

# Frames

Features, News, Thoughts & Feedback

Vol. I.No.4. JULY-AUGUST 2014

website: [www.eria.org](http://www.eria.org)

ISSN:2355-0708

## EDITOR'S NOTE

Some things are meant to be. In 2006, in a meeting held in Kuala Lumpur between ASEAN Economic Ministers and Japan's METI, the idea of creating an organization in the ASEAN and East Asia region that would somehow be the equivalent of an East Asia OECD was proposed. Later, further developments subsequently led to the establishment of ERIA. Meanwhile, across the continent in Paris, just a few months apart, OECD member-Ministers identified Southeast Asia as a region of strategic importance and proposed that OECD promotes stronger engagements with the region through the setting up of a Southeast Asia Regional Programme. As OECD's interest in the region grew, it was natural and inevitable for both organizations to cross paths and work together on some undertakings. Since they share common elements in their structure and mandate, especially the desire to improve conditions in Southeast Asia, it was simply a matter of time for them to come together and forge a formal agreement as embodied in the MoU that they signed last May.

As shown in the accompanying lead feature, back stories to a major event are just as interesting and meaningful, if not more, as the event itself. In a way, the celebration of the signing is meant to acknowledge the fulfillment of earlier aspirations and fruition of the hard work that went along prior to the event. But more than that, the celebration marks the promise and potentials of brighter prospects that said agreement can lead to.

And for the more than 600 million people in the region whose lives and futures may be affected, the agreement therefore cannot – and should not – fail.

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## ERIA-OECD

### ERIA - OECD MoU: The Back Story



Prof. Hidetoshi Nishimura and H.E Angel Gurría (middle) at the OECD Headquarters, Paris

On 5 May 2014, the Economic Research Institute for ASEAN and East Asia (ERIA) and the Organization for Economic Co-operation and Development (OECD) signed a Memorandum of Understanding (MoU) for Cooperative

Activities at the OECD headquarters in Paris, France. The signing is a culmination of developments that took place on each side and which focused on a common area of concern: the betterment of the Southeast Asia region. Ultimately, it seemed natural and logical that a closer arrangement between the two organizations is forged.

### Background of events

As early as 2006 during the 13<sup>th</sup> Consultation between the ASEAN Economic Ministers and the Ministry of Economy, Trade and Industry of Japan (AEM-METI) held in Kuala Lumpur, then METI Minister, H.E. Mr. Toshihiro Nikai, proposed to establish a think tank for the ASEAN and East Asian region that would approximate an East Asia version of the OECD. From there, developments have snowballed and on 3 June 2008, ERIA was formally established.

Meanwhile, on the other side of the globe in 2007, Ministers from OECD Members identified Southeast Asia as a region of strategic priority and called for ways to explore the expansion of OECD's relations with the region. At the 2013 Ministerial Council Meeting, the OECD Ministers formalized this by calling for the establishment of an OECD Southeast Asia Regional Programme whose objective is to strengthen engagement with the region in order to support the → 2



regional integration process and national reform priorities. The Programme is also to foster the exchange of good practices and mutual learning among policymakers in Southeast Asia and OECD countries, bringing perspectives from the Southeast Asian region to enrich the policy debate at the OECD<sup>1</sup>. The Programme, in short, calls for the commitment to cooperate with the region. Eventually, it became a part of the Ministerial Council's document titled *Strengthening the OECD's Global Reach*<sup>2</sup>.

As OECD's interest in the Southeast Asian region increased, the opportunity arose for initiating the beginning of an ERIA-OECD collaboration. This was in the development of the ASEAN SME Policy Index. One of the pillars of ERIA's research is the narrowing of development gaps in the region. The development of small and medium enterprises (SMEs) constitutes a major aspect that could address this inasmuch as SMEs represent around 95 percent of the firms in the ASEAN Member States (AMSs) and improving them will consequently expand livelihoods and uplift the welfare of the majority of the population.

In the Chairman's Statement of the 19<sup>th</sup> ASEAN Summit in Bali, Indonesia on 18 November 2011, one of the deliverables committed was the completion of the newly started study being conducted by ERIA at that time on "ASEAN SME Policy Index: Towards Competitive and Innovative ASEAN SMEs." The study was a response to the need to have an analytical and dynamic tool to review SME policy developments on a number of policy dimensions *both* at the regional and national levels, an improvement to the ASEAN strategic frameworks for SME development (the ASEAN Policy Blueprint for SME Development or APBSD and the Strategic Action Plan for ASEAN SME Development or SAPASD) which focused mainly on the regional level<sup>3</sup>.

