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EDITOR'S NOTE

In his 1890 *Mandalay* poem, British poet Rudyard Kipling reminisced about his journey through Burma to Mandalay, "If you've 'eard the East a-callin', you won't never 'eed naught else. . .but. . .the palm trees an' the tinkly temple bells on the road to Mandalay".

More than a century later, Burma (now Myanmar) once again beckons as dramatic economic and civil reforms take place in the country after decades of isolation, and begins to attract investors, visitors and development agents alike. Accorded the honor by ASEAN of chairing ASEAN this year, the country has geared up to the challenges of the role, ably supported by friends and allies. One such friend is ERIA whose commitment in drafting a comprehensive development vision for Myanmar and in building the country's human capacity has helped bring the country to the forefront of regional involvement.

While there are issues – especially ethnic conflicts -- that Myanmar has to address, the recent resolve that its leadership and people have shown could very well mean that the coming years will be prosperous and peaceful for the country. And this time, we shall answer to the call of "The Road to Myanmar". □

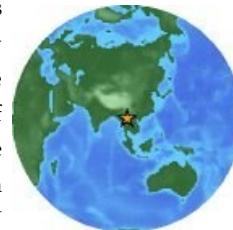
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ERIA in Myanmar

Supporting Myanmar's Chairmanship and Development

For many years, Myanmar has been considered as the "missing link" in the Mekong Region in so far as connectivity is concerned, what with its long years of isolation from the regional and global trade and economic arena. But being the only land bridge that connects ASEAN, especially the Mekong Region, with India, China and other countries across the Asian continent, its potentials as a key actor in the development of the area are enormous. In 2011, after H.E. U



Thein Sein was elected President

Sources: huffingtonpost and myanmarmap.com

of the Union of the Republic of Myanmar, and for the past three years since then, the Myanmar government has put forth dramatic political, economic, public administration and private sector development reforms. These developments provided the opportunity to tap the many potentials of Myanmar to be one of the star performers in terms of economic development in ASEAN and made it possible for Myanmar to play a more active role in regional and international affairs.

The ASEAN, in welcoming the positive changes in Myanmar, accorded Myanmar the privilege and responsibility of the ASEAN Chairmanship for the year 2014. The decision was announced in the 19th ASEAN Summit in Bali on 17 November 2011, as delivered by Indonesian Foreign Minister Marty Natalegawa, which stated, "All leaders are in agreement that significant developments have taken place in Myanmar and those changes have made it more conducive for Myanmar to carry this responsibility" (telegraph.co.uk).→



As the rest of the world began to take notice of developments in Myanmar, the Economic Research Institute for ASEAN and East Asia (ERIA), meanwhile, was one of the first organizations to commit to the development

According to the Chairman's Statement of the 8th East Asia Summit, "The MCDV is related to connectivity where Myanmar is a strategic and geographic gateway to India and China."

of Myanmar as it (ERIA) initiated feasibility studies related to the economic, social and institutional contexts of Myanmar even before the ASEAN announcement of Myanmar's 2014 Chairmanship was made. On 18 November 2011, during the 3rd Mekong--Japan Summit in Bali, following the

public announcement of Myanmar's ASEAN Chairmanship for 2014, the Heads of the Governments of Japan, Cambodia, Lao PDR, Myanmar, Thailand and Viet Nam acknowledged the need to formulate a comprehensive development study for Myanmar which will make "an important contribution to the enhancement of intra Mekong and ASEAN connectivity" and agreed for ERIA, as the Sherpa organization of ASEAN and East Asia, to develop the Myanmar Comprehensive Development Vision (MCDV).

The Myanmar Comprehensive Development Vision (MCDV)¹

The MCDV is a long-term development aspiration and set of growth strategies which provides the foundation for a comprehensive and consistent set of economic policies, infrastructure, human resources plan, industrial growth paths, and regional and state development master plans for the country.

It offers four elements of development vision, which include being (i) people-centred, (ii) high-growth and globally linked, (iii) inclusive and balanced, and (iv) green and sustainable. At the same time, the MCDV sets out an MCDV strategic triangle with three development strategies: (a) agriculture plus-plus, (b) FDI driven strategy, and (c) two-polar development strategies. These three strategies are mutually connected through demand and supply, and should be promoted in a way to be efficient and effective. They are also designed to be consistent with the challenges and opportunities formed by the external environment changes surrounding Myanmar.

Laying the Rationale

Referring to ERIA's commitment on the MCDV, Prof. Hidetoshi Nishimura, ERIA Executive Director, said that ERIA, like the Government of Myanmar, recognized the need and importance for Myanmar having that development vision, especially as it tackles its role as ASEAN Chair,

because "it is important for a Chair to have a vision". Relatedly, Prof. Fukunari Kimura, ERIA Chief Economist, explained in an interview with the *Myanmar Times* in 2012 that, "Myanmar is trying to change very quickly now. You should have a vision for that development; otherwise, the coordination with other countries will not be good."

Meanwhile, the MCDV, according to the Chairman's Statement of the 8th East Asia Summit, "is related to connectivity where Myanmar is a strategic and geographic gateway to India and China."

