

# Frames

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## EDITOR'S NOTE

**P**artnership is a running theme in this issue of the *ERIA Frames* as we take a glimpse at the collaborative work that has taken place between ERIA and the Research Institutes Network (RIN) over the years, and at the promise of a closer working alliance between ERIA and the OECD in the Southeast Asian region with the setting up of the OECD Southeast Asia Regional Programme.

Partnerships involve commitments on the part of the concerned parties to offer and fulfill for the realization of a common goal. Whether they be in terms of funding, expertise or time, however, the commitments need not be counted on a *quid pro quo* basis; rather, what is important is for the partnership to bring about the fulfillment of a shared objective. As R.M. Kanter said in her *Harvard Business Review* article in 1994, the collaboration inherent in a partnership must lead to the "creation of something new, of value, together". In both the ERIA-RIN and ERIA-OECD partnerships, this would mean, in a very broad sense, having a better Southeast and East Asian region to live and work in.

In the process, relationships may evolve, responsibilities may be redefined and commitments may be strengthened. All these should be directed towards reinforcing the partnership for a more effective and meaningful accomplishment of the common objective. □

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## The ERIA-Research Institutes Network (ERIA-RIN)



RIN representatives exchanging views during the RIN Meeting in Brunei Darussalam. (photo: ERIA)

## *Providing Vital Support to ERIA*

**In** 2009, sixteen research institutions from the East Asia Summit (EAS) region collectively agreed to establish the Research Institutes Network (RIN) to provide support to the research activities of the Economic Research Institute for ASEAN and East Asia (ERIA). In particular, and as stated in the Memorandum of Understanding (MOU) signed between ERIA and RIN in the same year, the latter will, upon request of ERIA, provide individual country information and analysis to some of ERIA's region-wide research as well as help in ERIA's dissemination and capacity building programs. The RIN (see **Box 1** for the list of RIN's member institutions) normally meets twice a year to exchange views on the ERIA-RIN collaborative research and to give advice and suggestions on the research themes and policy recommendations. Its latest meeting (the second for the year 2013-2014) was held on January 11, 2014 in Bandar Seri Begawan, Brunei Darussalam. Since its start, the RIN has mostly held its meetings in Bangkok, Thailand where the RIN administrative and coordinating arm, the JETRO Bangkok → 2

*"RIN members should be vigilant and up-to-date on current issues affecting and which can affect the region economically, and should also strengthen networking not only between and among institutions in East Asia but also with notable research institutes in other parts of the world,"*

Dato Lim Jock Hoi, Permanent Secretary of Brunei's Ministry of Foreign Affairs and Trade

Research Center (BRC), holds office. Holding the RIN meetings outside of Bangkok more often (previously in Phuket, Thailand in January 2012 and in Phnom Penh, Cambodia in October 2012) will, in a way, help broaden the sense of ownership among the members of the collective work and efforts that the network has done over the past five years. In this regard, the Chair of the RIN meeting, Dr. Hank Lim Giok-Hay, said “Hopefully, the succeeding meetings will see a rotation of the venue and hosting among the member institutions”.

Welcoming the RIN members to Brunei was Dato Lim Jock Hoi, Permanent Secretary of Brunei’s Ministry of Foreign Affairs and Trade and also the Chairperson of ERIA’s Governing Board. In his remarks, the Secretary thanked the ERIA for its support to the government of Brunei during its year-long chairmanship of the ASEAN and welcomed Myanmar as the ASEAN Chair for 2014. He congratulated and commended the RIN members for their active role in the

various research works of the ERIA (**Box 2** outlines some of RIN’s contributions to ERIA’s major research over the past years) as well as in carrying out research in their respective countries especially under the pillar of the ASEAN Economic Community. At the same time, he encouraged them to take up more research in new areas such as food security, energy security, regulatory reforms, connectivity and public-private partnerships, and to explore new issues for research and analysis.

“RIN members should be vigilant and up-to-date on current issues affecting and which can affect the region economically, and should also strengthen networking not only between and among institutions in East Asia but also with notable research institutes in other parts of the world,” the Secretary said. In addition, he urged the members to link up more actively with policymakers in their respective countries to see more of ERIA’s and their own studies’ recommendations translated into policies and action plans.