Based on a tool developed by the OECD called the SME Policy Index, ERIA's study on the development of an ASEAN SME Policy Index thereby provided the instance to solicit the advice and expertise of OECD experts, thus forming the start of a collaborative undertaking between the two organizations. The study also involved close coordination with the ASEAN SME Agencies Working Group and the ASEAN Secretariat.

### **Broadening of ERIA's Reach Outwards and Increase in the ERIA-OECD Interface**

As part of its new initiative to broaden its reach to

institutions and regions outside of ASEAN and East Asia and to expand its linkages with various international platforms, the year 2014 began with ERIA Executive Director Prof. Hidetoshi Nishimura having a discussion with OECD Secretary-General Mr. Angel Gurría in Paris on ERIA's work and mandate. During this 31 January meeting, Prof. Nishimura thanked OECD for its support and collaboration in the development of the ASEAN SME Policy Index and called for further cooperation in various other areas. For his part, OECD Secretary-General Gurría congratulated Prof. Nishimura for ERIA's being a "shining reality" of the East Asia OECD that Japanese Minister Nikai had earlier proposed to have. He also commented on the possible key role that ERIA will play in OECD's Southeast Asia Regional Programme which was scheduled to be launched in May.

"The [OECD's] partnership with ERIA is very important and critical in being able to make the Southeast Asian region better", Secretary-General Gurría said. He also invited ERIA to participate in the OECD Southeast Asia Regional Forum to be held in March in Bali, Indonesia and suggested that the ASEAN SME Policy Index be presented there.<sup>4</sup>

The Southeast Asia Regional Forum was a prelude to the launching of OECD's Southeast Asia Regional Programme. It provided the opportunity for OECD to hear the perspectives from countries in the Southeast Asia region on how OECD's Regional Programme can be most useful to them. The Forum looked into policy themes relevant to the ongoing regional integration process and the various Southeast Asian countries' domestic reform agenda.<sup>5</sup>

During one of the Expert Seminar sessions of the Forum, the ASEAN SME Policy Index was introduced with the presentation of the joint ERIA-OECD publication titled *ASEAN SME Policy Index 2014: Towards Competitive and Innovative ASEAN SMEs*. SME development is one of the nine key policy areas wherein OECD will focus in the first phase of its Regional Programme and is also one of ERIA's major projects to help in narrowing the development gaps in the region. **Box 1** provides some of the highlights of the publication and outlines the significance of the ASEAN SME Policy

*The signing is a culmination of developments that took place on each side and which focused on a common area of concern: the betterment of the Southeast Asia region.*

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Index to the region.

At the same time, Prof. Nishimura was also invited to moderate one of the high-level panel sessions of the Forum where policy priorities of Southeast Asian countries were discussed for better sharing of the benefits of sustained growth.

### Formal launch of OECD's SEA Regional Programme and signing of the ERIA-OECD MoU

At the 2014 Ministerial Council Meeting of the OECD in May in Paris, its Southeast Asia Regional Programme was formally launched. Among the documents issued were the Chair's Summary and the Strategic Orientations of the Secretary-General where it was mentioned that "In implementing the Programme, we [OECD] will collaborate with and benefit from the expertise and support of other regional organizations such as ERIA, ..."

This collaboration was then put into formal agreement with the signing of the ERIA-OECD Memorandum of Understanding for Cooperative Activities on 5 May 2014 in Paris. The historic occasion was made even more memorable with the presence as witness of former METI Minister H.E. Toshihiro Nikai who was instrumental in the creation of ERIA and who, as mentioned earlier, set it out to be the "East Asia OECD".

### Significance of the MoU



*Prof. Hidetoshi Nishimura reads a Haiku that he wrote to celebrate the joint cooperation between ERIA and OECD.*

Clearly, with the bringing in of each other's expertise and resources into the agreement, the MoU shows a stronger commitment of both ERIA and OECD in conducting research and research-related activities that would help deepen the regional integration process and support the reform agenda of the individual

countries in the Southeast Asia region. It sets out the framework for cooperation between the two organizations, including having a platform for the exchange of mutual learning and experiences as well as best practices. For ERIA, in particular, the MoU also represents its pursuit to strengthen linkages with institutions, governments and researchers with strong interest in ASEAN and East Asia but are based outside of the ASEAN region. The perspectives of these entities may provide value added to ERIA that will enable it to be of greater service to the region.