Preparing the Groundwork

Working side by side, the Myanmar government and ERIA began the groundwork for the drawing up of the Vision. In October 2012, the Project Steering Committee, the decision making body of the project, was established with members coming from both the Myanmar government and ERIA. H.E. Dr. Kan Zaw, Union Minister of the Ministry of National Planning and Economic Development, and Prof. Nishimura were appointed as co-chairs of the committee. The following month, the Implementing Body for the MCDV was set up to serve as focal point and manager of the project's operations. Meetings were held to discuss the work plan, identification of areas closely related to the development strategies, selection of working groups and the time frame. These were followed by a series of workshops and seminars beginning November of 2012 to January of 2013 wherein researchers/economists from ERIA and experts and consultants from the region gave lectures and served as resource persons on various aspects that would help expound on the strategies to be outlined in the MCDV. Capacity building support for Myanmar government officials involved in the preparation of the MCDV was also provided by ERIA. Drafting of the MCDV by a team of consultants followed immediately after, with Mr. Toshihiro Kudo of the Institute of Developing Economies, Japan External Trade Organization (IDE-JETRO) and Japan's leading expert on Myanmar as overall MCDV project leader. On May 28, 2013, the first draft was produced and delivered by ERIA to the Myanmar Government.

Almost a year after its completion and financing of the gist of the MCDV, ERIA will now start to expound on the details of the vision with the use of the Japan-ASEAN Integration Fund (JAIF).

Helping Build Myanmar's Human Capacity

One of ERIA's mandates is to help in building the human capacity of the newer members of ASEAN, namely, Cambodia, Lao PDR, Myanmar and Viet Nam (CLMV). Thus, since its establishment, ERIA has been holding

capacity building seminars for human resources development in CLMV. For Myanmar, in particular, besides its commitment in the drafting of the MCDV, ERIA, in cooperation with Myanmar's Ministry of National Planning and Economic Development (MNPED), held seminars for officials from various ministries on the AEC 2015 (ASEAN Economic Community 2015); development model for SME credit rating agencies; establishment of SME Service Centres; post-2015 AEC vision; and PPP framework, all of which are aligned with the work of the AEM and AEC Deliverables under Myanmar's Chairmanship 2014.

The participants varied from Myanmar's high ministry officials to researchers from its banking sector. In one of the seminars, Dr Kan Zaw, the Union Minister for National Planning and Economic Development, discussed about the development strategies of Myanmar and noted that they are on the right track in accordance with the development policy framework and areas for future development. He added that the strategy for Myanmar's development includes sustaining agriculture towards industrialization and ensuring equitable and balanced development among regions and states.

Visiting Officers from Myanmar

To further support Myanmar's Chairmanship, ERIA also invited some ministerial officers from Myanmar to be based at ERIA under *ERIA's Attachment Program*. The first set consisted of three officers from the Foreign Economic Relations Department of the MNPED, namely, Ms. Thida Cho, Deputy Director, who stayed for six months, and Ms. Thi Thi Haing Win and Ms. Khaing Thazin, both Staff Officers who stayed for three months. They were followed by two visiting officers from the same Ministry, namely, Ms. Saw Kalaya Su, Deputy Director of the Foreign Economic Relations Department, and Ms. Mya Mya Thin, Staff Officer from the same department. The two officers are based in Jakarta for a period of six and three months, respectively. Ms. Mya Mya Thin's assignment ended on 30 April and she was replaced by Assistant Director Thi Thi Aye, also from the same office, who will stay for three months.

The visiting officers are working as an extension of the communication between ERIA and the MNPED. With regard to ERIA's support to Myanmar's chairmanship, Ms. Saw Kalaya Su said, "I am of the view that ERIA is seriously supporting the AEC pillar during Myanmar's Chairmanship; ERIA supports some research projects under Myanmar's Chairmanship this year, and both Myanmar and ERIA are ready to contribute to [do] further studies in accordance with ASEAN's instruction."

In terms of feedback to some of the capacity building



Prof. Nishimura speaking during a capacity building seminar in Yangon on Myanmar's development and on AEC and Beyond 2015. (photo: ERIA)

seminars held in Nay Pyi Taw, meanwhile, Ms. Kalaya added that the topics presented show that, "ERIA's support to Myanmar harmonizes with the AEC and AEM deliverables of Myanmar in 2014 such as connectivity, which is closely related to the word *unity* that is included in the chairmanship theme."

During their attachment program, the visiting officers learn more of the substantive aspects of PPP (public-private partnership), connectivity, SMEs and the AEC. All these are aimed towards helping them in their work wherein they are responsible not only in supporting the Myanmar Comprehensive Development Vision but also the Myanmar chairmanship.

More importantly, their stint at ERIA will hopefully lead to a broader sharing of knowledge to Myanmar's bureaucracy. "I do believe that I can support my ministry and share knowledge to my colleagues when I return back to the capital," Ms. Kalaya said.

Concluding Remarks

Given its strategic geographical location, Myanmar's development and reforms for a more open economy are considered to be vital factors in the deepening of ASEAN integration. Thus, the support provided by ERIA to Myanmar through its commitment in the MCDV, the attachment/visiting program it developed for Myanmar government officers and the capacity building program it set up to enhance Myanmar's human capital will hopefully redound to making Myanmar at par with the other ASEAN countries and a more active player in the trade and connectivity arenas in the region. □

¹Based on the ERIA handout on the "Progress of the Myanmar Comprehensive Development Vision (MCDV)" dated 09 January 2013.