#### *Current and Suggested New Areas of Research*

One of the highlights of the RIN meeting in Brunei was the presentation and exchange of views on ERIA’s recently completed and ongoing research. Prof. Fukunari Kimura, Chief Economist of ERIA, described the highlights and status of the various ERIA research projects for the year falling under the three pillars of (a) Deepening economic integration, (b) Narrowing development gaps, and (c) Sustainable development. He updated the members, in particular, on the following projects: AEC Beyond 2015, AEC Scorecard Phase IV, Utilization of FTAs, the RCEP, ASEAN SME Policy Index, Myanmar Comprehensive Development Vision, Public-Private Partnership (PPP), Disaster Management and Social Security System. In addition, Mr. Shigeru Kimura, Special Advisor to the ERIA Executive Director on Energy Affairs, also presented ERIA’s various energy-related studies for the year.

While acknowledging the range and depth of the various ERIA studies, the RIN members also suggested possible new areas and aspects of research that ERIA and the RIN members may consider and collaborate on. Among these are the possibility of looking into disaster risk management and case studies/laboratories at the local level; full study on

<b>Box 1. RIN Members</b>	
<b>Brunei</b>	Brunei Darussalam Institute of Policy & Strategic Studies (BDIPSS)
<b>Cambodia</b>	Cambodian Institute for Cooperation and Peace (CICP)
<b>Indonesia</b>	Centre for Strategic and International Studies (CSIS)
<b>Laos</b>	National Economic Research Institute (NERI)
<b>Malaysia</b>	Malaysian Institute of Economic Research (MIER)
<b>Myanmar</b>	Yangon Institute of Economics (YIE)
<b>Philippines</b>	Philippine Institute for Development Studies (PIDS)
<b>Singapore</b>	Singapore Institute of International Affairs (SIIA)
<b>Thailand</b>	Thailand Development Research Institute (TDRI)
<b>Viet Nam</b>	Central Institute for Economic Management (CIEM)
<b>Australia</b>	Australian National University (ANU)
<b>China</b>	Chinese Academy of Social Sciences (CASS)
<b>India</b>	Research and Information System for Developing Countries (RIS)
<b>Japan</b>	Institute of Developing Economies (IDE/JETRO)
<b>Korea</b>	Korea Institute for International Economic Policy (KIEP)
<b>New Zealand</b>	New Zealand Institute of Economic Research (NZIER)

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food security looking not only at the supply chain and food distribution aspects but also on the broader picture, considering that food security is such a critical and sensitive issue in ASEAN; and more energy studies, especially those extending to the environment and relating to subsidies. In response, Prof. Kimura assured the members that ERIA will look more closely into their comments and suggestions. In particular, in connection with the call for more energy studies, the members were informed of the recent strengthening of ERIA's Energy Unit by hiring more energy economists to enrich ERIA's capacity to look into and analyze energy-related issues.

### *The RIN Statement on the WTO*

Since January 2012, it has become a practice for members of the RIN to come out with a joint statement during the RIN meeting on a certain critical issue/topic that has a significant bearing on ASEAN and East Asia, especially in terms of the integration efforts in the region. For this particular meeting, the RIN drafted its statement on the WTO wherein its views and perspectives on some of the development issues (and their implications) taken up and agreed upon during the recently concluded World Trade Organization (WTO) Ministerial Meeting in Bali were included. The statement specifically outlines the RIN's post-Bali recommendations on the role of the WTO.

This RIN statement, as well as all the previous RIN statements, can be viewed and downloaded from the ERIA website at [www.eria.org](http://www.eria.org). Topics of previous RIN statements dwelled on: *What Kind of Economic Integration?; Regional Comprehensive Economic Partnership; and Addressing Inequality in East Asia through Regional Economic Integration.*

### *Looking Ahead Towards a Stronger Collaboration*

While many of the RIN members have been successful in influencing policy in their respective countries through their own institutions' research, ERIA has taken the major responsibility of disseminating to and linking up with policymakers on the results and recommendations of most of the ERIA-RIN collaborative research. In view of this and echoing the call made by Dato Lim Jock Hoi in his welcome remarks for the members to be more active in this area, a proposal was made for ERIA to have more interface

dialogues with the RIN members on the final report once all country contributions have been consolidated. Being more aware of the details of the final output would help the RIN members to be more active in disseminating the results and recommendations of the studies to various stakeholders. Specifically, RIN members were urged to have more consultations with policymakers in their countries to "push the policy recommendations of the ERIA-RIN studies further" in addition to the efforts of ERIA and the ASEAN Secretariat.