The cooperative agreement will involve joint activities like research, symposia and workshops, evaluations and consultations on substantive and critical areas like investment in infrastructure through the use of Public-Private Partnership frameworks, disaster risk assessment and risk financing, policies to support SMEs and foster entrepreneurship, and trade in value added and global value chains. All these are key areas in bringing a more equitable development in the region as well as in helping realize the building of the ASEAN Community. Through the years and as the collaboration gets stronger with every activity done, it is hoped that the partnership between the two organizations further evolves into even deeper and meaningful ties.

As Japanese Prime Minister Abe who delivered the keynote speech during the OECD Ministerial Council Meeting in May, noted, "It is significant that the cooperation between ERIA and OECD [has to] be deepened in the future."

And indeed, the gainer will be Southeast Asia. □

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<sup>1</sup>Memorandum of Understanding for Cooperative Activities Between ERIA and OECD, 2014, p. 2.

<sup>2</sup> OECD Ministerial Council Meeting, 6-7 May 2014, Paris.

<sup>3</sup>"Prologue: Overview of the ASEAN SME Policy Index" in *ASEAN SME Policy Index 2014: Towards Competitive and Innovative ASEAN SMEs*, pp. 3-4.

<sup>4</sup> *ERIA Frames*, March-April 2014, Vol.I, No. 2, p. 6.

<sup>5</sup> OECD Southeast Asia Regional Forum: Regional Competitiveness for Sustained Growth (Draft Agenda), 24-26

## Box 1. The ASEAN SME Policy Index: Monitoring SME Progress Vis-à-Vis Policies and Programs<sup>1</sup>

At the 34<sup>th</sup> Meeting of the ASEAN SME Agencies Working Group (SMEWG) held on 11 June 2014 in Manila, Philippines, ERIA and OECD jointly handed over officially the final report “ASEAN SME Policy Index 2014: Towards Competitive and Innovative ASEAN SMEs” to the Chair of the ASEAN SMEWG. The completion of the report is the result of more than two years of work and collaboration among ERIA, OECD, the SMEWG and the ASEAN Secretariat led by ERIA Project Coordinator, Dr. Sothea Oum.

### What the ASEAN SME Policy Index Means

Because of the predominant composition of small and medium enterprises (SMEs) in the business landscape of the ASEAN region, it is important to pursue SME development both to achieve an equitable development in the region and to contribute to the competitiveness and robustness of the economies of the ASEAN Member States (AMSs) and the region as a whole. As such, it is important for the policy regime in the region to be facilitative of the growth and development of the SME sector, as determined by both ASEAN regional initiatives and agreements, and national policies and programs. Towards this end, there has to be a comprehensive and effective monitoring tool like the ASEAN SME Policy Index to see whether the policies, programs and institutions are supportive of the development of SMEs in the region. Through said index, policy dialogues are facilitated and regulatory and policy environments are connected towards the achievement of good practices in order to improve the business environment relevant to SMEs in any of the five stages of their life cycles, i.e., from pre-start-up to start-up to growth to maturity to revival.

### Framework: Constructing the ASEAN SME Policy Index

Derived from the OECD SME Policy Index, the ASEAN Index generally follows its approach and framework which

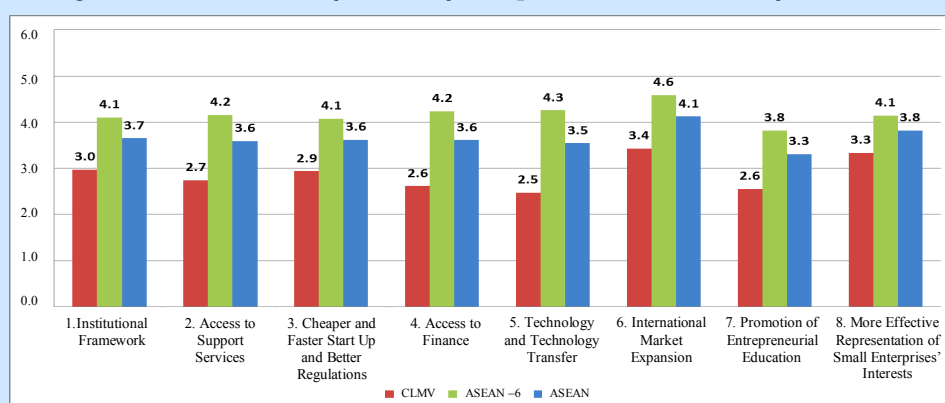
consists of several policy dimensions, each of which is subdivided into a number of sub-dimensions which in turn are composed of a number of indicators. Then each indicator has a number of levels of policy reform or a set of policy reforms.