ERIA and OECD Sign MoU for Cooperative Activities



The Economic Research Institute for ASEAN and East Asia (ERIA) and the Organisation for Economic Co-operation and Development (OECD) signed a three-year Memorandum of Understanding (MoU) at the OECD headquarters in Paris, France on 5 May 2014. The MoU spells out the framework for cooperation between the two organizations in areas of common interest in support of the regional integration process and national reform priorities in the Southeast Asian region.

Signatories to the MoU were H. E. Mr. Angel Gurría, OECD Secretary General, and Prof. Hidetoshi Nishimura, ERIA Executive Director, with H.E. Mr. Toshihiro Nikai, former Minister of the Economy, Trade and Industry of Japan who contributed to the creation of ERIA, witnessing the ceremony.

The collaboration between ERIA and OECD will focus on a number of substantive areas that include, among others: (a) policies to support SMEs and foster entrepreneurship, (b) investment in infrastructure through the use of PPPs, (c) analysis on trade in value added and global value chains, and (d) disaster risk assessment and risk financing. Both organizations will contribute resources in conducting joint projects on a regional and sub-regional level, holding joint symposia and workshops, sharing knowledge of lessons learned and evaluations of development in Southeast Asia, and consulting each other on programs regarding policy dialogue at the regional and sub-regional levels.

Referring to the signing as a historic moment, both parties acknowledged the importance of the cooperative undertaking in furthering development in the Southeast Asian region. □

ASEAN SME Policy Index is Introduced in Bali

The ASEAN SME Policy Index was formally introduced in Bali on 25 March 2014 during the OECD Southeast Asia Regional Forum. Based on the SME Policy Index developed by the OECD, ERIA organized the ASEAN SME Policy Index project wherein it invited experts from OECD and ASEAN Member States as well as worked closely with the ASEAN SME Working Group and ASEAN Secretariat.

The project was coordinated by ERIA Economist Dr. Sothea Oum with support from ERIA Senior Researcher Dr. Ponciano Intal, Jr. and ERIA Economist Dr. Dionisius Narjoko. Senior Economist Antonio Fanelli and Policy Analyst Anita Richter from OECD served as external advisors of the project.

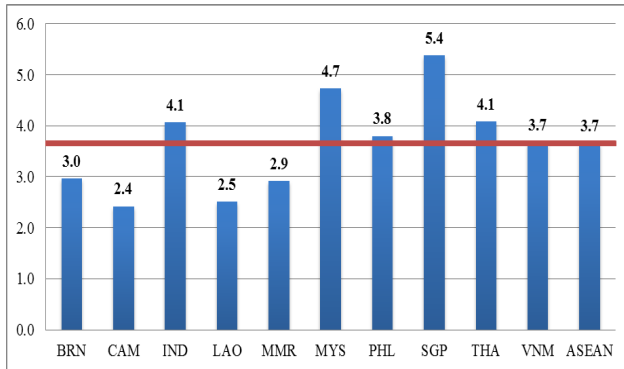
“The ASEAN SME Policy Index is a landmark assessment of each ASEAN Member State’s efforts and potentials to gain from the economic integration because its concept and development reflects the current economic

situation in ASEAN, the comparative advantage of each ASEAN economy, and the diversities among the member states,” said ERIA General Manager Yasushi Iwata in his opening remarks.

Around 95 percent of firms in the ASEAN Member States (AMSs) are SMEs. They create between 52-97 percent of employment and contribute about 23-58 percent to the Gross Domestic Product. Thus, SME development is a key factor in ASEAN’s economic integration.

SME development is embedded in the third pillar of the ASEAN Economic Community (AEC) Blueprint which focuses on attaining equitable economic development. An SME policy framework is crucial for the private sector’s growth. The Figure on the next page shows the summary of the ASEAN SME Policy Index assessments by country vis-à-vis the ASEAN average. Those with higher index scores reflect better performances.

ASEAN SME Policy Index – By Country



Source: ASEAN SME Policy Index Report

During the forum, Dr. Oum and Mr. Fanelli gave presentations about the project and report. Dr. Oum presented and explained about the functions of the Policy Index and the SME Policy Dimensions while Mr. Fanelli focused on the international perspective of the Index and the regions wherein this assessment tool has been applied. Finally, Mr. Anthony O'Sullivan, Acting Director of OECD's Global Relations, addressed five points in his closing remarks, namely: (1) continue monitoring the ASEAN SME policy development, (2) establish an OECD-ASEAN SME policy dialogue on good practices, (3) conduct regional ASEAN capacity building on SME Policy, (4) foster SME policy development through country-specific projects, and (5) establish a Regional SME Policy Network between OECD and ASEAN countries. □

ACADEMIC ADVISORY COUNCIL

ERIA Holds 6th AAC Meeting



Dr. Hank Lim (centre) opened the AAC meeting. (Photo: ERIA)

The Economic Research Institute for ASEAN and East Asia (ERIA) held its 6th Academic Advisory Council (AAC) Meeting on 13 April 2014 at the ERIA Annex Office in Jakarta with Prof. Dr. Hank Lim Giok-Hay from the Singapore Institute of International Affairs (SIIA) presiding as the Chairperson of the AAC. The meeting was attended by the members of the AAC coming from China, India, Japan, Malaysia, New Zealand and Singapore as well as by high officials and researchers from ERIA. A pre-meeting dialogue was also held on 11 April between Prof. Dr. Peter Drysdale, Emeritus Professor at the Crawford School of Economics and

Government of Australia and also a member of the AAC, and the ERIA officials and researchers to discuss about the research works and activities of ERIA.