Relatedly, when ERIA researchers were asked on a separate occasion to suggest areas/aspects where RIN involvement may be further enhanced, they noted that more joint statements or opinion editorials could be issued by RIN and ERIA in local or international media outlets regarding some pertinent recommendations and concerns to help shape public opinion. At the same time, more sharing of information and updates on research done by individual RIN members independently of ERIA could be made among and between RIN members and ERIA, to increase awareness on each other's activities and expertise.<sup>1</sup>

Meanwhile, on a different angle, a suggestion was made to consider the designing of an extension of RIN members in order to address the concern that RIN could sometimes be overwhelmed with work from ERIA. According to ERIA economist, Dr. Lili Yan Ing, RIN leaders should think *out of the box of RIN* where projects allocated for RIN may not necessarily have internal researchers/consultants but rather collaborators from other think tanks. On the part of ERIA, it could also serve as catalyst in enabling RIN members the chance to collaborate with researchers from other international organisations.

For sure, the RIN has been a vital source of support to ERIA's major projects over the years, for which ERIA, as expressed by its Executive Director, Prof. Hidetoshi Nishimura, is truly grateful. Strengthening this support even more through a heightened involvement of the members in influencing policy and shaping public opinion will further reinforce such ERIA-RIN partnership. □

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<sup>1</sup>Suggestions provided by ERIA economist, Dr. Sothea Oum.

## Box 2. Contributions of RIN Members to Major ERIA Projects/Programs\*

Project/Program	RIN Member	Involvement	Remarks
1 Mid-Term Review of the Implementation of the AEC Blueprint (2012-2013)	Country teams from the 10 ASEAN member institutions of the RIN	Conduct of surveys and intensive interviews of policymakers and stakeholders in their respective countries  Analysis and preparation of country reports which were used as inputs to the integrative report	Contribution and involvement of RIN members were critical to the completion and success of the project
2 ASEAN Economic Community (AEC) Scorecard Project, Phases 1,2,3,and 4 (2011-2013 for Phases 1,2,and 3); (2013-2014 for Phase 4)	Country teams from the 10 ASEAN member institutions of the RIN	Conduct of surveys and intensive interviews of policymakers and stakeholders in their respective countries, especially on the informed conversation on regulatory reform  Analysis and preparation of country reports which served as inputs to the final reports of Phases 1,2, and 3  RIN Members to be involved again in Phase 4, especially in holding dialogues and having engagements with the private sector in their respective countries	Contributions were critical and vital to the assessments of ASEAN member states' (AMSs) commitments and served as inputs to the final reports
3 ASEAN Rising: Moving ASEAN and AEC Beyond 2015 (2012-2013)	Country teams from the 10 ASEAN member institutions of the RIN  Three RIN members co-hosted workshops, namely: CSIS, PIDS, and YIE	Contributed thought or issues papers on various areas related to ASEAN and AEC beyond 2015 which served as inputs to the integrative report and were released as individual ERIA Discussion Papers  Conduct of interviews with stakeholders in their respective countries  Co-hosting of public workshops to present and disseminate initial results of the study	Insights from the thought/ issues papers written by experts from some members of the RIN and the discussions during the multisectoral workshops arranged by the three RIN members proved to be very useful in shaping up the study's executive report submitted to the ASEAN Secretariat
4 "The Road to Bali: ERIA Perspective on the WTO Ministerial and Asian Integration" (Feb-Oct 2013)	Fourteen members participated, namely: CICP, CSIS, NERI, MIER, YIE, PIDS, SIIA, CIEM, ANU, CASS, RIS, IDE/ JETRO, KIEP and NZIER	Contribution of one chapter each on their reflections and perspectives relating to the WTO and Asian Integration.	RIN's insights were extremely useful. The members' Asian perspective was quite different from those of the typical WTO specialist and set a good context for the WTO Bali Ministerial Meeting held in December 2013
5 The Use of FTAs in ASEAN (2013-2014)	RIN members from Cambodia (CICP); Laos (NERI); Malaysia (MIER); Myanmar (YIE); Philippines (PIDS); Singapore (SIIA); and Viet Nam (CIEM)	Conduct of surveys covering 630 exporting or importing manufacturing firms and 182 importing service firms across ASEAN countries and data gathering related to the usage of free trade agreements (FTAs) by the private sector  Analysis and write-ups on the results of surveys and data collection in their respective countries	The collaboration with the concerned RIN members had been extremely helpful, with all the RIN members involved being very cooperative and supportive. Said collaboration should thus be continued, with even more contribution in the aspect of analysis
6 Towards Competitive and Innovative ASEAN SMEs: ASEAN SME Policy Index (2012-2013)	Indonesia (CSIS); Myanmar (YIE & MIE); Philippines (PIDS); and Viet Nam (CIEM)	Conduct of surveys and consultative meetings with SME stakeholders to gather information for the scoring on the SME Policy Index  Analysis and write-ups for country reports	The collaboration provided effective ways of information gathering in the countries concerned;  Cooperation from RIN members in relevant countries facilitated the process of interacting with various SME stakeholders
7 Toward Enhanced Agriculture Supply Chain Connectivity in ASEAN	Cambodia (CICP); Indonesia (CSIS); Lao PDR (NERI); Myanmar (YIE); Philippines (PIDS); Thailand (TDRI); and Viet Nam (CIEM)	Conduct of surveys and interviews of key informants from associations, transport and logistics service providers, and other private stakeholders involved in supply chains of the two selected commodity groups (animal/ vegetable fat or oils, and fish, etc)  Interviews of concerned government officials on policy issues	Contributions of RIN members were very useful in the successful completion of the project; key findings of the project contributed indirectly to the research and discussion of the New Zealand Pacific Economic Cooperation Council (NZPECC) regional project on supply chains