However, in the ASEAN SME Policy Index, the above elements/dimensions have been adapted to the specific circumstances of the ASEAN region to reflect more of its state and progress. Using the ASEAN SME Blueprint, the Strategic Plan for ASEAN SME Development and the OECD as basis in identifying the dimensions for ASEAN, the final list of policy dimensions in the ASEAN Index consists of eight, namely: (1) institutional framework, (2) access to support services, (3) cheaper and faster start-up and better legislation and regulation for SMEs, (4) access to finance, (5) technology and technology transfer, (6) international market expansion, (7) promotion of entrepreneurial education, and (8) more effective representation of SMEs' interests.

### Assessment Results

The results of the ASEAN SME Policy Index assessment/scoring as conducted in all the ten AMSs show that (1) there is an uneven level of performance in the implementation of SME development at the national level between the less developed ASEAN members, namely, the CLMV countries [Cambodia, Lao PDR, Myanmar and Viet Nam] and the more advanced ASEAN countries, namely, the ASEAN-6 [Brunei Darussalam<sup>2</sup>, Indonesia, Malaysia, Philippines, Singapore and Thailand]; and (2) the most significant gaps and low standing are found in five policy dimensions, namely, technology and technology transfer, access to finance,

Figure 1. ASEAN SME Policy Index - By Group of Countries and Policy Dimension



access to support services, promotion of entrepreneurial education, and cheaper, faster start-up and better regulations.

Figure 1 shows the gaps in the policy dimensions between the ASEAN-6 and the CLMV countries vis-à-vis the ASEAN average. With higher index scores reflecting better performances and practices, the Figure indicates the ASEAN-6's scores to be above the ASEAN average while the CLMV countries' scores are below.

#### Implications and Ways Forward

The assessment results indicate that there are big gaps between the ASEAN average, ASEAN-6 (except Brunei Darussalam) and the CLMV countries both at the aggregate level and across dimensions. This therefore calls for collective efforts and support to be given to the CLMV countries to improve their policy environments and narrow the gaps, most especially in the five abovementioned policy dimensions.

Besides specific measures such as providing capacity building programs to the less developed AMSs on institution

building and strengthening credit risk management systems to address the shortcomings and gaps, the report primarily recommends the establishment of a higher ASEAN body for SME development policy and the institutionalization of the ASEAN SME Policy Index which would involve the further refinement of the Index and the regular undertaking of the assessment/monitoring for ASEAN. □

<sup>1</sup>Culled from *ASEAN SME Policy Index 2014: Towards Competitive and Innovative ASEAN SMEs* (Advance Copy), Jakarta: ERIA and OECD, March 2014.

<sup>2</sup>An exception is the case of Brunei Darussalam which has a relatively lower score when compared to Viet Nam.

## NEWS UPDATES

### *ERIA Executive Director Visits Two Key Cambodian Ministries*

**E**RIA Executive Director Prof. Hidetoshi Nishimura made courtesy visits to two key Cambodian ministries during his recent trip to the Kingdom of Cambodia.

His first visit was to H.E. Mr. Suy Sem, Minister of Mines and Energy of Cambodia, on 16<sup>th</sup> of June wherein he expressed his thanks and appreciation to the Cambodian government for its numerous cooperation with ERIA, especially on energy-related issues taken up during Cambodia's Chairmanship of the ASEAN/EAS Energy Ministers Meeting (EMM) in 2012. He also mentioned the acknowledgement made by the EAS Leaders for the contributions of the ERIA-supported studies under the EMM's Energy Work Stream which included, among others, Energy Efficiency and Conservation, and Energy Market Integration.