In his opening remarks, ERIA Executive Director Prof. Hidetoshi Nishimura thanked the members of the AAC for their presence and support and reiterated his firm commitment to work hard and finish his duties in his second term as Executive Director as mandated by the Governing Board (GB) members of ERIA. For his part, Dr. Hank Lim emphasized the important role of AAC in setting the research direction of ERIA.

The meeting discussed recent developments and enhancements in ERIA's organizational set up and functions as well as ERIA's major engagements, symposia, capacity building programs and participation in the ASEAN and East Asia Summits.

ERIA's projects for the years 2013-2014 as well as its work plan for 2014-15 were the highlights of the discussions, with the AAC members giving suggestions with regard to possible areas of research to take up and some of ERIA's researchers also providing updates on their previous and current work. □

ERIA Co-organizes 8th Annual Conference on EITI

The Economic Research Institute for ASEAN and East Asia (ERIA), in collaboration with Keio University, organized the 8th annual conference on Empirical Investigation in Trade and Investment (EITI) wherein 32 prominent economists from various universities and institutions presented and discussed papers that bring new insights on international trade and investments.

The three-day conference held from 20-22 March in Phuket, Thailand had 15 papers presented, mostly using sophisticated methodologies that look at new features and areas of investigation related to international trade and investment.

For the first day, three papers looked at the relationship between trade and quality of goods, utilizing unique datasets of various countries and revealing novel aspects of trade and quality. Another three papers focused on trade in developing countries, employing sophisticated methods to highlight undiscovered features of firms in developing countries.

The morning of the second day heard three papers presented which focused on newly developed models and

brought attention to a new aspect of trade relating to correlations between migrant networks and trade. Meanwhile, in the afternoon, three other papers were presented looking at trade, labor and banking. Using new data and methodology, specifically an interdisciplinary approach, the papers analyzed issues that are important to both academics and policymakers.

Three additional papers dealing with trade and offshoring were presented on the third and final day of the conference. New features on the mechanism of offshoring, which have not been discovered before, were presented, thereupon bringing new material for policy.

The EITI conference has, through the years, provided a platform for researchers and economists from different parts of the world with novel perspective on issues relating to international trade and investment to pursue empirical research on said issues.

ERIA provides continuous support through this conference, which it has begun to co-organize since last year. The gathering leads to new ways of looking at and addressing trade and investment concerns. □

ERIA Executive Director Participates in Delhi Dialogue VI



ERIA Executive Director, Prof. Hidetoshi Nishimura, was invited to the Delhi Dialogue VI held on March 6-7, 2014 in New Delhi, India. This year's theme was *Realizing the*

ASEAN-India Vision for Partnership and Prosperity.

The Delhi Dialogue is an annual international conference for political and economic leaders, officials, academics and opinion-makers of ASEAN countries with their Indian counterparts to discuss about how to intensify and broaden political, strategic, economic and civil society interaction between ASEAN and India.

The Dialogue was organized by the Ministry of External Affairs, Government of India. It was attended by numerous high officials from ASEAN and India such as India's Minister of External Affairs H. E Salman Khursid, Myanmar's Minister of Foreign Affairs H.E U Wumma Maung Lwin, Deputy Prime Minister of Lao PDR H.E

Thongloun Sisoulith, Malaysian Deputy Minister of Foreign Affairs H.E Dato Hamzah Zainudin, and Secretary General of ASEAN H.E Le Luong Minh.

The discussion topic for this year's Dialogue included the *Role of North East India in India's Look-East Policy and Regional Architecture in Asia Pacific: Roles of India and ASEAN*.

Prof. Nishimura presented an update on *India-ASEAN Connectivity: A Renewed Look at North East India and Myanmar as the Key to India-ASEAN Connectivity* in Session 2 on *The Role of North East India in India's Look-East Policy*. He raised the importance of domestic connectivity in India and Myanmar and of lowering the trade and transport barriers as prerequisite for a successful India-ASEAN connectivity. He also highlighted the importance of the Mekong-India Economic Corridor (MIEC) and its effects on increasing Gross Regional Domestic Product (GRDP) in the region. In his conclusion, he explained that, "The ASEAN India connectivity will lead to regional integration among the growing economies in East Asia, positively impacting the growth of all economies." □

Supply Chain Networks: Effects on Firms' Resilience to Natural Disaster

The Economic Research Institute for ASEAN and East Asia (ERIA) organized the *Supply Chain Network* seminar on 10 March 2014 with prominent economist, Prof. Yasuyuki Todo of the Department of International Studies, Graduate School of Frontier Sciences, University of Tokyo, as guest presenter.

Prof. Todo presented his new paper, *How Do Supply Chain Networks Affect the Resilience of Firms to Natural Disasters? Evidence from the Great East Japan Earthquake*, which examined both positive and negative effects of supply chains in the recovery of Japanese firms from the Great East Japan earthquake through statistical analyses based on two firm-level datasets.