**Continuation of Box 2**

8 Institutional Assessments to Develop Public-Private Partnership System in Cambodia, Lao PDR and Myanmar (2012-2013)	Lao PDR: National Economic Research Institute (NERI)	Conduct of literature review, field surveys in the selected projects, and Focus Group Discussions (FGDs) with stakeholders in PPP/infrastructure sector in Lao	Not many RIN members have specialisation in the infrastructure field including PPP; thus, there was no involvement from the other RIN members and experts outside the circle of the RIN had to be searched for
9 Financing infrastructure in ASEAN Member States (2013-2014)	Thailand: Thailand Development Research Institute (TDRI)	Data and information collection on infrastructure development in Thailand;  Analysis of economic situation and country's fiscal allocation for infrastructure development;  Gathering information on governments perception regarding ASEAN connectivity and external involvement in the country's infrastructure development	

*\*) Consolidated from inputs provided by ERIA researchers (Dr. Ponciano Intal, Jr, Mr. Yoshifumi Fukunaga, Dr. Lili Yan Ing; Dr. Sothea Oum, and Dr. Fauziah Zen).*

**NEWS UPDATE**

**Japanese Vice Minister Visits ERIA**

H.E. Mr. Takamori Yoshikawa, Senior Vice-Minister of Agriculture, Forestry and Fisheries of Japan, met with ERIA Executive Director Prof. Hidetoshi Nishimura and the senior staff during his visit to ERIA on 22 January 2014. The Vice-Minister has previously served as Secretary-General of the Parliamentary League for ERIA and has been one of the strong supporters of ERIA since its establishment. He was also the special guest during the inauguration of the ERIA Annex Office on 17 September 2008 in his capacity as Japan's Senior Vice-Minister of the Economy, Trade and Industry. After discussions with Prof. Nishimura, the Vice-Minister took time out to tour the ERIA office and greet the staff personally. He noted the development and growth of the organization since it opened more than five years ago. Before he left, he had a group photo taken with the ERIA family (see photo , with the Vice Minister seated in the centre).□

**ERIA Activities**

**13 January 2014**

Workshop on "Disaster Risk, Social Reference and Policy Effects; Field Experiment Studies in Selected East Asia" in Bangkok