For his part, H.E. Mr. Suy Sem thanked ERIA for its technical support in the preparation of the study *Petroleum Consumption Survey 2013* as well as its inclusion of many staff members from the recently established Cambodian Ministry of Mines and Energy in ERIA-organized capacity building seminars, especially on the topic of *Energy Outlook*.

Meanwhile, Prof. Nishimura also called on Cambodian Senior Minister and Minister of Industry and



*Prof. Hidetoshi Nishimura with H.E. Mr. Suy Sem (left) and H.E. Dr. Cham Prasidh (right)*

Handicrafts, H.E. Dr. Cham Prasidh, on 17<sup>th</sup> of June, during which he explained about ERIA's recent activities relating to the promotion and improvement of Small and Medium Enterprises (SMEs) in the ASEAN region. He said that the recent completion and publication of the joint ERIA-OECD report *ASEAN SME Policy Index 2014: Towards Competitive and Innovative ASEAN SMEs* represents one of ERIA's major contributions in this regard.

H.E. Dr. Cham Prasidh responded by noting that the findings and recommendations of the Policy Index report would be of much help to Cambodia because of their very important implications on the building of capacity for the country's Ministry of Industry and Handicrafts. □

## Blazing The Path to Energy Security in ASEAN and East Asia

by VENKATACHALAM ANBUMOZHI, HAN PHOUMIN AND YANFEI LI

The pattern of energy supply and demand that has prevailed over the last three decades is undergoing transformation, with the consequence for the future of energy security and regional cooperation in ASEAN and East Asia still unfolding. The two main developments causing this are the rise of ASEAN, China and India as the dynamic center of energy consumption and the impressive additions to oil, gas and coal output. The first is driven by population increase, industrial growth and economic ascendance of emerging economies. The second stems from the opening up of new geological formation for the production of conventional fuels at a reasonable cost. ERIA's energy outlook studies show that the East Asia region's final energy consumption in the Business- As-Usual (BAU) Case is expected to increase from 3,112 Mtoe in 2011 to 5,545 Mtoe in 2035, an increase of 2.4 percent per year (Figure 1). Carbon emission in this case is projected to increase from 3,683 Mt-C in 2011 to 6,492 Mt-C in 2035 (ERIA, 2014a). It is, however, estimated that about 40 percent of the 1.6 billion people who lack access to electricity live in this region. So how to provide and keep the lights on? Decarbonize the energy system, and attain energy security.

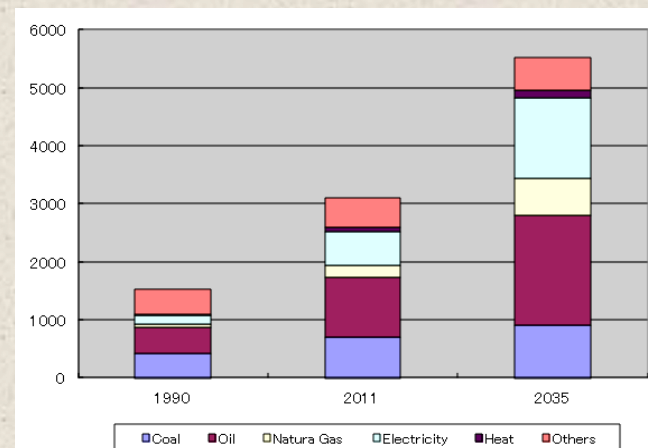


Figure 1. Energy Outlook of EAS region under BAU scenario (Source: ERIA, 2014a)

ASEAN and the emerging economies of China and India, with demand expected to grow by as much as 250 percent by Alternative Policy Scenarios (APS), face huge system-wide investment demands, from energy efficiency to the development of regional interconnected grids and improved

use of low quality coal. It has become clear that business-as-usual policies are not sufficient to bridge the gap. Over the past several years, therefore, ERIA has built its research to be able to offer the regional economies the best strategies to cement energy security.

### Harnessing Energy Efficiency Potentials

Recent analysis of a subset of seven East Asia Summit (EAS) countries has shown that over the long term, energy savings from supply side and demand side energy efficiency measures exceed the output of any single fuel source. Meanwhile, energy productivity is also improving rapidly. The amount of energy used to produce a unit of GDP declined by 1.5 percent in 2011, compared with an average annual decline of 0.4 percent between 2000 and 2010. The Alternative Policy Scenarios envisage additional investments of USD 12.7 trillion in electricity for industry as well as the residential and commercial sectors (ERIA, 2014a). The increased investments could generate cumulative savings of 14 percent in Total Primary Energy Supply and 11 percent in avoided carbon emissions, compared to total final energy consumption. The benefits of energy efficiency are multi-faceted as investments in energy efficiency can also contribute to economic growth via new job creation and improved health.