The paper concluded that diversified supply chain networks provided economic resilience to natural disasters, with the positive effects of supply chains exceeding the negative effects. The results showed that networks with firms outside of the affected areas contributed to the earlier resumption of operation, and networks within the region contributed to the sales recovery in the medium term.

The seminar was attended by 25 researchers from various institutions, including ERIA, and by some government officials. ERIA Chief Economist, Prof. Fukunari Kimura, acted as moderator. He later concluded the seminar by noting that the approach of the paper has a possibility of being applied to the study of supply chain networks in developing countries. □

AEC Scorecard Phase IV Meets Anew



The AEC Scorecard Phase IV Project coordinators and representatives from the participating ERIA Research Institutes Network (RIN) held its second workshop to discuss the approach and methodology, expectations and work program of the project to monitor compliance to the AEC Blueprint measures. The discussion took place in a two-day workshop held on 14 and 15 April 2014 at the ERIA Annex Office in Jakarta. The discussion was a continuation of the first workshop conducted in December 2013.

Chaired by the Project co-leaders and ERIA Senior Researcher, Dr. Ponciano Intal, Jr., the discussion focused on the methodology and on finding the right approach to get some useful outputs. Major studies under the project were also discussed. For instance, under services, the areas agreed upon for the surveys and interviews in comparing

implementation versus commitments include maritime services, banking, insurance, medical professions, health services, telecommunications, and tourism. The participants also agreed on the need to disseminate the project's results to the public to elicit their interest in the AEC integration process and maintain the AEC progress momentum. The project is expected to present its initial findings to the ASEAN Economic Ministers (AEM) Meeting this August.

The objectives of the Phase IV project are to update the scores of AEC measures recorded in the previous project phases, compare and monitor actual implementation vis-a-vis the AEC commitments, analyze results and identify bottlenecks and reasons for said results in order for policymakers to be able to make the right decisions, and establish better communication with the public.

The key areas for the Phase IV study are: non-tariff measures (NTMs), trade facilitation, service liberalization, investment liberalization MRAs on professional services, mobility of skilled labor, and standard and conformance. □

ERIA Activities

11-12 April 2014
ERIA-NZIER Regulatory Regime Discussion
Jakarta

29-30 May 2014
ERIA Governing Board Meeting
Jakarta

June 2014
ERIA Capacity Building (AEC 2015 and RCEP)
In Vietnam

19 July 2014
RIN Meeting
Bangkok, Thailand

ERIA ENERGY UNIT ACTIVITIES

The newly enhanced ERIA Energy Unit, with the new additions to its corps of energy economists, was kept busy in recent months as it organized working group meetings, participated in various international seminars and conferences, and presented papers in numerous fora on energy-related issues. Below is a summary of selected activities of the unit in the past two months.

THE 3RD WORKING GROUP MEETING ON ENERGY SAVING POTENTIAL IN EAST ASIA REGION 8-11 April Bandar Seri Begawan, Brunei Darussalam

The event was hosted by the Energy Department of the Office of Brunei's Prime Minister. The meeting emphasized the importance of energy efficiency for the sustainable energy future of the East Asia region. Special Advisor to ERIA Executive Director on Energy Affairs and leader of the Working Group Shigeru Kimura and ERIA Managing Director for Research Affairs Shimpei Yamamoto both stressed the importance of the outputs of the working group as they respond to the promotion of energy efficiency and conservation in the East Asian region. The WG's work is one of the most important areas in supporting the Energy Efficiency work stream tasked out by the East Asia Summit-Energy Ministers Meeting (EAS-EMM).

STAKEHOLDERS MEETING ON ASEAN CONNECTIVITY: POWER INTEGRATION BETWEEN THAILAND AND MYANMAR 4 April Bangkok, Thailand

The meeting was jointly organized by the Energy Research Institute (ERI) of Chulalongkorn University and The Policy Alternatives Research Institute (PARI) of the University of Tokyo. The stakeholders workshop aimed to understand the current energy situation and identify potential barriers in energy trade between Thailand and Myanmar. Shimpei Yamamoto as Research Coordinator of the workshop and ERIA Energy Economist Dr. Venkatachalam Anbumozhi represented ERIA in the meeting. Dr. Anbumozhi delivered the keynote address where he provided insights on the Southeast Asia Energy Outlook and mapped the lessons learned from the NT2 dam project, a bilateral power trade agreement between Lao PDR and Thailand. He also emphasized the need for Myanmar to adopt a multi-pronged bilateral cooperation strategy for rural electrification through policy and institutional reforms. The workshop also discussed the technical, institutional, political, economic and environmental barriers associated with Thailand's FDI in Myanmar.

THE 2ND WORKING GROUP MEETING ON SUSTAINABLE DEVELOPMENT OF NATURAL GAS MARKET 4 April Bali, Indonesia

The meeting discussed the progress of the project on sustainable development of natural gas market in the East Asia Summit (EAS) region, with participants coming from India, Malaysia, Myanmar, Thailand, and Viet Nam updating on the general trends and developments of natural gas demand and supply and the corresponding infrastructure in their respective countries. The discussions focused on transnational pipelines that connect new supply sources both in and outside of the region to demand centres in the region, especially for ASEAN and India; the increasingly more important role of LNG regasification terminals for the region to import natural gas globally in view of the growing demand and tightening indigenous supply of natural gas in the region; and the need to explore and develop new indigenous reserves under joint development schemes between neighboring countries. Mr. Shigeru Kimura, representing ERIA, was one of the opening speakers.