**20 January 2014**

Final Workshop on "Social Safety Nets in East Asia: Social Security System & Fiscal Policy in China, India and Indonesia" in Jakarta

**2-3 February 2014**

Energy Market Integration Workshop (Phase 4) in Jakarta

**19-20 February 2014**

Microdata Project FY13 Second Workshop in Jakarta

**21 February 2014**

FDI Project FY13 Second Workshop in Jakarta

**10-11 April 2014**

ERIA Academic Advisory Council Meeting in Jakarta



## Spreading ERIA's Messages Across the Continent

ERIA Executive Director, Prof. Hidetoshi Nishimura, spent more than a week in January 2014 travelling to European countries to meet and discuss with development organizations and academics/think tanks about various ERIA initiatives and global economic and trade issues.

With H. E. Angel Gurría, Secretary-General of OECD in Paris



H.E. Angel Gurría warmly welcomed Prof. Nishimura and congratulated him for ERIA's being a shining reality of the "East Asia OECD." [Note: When ERIA was established, it was with the aim of making it an East Asia OECD.] He commented on ERIA's possible key role in the OECD's new Southeast Asia Program which will be launched in Paris in May 2014. "The [OECD's] partnership with ERIA is very important and critical in being able to make the Southeast Asian region better," H.E. Gurría said.

With ERIA's presence in the region, the Secretary-General stressed the importance for both OECD and ERIA to reinforce, not duplicate, each other's efforts in Southeast Asia. Both institutions can work on their respective initiatives in the region, as in the various country policy reviews that OECD is currently doing on Southeast Asian countries like Myanmar, the Philippines and Thailand. However, he also mentioned the areas where collaboration between OECD and ERIA may be forged and further strengthened, including follow-up projects to the ASEAN SME Policy Index and new undertakings like policy dialogues on best practices and capacity building programs.

Prof. Nishimura, for his part, expressed his appreciation for OECD's support to ERIA and strongly suggested that OECD and ERIA should work closely together as partners in undertaking projects in the region. He noted the successful collaboration between the two in the development of the ASEAN SME Policy Index and called for further cooperation in various areas.

Prof. Nishimura also thanked Mr. Gurría for the latter's invitation to ERIA to participate in the *OECD Southeast Asia Regional Forum* in Bali in March. In turn, Prof. Nishimura likewise invited Mr. Gurría to visit ERIA after his trip to Bali. □

With Prof. Richard Baldwin of the CTEI in Geneva



In a meeting that lasted for more than an hour, Prof. Richard Baldwin, Professor of International Economics and Co-Director of the Centre for Trade and Economic Integration (CTEI) in Geneva, Switzerland, and Prof. Hidetoshi Nishimura discussed about the concepts of unilateral liberalization, the *second unbundling*, regionalism, the AEC and the Regional Comprehensive Economic Partnership (RCEP). Prof. Baldwin explained the rationale behind the unilateral liberalization reform taken by many countries upon the unfolding of the *second unbundling* due to the advent of the ICT revolution. He also explained the dichotomy between regionalism and globalization, saying that when the European Union was established as a single market in the 1980s, there were fears about a fortress Europe that would be disadvantageous for America and other parts of the world. But as it turned out, the deepening of regionalism in Europe served to make the rules inside Europe more harmonious, thereby making it easier for people inside Europe to do business, which subsequently enabled outsiders to do business and trade more easily with Europe.

Looking at the case of the ASEAN Economic Community (AEC), Prof. Nishimura said that this is what AEC Beyond 2015 aims for as well, as articulated in a recent study by ERIA. He said that the RCEP is considered to be a major instrument in trying to realize this goal. Prof. Baldwin said that this will be realized if RCEP could provide the basic rules or serve as the basic discipline to the new regional architecture. Taking Factory Asia for an analogy, he said that to have a smooth flow of the production networks in Factory Asia, all the things needed – the nexus of goods, services and people – must be there as a whole package. But to be able to have them, Factory Asia requires basic rules as in capital or labor movements and others. Similarly, in a broader landscape for more liberal trade, having low tariffs will not do any good if it is not accompanied by facilitation measures and services liberalization. And RCEP, like Factory Asia, should be able to set the basic rules in its agenda to bring about the whole package. □