From a conceptual point of view, the opportunities with energy efficiency as a hidden fuel are known, the good will is there, and the technical solutions exist and are known. But the main hurdle is implementation on the ground. In this respect, planning, standard and target setting, institutional and human capacity building and innovative business models, among others, are basis for implementing a general framework to harness energy efficiency potentials. This framework should be supported by government policies on rationalizing energy pricing mechanisms.

### Integrating the Energy Markets

The region faces a sharp increase in reliance on oil imports, which will impose high costs and lead to more vulnerability to potential disruptions in the future. On the other hand, the unevenly distributed 229 GW of hydro-power, 1.2 million cubic meters of natural gas, 0.8 billion cubic meters

of oil in the Greater Mekong Sub-Region (GMS) provide an opportunity for the region's emerging economies to tackle energy gaps and security challenges through cross-border power interconnection. Economic analysis of selected ASEAN power-grid interconnection projects indicates that they greatly improve the investment on power system efficiency and bring in an additional 33,125 MW of hydro energy, cutting down carbon emissions by almost 70 Mt/year by the 2030s (ERIA, 2014b).

While an integrated energy market could drive investment decisions in an efficient way, the current domestic policy environment that favors such mechanisms, however, is far from the ideal. System operators and regulators continue to rely on discretionary decisions that strongly incentivize investments locally and influence capacity prices and power plant revenues, thereupon threatening the bright opportunities available at the regional level. New developments in terms of soft infrastructure such as laws, standards, deregulations and new models of public financing are crucial to allow energy trade and investment to happen regionally on competitive basis.

### Energizing with Clean Coal

ASEAN and East Asia will continue to be an important player in global coal markets in the coming decade. At the end of 2012, the combination of China, India, Indonesia and Australia alone accounted for 64 percent of the world's total 7,831 Mt of coal production, with Indonesia being the largest exporter (IEA, 2013). Existing coal reserves in the region would be sufficient to sustain current rates of production and lift hundreds of millions out of energy poverty. But the region's reserves are predominantly sub-bituminous and lignite of low and medium energy content. Hence, clean, affordable electricity from coal is vital for the emerging economies of the region.

Today's high efficiency super critical coal plants have the capacity to lower carbon emissions by 25 percent compared to the oldest plants. According to recent studies, if Clean Coal Technologies (CCT) - an umbrella term used to describe a new generation of energy process that sharply reduces carbon emissions and other pollutants from coal power plants - are

used, some 33 percent of coal consumption for the same amount of electricity generated could be saved. Furthermore, it is estimated that deployment of clean coal technologies will generate 550,000 new employment in the sector (ERIA, 2014c). But the critical element is the high capital cost of the clean coal technologies, a problem shared with other low-carbon technologies such as hydro-power and offshore wind. A policy or regulatory framework that requires internalization of externalities such as emissions would help promote the use of cleaner coal, with positive impact on plant efficiencies, emissions and energy security. Japan's Bilateral Offset Credit Mechanism (BOCM), which allows the offsetting of the high costs of technology to guaranteed transfer of carbon credits, is attracting interest from some countries.

One thing our research analyses make clear is that attaining energy security and decarbonization of our future energy system requires a change of perspectives, strategies and policies. As we enter an economic era dominated by Asia, we must rethink how to incorporate new and developing elements of low-carbon energy into the economic structure -- from renewables generation to transport based on biofuels to energy saving potential to safety of nuclear power plants. To achieve cost-effective improvement in energy security, we must consider all available options and then transform the system as a whole. This needs working together for mutual benefit. With the historic resilience of existing policies that encourage energy efficiency and new technologies, flexible institutions and the plans in place for market reform, the region is well-placed to achieve it by 2035. □

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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 [venkatachalam.anbumozhi@eria.org](mailto:venkatachalam.anbumozhi@eria.org) or to the editor of ERIA FRAMES at [info@eria.org](mailto:info@eria.org)

## ERIA Executive Director Attends 7<sup>th</sup> Dialogue Between FJCCIA and ASEAN Secretary General



Invited to attend the 7<sup>th</sup> Dialogue between the Federation of Japanese Chambers of Commerce and Industry in ASEAN (FJCCIA) and the Secretary General of ASEAN on 24 June 2014 in Manila, Philippines, ERIA Executive Director Prof. Hidetoshi Nishimura presented some of the insights and analyses of various ERIA studies on issues taken up during the dialogue such as trade facilitation, non-tariff measures and SME development for the post 2015 scenario.