THE 2ND EAS WORKING GROUP MEETING ON "SMART URBAN TRAFFIC IN EAS" 3 April Jakarta, Indonesia



The meeting was chaired by Special Advisor to ERIA Executive Director on Energy Affairs Shigeru Kimura. He stressed the importance of improving energy efficiency in the road transport sector and looked forward to the results of the Bus Rapid Transit (BRT) studies conducted by the Working Group. The Working Group meeting came up with the following conclusions: (1) need for road transport planning to be related with energy efficiency policy; (2) need for strong policy leadership; and (3) need for periodic planning such as short-, mid- and long-term development.



**BRUNEI ENERGY WEEK AND BNERI
INTERNATIONAL ANNUAL CONFERENCE**
25 March
Bandar Seri Begawan, Brunei Darussalam

Members of the ERIA Energy Unit, together with ERIA Executive Director Prof. Hidetoshi Nishimura, attended the *Future Secure and Sustainable Energy Landscape for Brunei*. Prof. Nishimura delivered the keynote address wherein he presented an overview of the energy landscape in the EAS region and studies being implemented by ERIA such as the Energy Outlook, Energy Saving Potential, Strategic Use of Coal, Energy Market Integration in ASEAN and East Asia, and Power Grid Integration, among others. He assured the conference that “ERIA will continue to work on energy issues to bring pragmatic policy solutions in partnership with BNERI”.

Back-to-back with the Energy Week was a workshop organized jointly by ERIA and the Brunei National Energy Research Institute (BNERI) on the following day to discuss policy issues in the development of new and renewable energy in ASEAN and East Asia. Shimpei Yamamoto, Shigeru Kimura, ERIA Energy Economists Dr. Anbumozhi and Dr. Yanfei Li all presented papers on key technological, economical and trade issues relating to renewable energy in the region and participated in the panel.

THE 2ND APEC OIL AND GAS SECURITY FORUM
25 March
Tokyo, Japan

Together with representatives from APEC economies and experts from METI, APERC, IEA, ASCOPE, ACE, HAPUA and various universities, ERIA Energy Economist Dr. Han Phoumin attended the 2nd Asia Pacific Economic Cooperation (APEC) Oil and Gas Security Forum. Dr. Han was invited as an expert to present the prospects of oil and gas security for ASEAN and East Asia in the near future and the implications of the shale gas revolution. He noted that the shift of energy demand towards Asia and the shale gas revolution are taking place at the right time when Asia will be needing more energy and the US’s surplus will be able to supplement whatever deficit there will be. However, he also cautioned that because some gas-producing countries may be taking a “wait-and-see” stance during the period of uncertainty of the unconventional gas revolution, Asia may still experience a tight supply of energy. He expressed ERIA’s commitment to closely monitor developments in the area of unconventional oil and gas which he said will spell the big difference in the whole scenario.

**1ST EAS WORKING GROUP MEETING ON THE
STRATEGIC USAGE OF COAL IN THE EAS REGION**
6 March
Jakarta, Indonesia

The meeting looked at the Working Group member countries’ status of energy consumption and coal usage in power generation as well as some policies aimed towards the use of clean coal technologies in the near future.

Mr. Shigeru Kimura presented the outlook in the EAS region with regard to the increasing demand for coal. He said that coal will still constitute the largest share of primary demand although its share in total primary energy consumption is expected to decline from 54.1 percent in 2010 to 48.3 percent in 2035. The share of coal-fired generation, meanwhile, is projected to remain as the largest at above 55 percent of the total until 2035.

To ensure the provision of energy security in the medium to the long term, the Working Group members agreed that it is important to adopt a strategic usage of coal as well as properly choose the coal-fired generating technology to be used. Clean coal technologies are available but their upfront costs are quite high. Thus, lowering upfront cost investment through appropriate financial and support framework is important.

**G20 GLOBAL LEADERSHIP PROGRAM
ON SUSTAINABLE ENERGY SYSTEM**
3-14 March
Seoul, Korea



Sponsored by the Government of Korea, the G20 Leadership Program aims to bring together senior officials and stakeholders from various countries to help improve global economic development through regional cooperation. Dr. Venkatachalam Anbumozhi participated in the 4th delivery of the program where he presented a paper titled *Sustainable Energy Systems in the 21st Century* which dealt with the sharing of regional pursuits of sustainable development and the contribution of a new energy system. About 35 senior government officials from 27 countries participated in the interactive learning, discussion and sharing of experiences which resulted in the drawing up of a road map for implementing concrete actions at the sector level on short- and medium-term basis. □

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.

PARIS

27th

H.E. Ms. Maria van der Hoeven, Executive Director of the International Energy Agency (IEA)



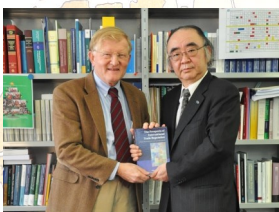
After giving a brief overview of ERIA's research and activities focusing on the energy sector, Prof. Nishimura thanked H.E. Ms. van der Hoeven for the support given by the IEA on the preparation and publication of the "Southeast Asia Energy Outlook". ERIA and the IEA jointly conducted the report which provided an energy outlook for Southeast Asia until 2035. The outlook provides an analysis of energy demand prospects, resources and supply potential in the region as well as implications of energy development in balancing supply for domestic use and exports.