## *AEC Experiences as a Foundation for RCEP*

by YOSHIFUMI FUKUNAGA

In November 2011, ASEAN proposed a new regional free trade agreement (FTA) called the Regional Comprehensive Economic Partnership (RCEP) which is currently under negotiation. One of the biggest motivations for this proposal was ASEAN's quest for its centrality in the region. RCEP was also an ASEAN strategy to mitigate the China-Japan rivalry on regional FTAs. As stated in the ASEAN Economic Community (AEC) Blueprint, ASEAN centrality is a key philosophy for its engagement with external partners. ASEAN plays a key role in facilitating the RCEP negotiation process by hosting the ministerial negotiations or chairing the working groups. But ASEAN centrality should be more than mere process facilitation; ASEAN should play a more proactive role by driving the substance of RCEP.

Is this feasible? Can ASEAN lead the RCEP discussion on substance? Actually, it is not an easy task because ASEAN is composed of 10 different sovereignties with wide development gaps and varying domestic economic structures. The best way for ASEAN is to utilize the AEC as the foundation for RCEP negotiation. AEC is deeper in commitments and broader in issue coverage than other economic integration initiatives in the East Asia region. Thus, AEC experiences, both success and failure, can offer great insights for RCEP. All the ASEAN member states are familiar with the AEC measures. Thus, it is relatively easy for the 10 countries to reach a consensus when the AEC measures are used as a reference in the RCEP negotiation. Moreover, ASEAN countries have already started their enormous efforts of domestic reform to achieve the AEC by 2015, which

practically helps them prepare for liberalization in a larger geography in the post-2015 era.

There are three major areas in which AEC experiences can be particularly useful when shaping the RCEP: trade facilitation, services liberalization and non-tariff measures (NTMs).

RCEP ministers emphasize the importance of liberalization as well as facilitation. Result of economic simulations indicates that trade facilitation (e.g., simplification of customs procedure) brings major economic benefits. ASEAN has adopted a number of tangible trade facilitation initiatives and is currently making efforts to make them operational. For example, the ASEAN Single Window (ASW) initiative is running a test-run project connecting National Single Windows. Similarly, ASEAN plans to create the ASEAN Trade Repository (ATR) which lists all the relevant trade regulations for transparency. A self-certification program will also be launched in 2015 and is expected to reduce the cost and time for obtaining the certificate of origin.

Services liberalization is another important element of RCEP. In the current regional production networks, efficient services industries significantly contribute to the competitiveness of manufacturing sectors. ASEAN has made remarkable progress after the adoption of the "formula approach" in 2007. The level of ASEAN's achievement is much more significant than other RCEP members' commitments in the existing FTAs. In the formula approach, each ASEAN member state should meet the pre-set target such as sectoral coverage and a maximum cap of foreign equity limitation. At the same time, though, it allows flexibility. Each country can select the

sectors to liberalize. In addition, each country is given certain time to implement the commitments. Practically, ASEAN's services liberalization is 'concerted efforts of domestic reform' rather than 'trade negotiation'.

NTMs are of critical importance for RCEP. The potential gains from tariff elimination can be easily nullified if new NTMs are introduced. At present, as tariffs are reduced, more ASEAN firms perceive NTMs, on the other hand, to be problematic. ASEAN is currently struggling with the NTM issue within the AEC framework, and some initiatives started seem to be more promising. One is the ASEAN NTM Database compiled by the ASEAN Secretariat. Such database provides a fundamental transparency scheme on NTMs. In addition, the recent practice of 'matrix of actual cases on NTMs/trade barriers' (also uploaded on the ASEAN Secretariat's website) provides government-to-government consultation mechanism. The exercise has already successfully resolved some issues.