The Dialogue, which was initiated in 2008, aims to contribute to regional economic development as it facilitates coordination between the Japanese private sector and the ASEAN Secretariat in helping improve the business environment for Japanese enterprises. For this

year's dialogue, emphasis was placed on certain priority sectors and items that are important in the final stages towards reaching AEC 2015.

In this regard, the FJCCIA presented a number of issues and requests to the ASEAN Secretary General, H.E. Mr. Le Luong Minh, who in turn expressed his appreciation of the dialogue, saying that the views and requests provided by the FJCCIA are very helpful in ASEAN's further push for and look at the AEC 2015 and vision for post 2015.

Responding to the issues and requests raised by the FJCCIA, Prof. Nishimura added the importance of having a "Responsive ASEAN" to maintain the ambition and accelerate the momentum beyond 2015 inasmuch as it provides the base for addressing concerns of the private sector which is and remains to be the engine for "a sustained high and equitable growth in ASEAN." □

## ERIA Researchers Meet with ABAC on Post-AEC 2015

Upon the invitation of the ASEAN Business Advisory Council (ABAC), ERIA Senior Researcher Dr. Ponciano Intal, Jr., and Senior Policy Coordinator Mr. Yoshifumi Fukunaga attended the 57<sup>th</sup> ABAC meeting on 13 June 2014 at the St. Giles Hotel in Kuala Lumpur, Malaysia.

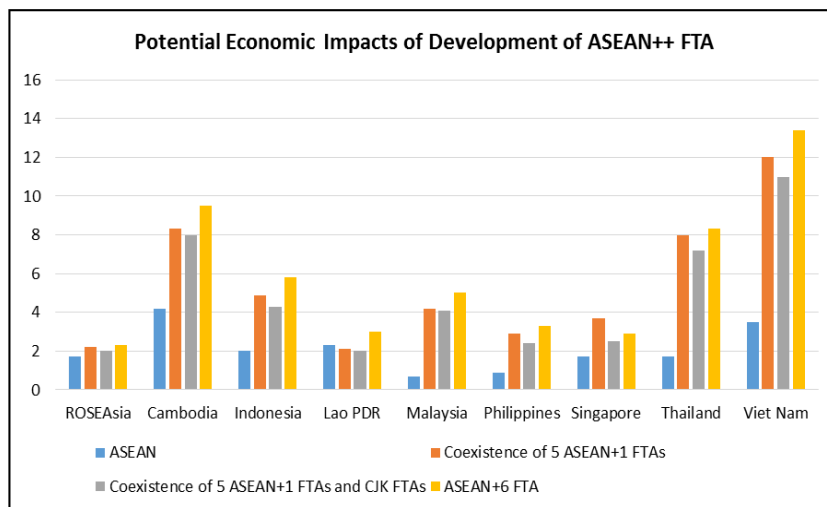
The meeting was meant to solicit some key recommendations related to post-AEC 2015 which can serve as inputs to ABAC's report and discussion on a post-AEC 2015 agenda with the ASEAN Leaders.

Dr. Intal presented some highlights of the ERIA study on "ASEAN Rising: ASEAN and AEC Beyond 2015" as well as of the ERIA Scorecard projects and pointed out key

issues that need to be further looked into and the accompanying recommendations to move forward beyond 2015. Responding to a question on how ERIA would rank the 10 ASEAN Member States in terms of the pace and level of integration, Dr. Intal said that it requires a careful assessment of data but one important question is how each country deals with regulatory changes.

He added that while AEC indeed may not be

achievable in 2015, this is, however, not the correct message to communicate. What is more important, according to him, is to sustain the momentum and ambition – 2015 is *not* the goal but the *big start* towards the ambition. □



## ERIA Holds Seminar on Agriculture and Food Security



Speakers from left-right:  
Dr. Christian Haerberli, Dr. Erwidodo, and Dr. Ponciano Intal Jr.