"We did it," said Ms. van der Hoeven, commending the ERIA-IEA collaboration on the outlook report which was mentioned in the Chairman's Statement of the 8th East Asia Summit. She also sought the cooperation of ERIA to do a joint ERIA-IEA follow-up study to the report as requested by the Southeast Asian Ministers. Member countries are very interested in the report and need more information; hence, the request for a follow-up study. □

SWITZERLAND

29th

Dr. Thomas Cottier, Managing Director of the World Trade Institute (WTI), University of Bern



Prof. Hidetoshi Nishimura introduced ERIA to Dr. Cottier as a Sherpa organisation of the East Asia and ASEAN Summits, with the major function of helping deepen economic integration in East Asia, in particular, in support of ASEAN's role as driver of the deepening of economic integration in East Asia.

In response to the call of the ASEAN Leaders for a well-connected ASEAN in building an ASEAN Community, for instance, Prof. Nishimura said that ERIA worked with various institutions in drafting the Master Plan on ASEAN Connectivity. He added that ERIA introduced the concept of ASEAN connectivity to mean people-to-people connectivity, physical connectivity, and institutional connectivity.

Prof. Nishimura also cited the occasion when ERIA co-hosted a session at the margin of the Ninth WTO Ministerial Conference in Bali in December 2013 wherein ERIA presented a new perspective on regional and multilateral trading system based on the evolving production networks in East Asia. ERIA argued then that the East Asian integration is beyond conventional trade integration and that trade facilitation actually plays a big role.

For his part, Dr. Cottier noted that ERIA and WTI can work together in developing a theory of multilevel governance on the issue of global integration. There is a need to build specific governance structures for issues that need to be dealt with on a national level, on a regional level, and on a global level. Both can also make intellectual contributions in working towards the expansion of WTO dispute settlement issues to cover preferential trade agreements. This will enable preferential trade issues to be litigated at the WTO using the dispute settlement machinery. □

LONDON

30th

Dr. Robin Niblett, Director of the Chatham House



Prof. Nishimura explained the nature and objectives of ERIA during his meeting with Dr. Robin Niblett, Director of Chatham House, a global think tank established in the 1930s doing research on issues such as international security, environment, new financial centers and global economic rebalancing.

Citing ERIA's role as a Sherpa organisation of both the ASEAN and East Asia Summits, Prof. Nishimura said that ERIA's first major accomplishment was the drafting of a master plan on ASEAN connectivity for which it offered the concept that embodies ASEAN connectivity. It also contributes to the building of the ASEAN Economic Community (AEC) through the review and monitoring of the implementation of the AEC Blueprint as well as through the drafting of a post-2015 AEC vision. In support of Myanmar's Chairmanship of the ASEAN for 2014, ERIA also led in the preparation of the Myanmar Comprehensive Development Vision (MCDV) which was endorsed by the ASEAN Summit. Meanwhile, ERIA submitted the Comprehensive Asia Development Plan (CADP), a grand spatial design for infrastructure development in East Asia, to the 5th East Asia Summit in October 2010. It likewise prepared the "Southeast Asia Energy Outlook" with the International Energy Agency (IEA) in 2013.

Complimenting the work done by ERIA, Dr. Niblett said that Chatham House will be very much interested in collaborating with ERIA since Chatham House would really like to do more work in the East Asia and ASEAN space. With the new knowledge about the region coming from ERIA, being in the center of the governments in ASEAN and in the intersection of the whole ASEAN development and philosophy, Dr. Niblett wholeheartedly welcomed the opportunity. □

Myanmar Leads ASEAN in 2014

by ANITA PRAKASH

The political transition and civil reforms in Myanmar since 2011 found active support from all nations and the 19th ASEAN Summit in Bali in 2011 endorsed these reforms in its Chairman's Statement by according the chairmanship of ASEAN in 2014 to Myanmar.

In this period of reform and transition, Myanmar now faces the challenge of leading a region that is working towards prosperity and integration, while remaining stable and peaceful in its pursuit of economic growth.

Domestically, Myanmar's Framework for Economic and Social Reform sets out the country's development priorities until 2016 and aims for peace, prosperity and democracy. Those watching the reforms unfold believe that government and people are looking for the same tangible developments. However, Myanmar's unique demography demands greater reconciliation among ethnic groups so as not to derail either the development process or the physical and moral resources of the government in chairing ASEAN and hosting other related summits in 2014.

On the external front, with ASEAN moving closer to its community-building objectives in 2015, there is renewed pressure on member countries to implement the ASEAN Community Blueprints as development gaps influence the quality and pace of economic integration. The East Asia Summit (EAS) presents an even more complex environment in both geopolitical and economic terms. The entry of the United States and Russia into the EAS in 2011 has rearranged the economic and strategic dynamics of the region. In particular, the US 'pivot' to Asia has revealed the trust deficit among many member countries.

Disputes over the South and East China Seas, the dormant volatility of the Korean peninsula, continue to loom over the region.