All these experiences can be used as the models of respective chapters in RCEP. If successful, there will clearly be an ASEAN leadership in developing the RCEP measures. It should be noted, however, that all the three measures discussed above are still ongoing. The ASW and ATR are not yet complete. Two more services packages should be signed by 2015. NTMs are still prevalent. Thus, the credible achievement of AEC 2015 is very vital for the success of RCEP. ASEAN should therefore continue its serious efforts towards AEC 2015 and, at the same time, propose them as models in RCEP. □

*Mr. Yoshifumi Fukunaga is Senior Policy Coordinator at ERIA.*

*Thoughts provides commentaries and perspectives on certain ASEAN and regional-related issues written by ERIA scholars and other stakeholders in the region. The usual disclaimer applies. You may forward any feedback to the author at [yoshifumi.fukunaga@eria.org](mailto:yoshifumi.fukunaga@eria.org) or to the editor of ERIA FRAMES at [info@eria.org](mailto:info@eria.org)*

## Improving the Social Security Scheme in East Asia

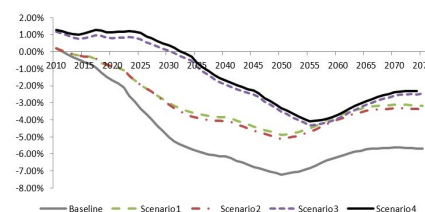
The final leg in the series of workshops (previously in Bangkok, New Delhi and Shanghai) for the *ERIA Social Security System Project* was held on January 20<sup>th</sup>, 2014 at the Borobudur Hotel in Jakarta, Indonesia. The choice of Indonesia for the final workshop was in keeping with its being the most recent country to reform its social security scheme which applied this January 2014. The project's team leader is Prof. Mukul Asher of The National University of Singapore with Dr. Fauziah Zen as ERIA Project Coordinator.

The workshop called *Social Security System and Fiscal Policy Response in India, China, and Indonesia* was organised by the ERIA and it focused on the three highly populated countries with Japan as a benchmark country for the project. The keynote speech was given by Indonesian Deputy Finance Minister, Prof. Bambang Brodjonegoro, who stressed on the challenges faced by Indonesia in doing transformation from an old fragmented system to the new universal and integrated system. Regarding the social security scheme in each of the countries in the study, meanwhile, apples-to-apples comparison is not possible, according to Dr. Fauziah Zen, due to unique features in each country. However, one objective of the project is to get the policymakers' fiscal response to the social security scheme in these countries.

"Population will age soon, which will give heavier fiscal responsibility. We are trying to see the required fiscal spending to finance the future social security system in each of these three countries," Dr. Zen continued. For example, the graph shown here presents the simulation result from four reform scenarios in China to simulate the effect of increasing

Simulation results

Figure 14 Contributions minus Expenditures, % of GDP (China)



Source: simulation result (Feng and Chen, 2014)

retirement age, reducing contribution rate and estimates of the government subsidies in China's Basic Old Age Insurance System (BOAI).

Four speakers talked about the pension systems in the four countries: Prof. Mukul Asher on India; Prof. Jin Feng from Fudan University of China on China; Dr. Hefrizal Handra from Andalas University on Indonesia; and Prof. Junichiro Takahata from Dokkyo University of Japan on Projection and Highlights of the Japan Pension System. Acting as discussants were Mitchell Wiener (World Bank Jakarta), Dr. Xinmei Wang (Institute of Population and Labor Economics, China), Dr. Rabin Hattari (ADB Jakarta), and Dr. Donghyun Park (ADB Manila).

The workshop provided interactive discussion on the following: a) projection of age-related spending in the four countries, b) fiscal policy responses from the governments, c) institutional challenges, and d) analysis of projection models used by main organizations in the world. Another important point of the project, according to Dr. Zen, is the comparison of the demographic projection modelling of the OECD and IMF. "It's the first time, it hasn't been done anywhere else," she said. The output of the four workshops is expected to be compiled in a book tentatively scheduled for release by the mid-year of 2014. □

### ERIA Frames

is a bimonthly newsletter issued by the Economic Research Institute for ASEAN and East Asia (ERIA). The newsletter presents a picture of the Institute's various works and activities on ASEAN and East Asia issues. It describes recently completed and ongoing research as well as highlights of seminars, workshops and symposia, and feedback from capacity building workshops. Thoughts and perspectives on regional issues as written by ERIA officials and scholars and other stakeholders in the region are also presented. ERIA FRAMES may be downloaded for free at [www.eria.org](http://www.eria.org).

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