement this phenomenon further.

Moving Forward in Unity

In achieving this end, ASEAN and East Asia should move forward in unity, as the theme of Myanmar’s Chairmanship this year states. “Unity” implies Connectivity, Inclusiveness, and Cooperation, especially when moving towards a peaceful and prosperous community.

ASEAN and East Asia can enjoy having a resilient and vibrant community if each country adopts sound policies and measures that would strengthen the economic unity of the region.

For instance, connectivity, whether within ASEAN or beyond, is the basis of economic development in this region. In particular, enhancing connectivity reduces the cost of logistics

as well as border procedures in individual countries and thereupon, helps in preparing them to be a base for production networks. It also brings about an environment conducive for the growth and eventual development of small and medium enterprises (SMEs) in the region. In this context, sub-regional cooperation such as the Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area (BIMP-EAGA), the Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT), the Greater Mekong Subregion (GMS) and the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) play important roles in enhancing connectivity and contributing towards the overall regional economic integration agenda. All these initiatives engender more prosperous communities not only in advanced areas but also in the late-comers, thus narrowing the gaps between them and bringing in more inclusiveness. In short, the more the region is connected, the more inclusive growth can be achieved with appropriate and effective regional cooperation. Institutional connectivity through cooperation in education, human resources, regulatory policies, etc., can be a pivotal tool for regional unity.

ASEAN and East Asia is a diverse region. It consists of economically, politically and culturally diverse countries. But diversity can be a positive driver for cooperation as it reflects potential complementarities for regional cooperation. What is vital is for each country to recognize that through cooperation and coordination, most issues can be discussed, resolved and streamlined towards a common and unified path. If each country brings in issues to the table for discussion and consensus, then this contributes to better economic “unity” in the region. ASEAN accords due respect to issues and concerns premised on diverse perspectives and tries to resolve them in a coordinated and cooperative manner. In many ways, this ASEAN approach has proven to be workable in looking at issues and setting up joint programs that address energy, food security, disaster management and connectivity related concerns. All of these help build a more resilient and vibrant community.

ERIA's Contribution to Regional Cooperation and Community Building

As the ASEAN and East Asia region revs up for the critical milestones in its future, how can ERIA continue its contributions, as *Sherpa* organization and the leading economic think tank in this region, in the building of the ASEAN Community? What further value added can it offer?

To mark a deeper presence in and provide greater support to the region, ERIA should:

- Continue to help ASEAN in the realization of the AEC. In this regard, the AEC

Scorecard Project Phase 4, which ERIA is doing, is important not only as a means for the Leaders and policymakers to grasp the real situation in terms of the actual level of achievement of the AEC but also as a reference and guide on how ASEAN should move forward beyond 2015.

- Continue to provide analytic support to the RCEP negotiation as mandated by the ASEAN and East Asia Summits and ensure that its expertise is extended to each of the negotiating countries.
- Look into how institutional and physical connectivity can be further enhanced beyond ASEAN towards the East Asian region, including India's connectivity with ASEAN, as the region goes across the continent for further economic activity and people-to-people interaction.
- Engage the existing sub-regional cooperation such as BIMP-EAGA, IMT-GT, GMS and BIMSTEC as important test beds to pioneer new projects that could eventually be expanded to the wider ASEAN and East Asian region.
- Work on enhancing the resilience of this region by strengthening its capacity to address challenges, including potential social effects of integration, and by ensuring energy and food security as well as effective disaster management. In particular, energy demand has been growing faster than ever and fundamental changes on the supply side have been taking place in the energy sector of this region. This is making energy-related challenges imperative in balancing energy security, economic growth, and environmental protection and climate change. Research in energy is thus aimed to provide effective policies in the region to promote energy efficiency and conservation, low carbon technologies, as well as energy market integration. In addition, the research should provide medium-term policy for securing a sustainable supply of fossil energy.
- Contribute to the empowerment of SMEs in ASEAN and East Asia, including India, with SME development being acknowledged as one of the key factors for inclusive growth. ERIA can contribute in part by strengthening and utilizing the ASEAN SME Policy Index, jointly developed by OECD and ERIA supported by the ASEAN SME Working Group, as an analytical tool to measure progress of, analyze challenges to, and make recommendations to improve further the policy and institutional environments facing SMEs in ASEAN Member States and the region. Contribute to the deeper understanding of firm behavior and adjustment of firms to globalization, the dynamics of technology transfer and innovation among firms, and the role of industrial clusters in the region.
- Work on engendering responsive regulatory regime, adoption and adaptation of good regulatory practices, and strengthening regulatory management systems in ASEAN

towards greater regulatory coherence, improved investment climate and greater competitiveness in ASEAN.

- Conduct studies on corporate policies to understand the business environment in the region covering infrastructure, investment environment, regulation, human resources, entrepreneurship and investment climate. These studies will have a special emphasis on CLMV to help develop their capacities to narrow the gap in business environment in these countries.
- A growing concern in the region is the seeming rise in the use of non-tariff measures (NTMs) in the light of the near elimination of intra-regional tariffs. In addition to its current work on NTMs as part of AEC monitoring, ERIA can contribute to deeper understanding of NTMs in the region through analyses of their economic impact, prioritization for NTM streamlining, and focus on addressing NTMs from a better regulation perspective.

Finally, in its capacity as the Sherpa organization and leading economic think tank of ASEAN and East Asia, ERIA has highlighted a policy perspective in the run up to the WTO Ministerial Conference in Bali emphasizing the importance of factors beyond trade tariffs in regional integration (such as facilitation, connectivity, and services and investment liberalization), as exemplified in the ASEAN integration process. At the same time, ERIA joined resources with organizations like the OECD and the International Energy Agency (IEA) in the conduct of landmark studies such as the ASEAN SME Policy Index and the South East Asia Energy Outlook. Moreover, the recent signing of a Memorandum of Understanding between ERIA and the OECD towards the fulfillment of a strong OECD Southeast Asia Regional Programme augurs well for ERIA's broader involvement in new research areas in the region as well as across the world. The ERIA Governing Board Members emphasized the importance for ERIA to continue to cooperate with relevant agencies and knowledge institutions, both multilateral such as the ASEAN Secretariat, ADB, World Bank, OECD, APEC, UN Agencies (e.g., UNCTAD, UNESCAP) and those in each of the ERIA member countries. ERIA will also extend its cooperation with various research organizations outside the region as it works on an open regionalism framework. The ERIA Governing Board Members also emphasized the importance for ERIA to maximize the benefit from collaborating with networks of regional research institutions.

The Governing Board Members strongly value and support the increasingly important role that ERIA is pursuing within our region and internationally. They therefore urge that the collaborative work and programmes outlined be continued to the maximum possible extent.