Against this backdrop, Myanmar's early signs of leadership in ASEAN are commendable. Thein Seir's acceptance speech, which he delivered in Bandar Seri Begawan on 10 October 2013, set out the kind of leadership expected from the chair and sets the regional agenda for the entire year. The president has set the theme for ASEAN in 2014 as *moving forward in unity, towards a peaceful and prosperous community*. The effort to project ASEAN as a united, peaceful, and prosperous region to the outside world is a sign of an outward-looking leader. Myanmar has also spelled out the importance of involving the public in building a successful ASEAN community. By all indications, the public's involvement in and ownership of ASEAN is very low. Myanmar can make a meaningful contribution in bringing the community-building process closer to the people.

The speech acknowledged the support of Myanmar's neighbors in ASEAN and the dialogue partners of the EAS, many of which are now actively supporting the country's infrastructure development and the reform process. Myanmar has been more open than previous chairs in noting the role of dialogue partners in regional development. These partners have intensified their cooperation in implementing the Master Plan on ASEAN Connectivity and the ASEAN Community Blueprints. Myanmar's chairmanship is expected to strengthen ASEAN's relationship with its dialogue partners.

As the economic integration of ASEAN and East Asia moves forward through mechanisms such as the Regional Comprehensive Economic Partnership (RCEP), Myanmar must use its

chairmanship to keep these agreements on track. However, strategic and security concerns in the region continue to overshadow cooperation. The South China Sea and East China Sea disputes are unlikely to see an early and amicable resolution and member countries have to balance their economic aspirations with the regional security issues. Developing a rules-based security regime for the region, especially in maritime security, is of utmost importance.

Myanmar's leadership in 2014 therefore assumes critical importance as it persuades member countries to follow the principles contained in the Treaty of Amity and Cooperation in Southeast Asia and the 2011 Declaration of the East Asia Summit on the Principles for Mutually Beneficial Relations (Bali Principles). While cooperation on development initiatives in six priority areas – the environment and energy, education, finance, global health issues and pandemic diseases, natural disaster management, and ASEAN connectivity – are progressing well, the security cooperation agenda is lagging behind. Myanmar would do well to focus on this early in the year in the upcoming 26th ASEAN Summit.

As ASEAN moves closer to the realization of its community in 2015, it must also look to the future in order to sustain its current momentum. Similarly, the EAS has to chalk out its regional and global role for the future – one that optimizes the group's economic and political influence on the world order. Myanmar now has both the challenge and the opportunity to lead the region into an ambitious and decisive future. □

Anita Prakash is Director of Policy Relations at the Economic Research Institute for ASEAN and East Asia (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 anita.prakash@eria.org or to the editor of ERIA FRAMES at info@eria.org

Indonesian VP: Surviving and Prospering in the Global Economy



From left:
Prof. Fukunari
Kimura, VP
Boediono, Iwan
Azis and Toni
Prasetyantono.
(photo:ERIA)

“The important question is how to survive and prosper,” (wapresri.go.id), Indonesian Vice President Boediono said as he stressed the importance of productivity and competitiveness in a high risk world environment today.

The Vice President made such statement during the East Asia Policy Dialogue held on 17 April 2014 at the Sheraton Hotel in Yogyakarta, Indonesia titled *Levelling Up Indonesia's Value Added*. The Dialogue -- a first of its kind in Indonesia -- was a joint undertaking of the Indonesian government, the Business and Economy Magister Programme of Gadjah Mada University and the Economic Research Institute for ASEAN and East Asia (ERIA), and designed to serve as a forum for discussion and exchange of views between Indonesian policymakers and ERIA researchers on key policy issues.

In his opening remarks, ERIA Executive Director Prof. Hidetoshi Nishimura highlighted ERIA's numerous research through the years which helped ASEAN policymakers in their deliberation of issues especially as they affect ASEAN integration and the realization of the ASEAN Economic Community (AEC) 2015. He also stressed the importance of focusing on the vision for an AEC post 2015 and on what Indonesia's role will be in it. “We are waiting for a discussion

on how Indonesia would increase its position in international trade and play an active role in it,” he said.

The Dialogue had for its panel members, ERIA Chief Economist Fukunari Kimura, Economist Iwan Jaya Azis, and Indonesian Vice President Boediono, with Economist Toni Prasetyantono as the moderator. Also in attendance were Gadjah Mada University Rector Prof. Dr. Pratikno, Public Works Minister Djoko Kirmanto, Deputy Industry Minister Alex Retraubun, and Deputy Law and Human Rights Minister Denny Indrayana as well as more than 400 Indonesian delegates coming from all over the country.

Vice President Boediono outlined four prerequisites for Indonesia to be able to survive and prosper, namely: (1) protection and promotion of energy and food security, (2) integration in both domestic and foreign affairs, (3) development of its natural resources, and (4) involvement in global supply chains. All four have to be consistent with one another. “We can't do only one and leave the others behind”, he pointed out.

He likewise cautioned Indonesia against the pitfalls of the middle income trap wherein neighboring countries have been making cheaper products and developed countries keep moving forward with new innovations. “We have to keep moving; if we don't do anything, we will be trapped in the middle.”

He concluded that aside from moving fast, the Indonesian government needs to make decisions in the right way to be able to push the country's economic growth forward and further. □

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.

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