The Economic Research Institute for ASEAN and East Asia (ERIA), together with the Universitas Pelita Harapan (UPH) Jakarta, organized a Distinguished Seminar on Agriculture and Food Security titled “News from the WTO: What’s in it for ASEAN Agriculture and Food Security?” on 22 May 2014 at the ERIA office in Jakarta.

Guest presenter was prominent researcher, Dr. Christian Haerberli, Senior Research Fellow at the World Trade Institute, Bern University, Switzerland, who has been a World Trade Organization (WTO) Panellist since 1996 and who has produced numerous publications on trade, agriculture and food security from the trade and investment perspective. Dr. Erwidodo, Senior Researcher at the Indonesian Centre for Agricultural Socio-Economics and Policy Studies (ICASEPS) and Indonesia’s former Ambassador to the WTO, served as discussant while Dr. Ponciano Intal, Jr., ERIA Senior Researcher, acted as moderator.

In laying down the major points of his presentation, Dr. Haerberli said that the main problem is how to manage trade and investment rule so as to make food flow to people at the time and place that they need it. He mentioned about the potential problem of ASEAN being totally divided in terms of agricultural policy, with ASEAN Member States (AMSs) divided into different groups of negotiation in WTO with different interest groups. Looking back at the food crisis in 2007-2008, he said it changed countries’ behavior as some AMSs adopted export restrictions while others redefined their agricultural, trade or investment policy in order to enhance their own food security. During this crisis, Thailand and Viet Nam began to implement the export restriction policy to drive up the market prices which led to the increase in

the price of rice by several times. This thereupon changed the agricultural trade policy. Dr. Haerberli also stressed that food security is not only about production, processing and consumption but also a matter of trade and international technology and investment. Thus, it raises questions about what the government should or should not regulate and what the impacts of trade policies are on food security. .

For his part, Ambassador Erwidodo averred to the need for countries to keep a certain percentage of import consumption ratio in making them food-secure. He said that the challenge is for policymakers to define that ratio that would make sure that a country like Indonesia is able to produce enough of a commodity like rice and be considered as self-sufficient.

Key to addressing the issue of food security is to increase food productivity. In the long run, it is important for government to be more concerned on national production capacity but in the short run, domestic production capacity should be combined with price stabilization policy.

The issue of how food security impacts on the human dimension also cropped up in the open discussion. Studies from Indonesia, Cambodia and the Philippines, for one, found that the 2007-2008 global food crisis forced poor households in these countries to borrow, take their children out of school or migrate out of their villages in response to the negative effects of the crisis. The question is how to deal with the situation. Should protection measures be used? Protectionist policy, however, leads to distortions in the allocation of resources in the agriculture sector and makes it inefficient. Thus, it is best to view the issue from both short and long run perspectives. In the long run, the sector should be opened up and investments in it increased to stimulate more productivity. In the short run, meanwhile, the challenge is to increase the confidence on the international market through an agreement on international rules of the game among AMSs to prevent volatility-enhancing policies by exporters in export restrictions.

Finally, Dr. Intal closed the seminar by noting that it is important to have better policies in agriculture trading rule because of the price hikes these days. The better the agriculture policy regime is performing, the better it is for the region and the world, he concluded. □



## ERIA ENERGY UNIT ACTIVITIES

The ERIA Energy Unit had a full schedule once again 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.

### PACIFIC ENERGY FORUM

23 -24 April

Seattle, Washington, USA

Dr. Han Phoumin, ERIA Energy Economist, represented ERIA in this forum as one of the members of a distinguished panel of experts in Session 3 on *Fueling Sustained Growth: Strengthening Energy Markets for Economic Development*. Dr. Han first introduced ERIA's work and role in supporting economic integration in ASEAN and East Asia. He then exchanged views with his co-panelists from ADB and Harvard University on healthy energy markets and the fundamental issues to promote market integration between Asia and North America. His analysis was published in the National Bureau for Asia Research website. The forum was a "by invitation-only" gathering attended by a high-powered audience consisting of key stakeholders in the field.

### 2<sup>ND</sup> WORKING GROUP MEETING FOR THE STUDY ON ASIAN POTENTIAL OF BIOFUEL MARKET

7 – 8 May

Tokyo, Japan

The ERIA Working Group (WG) for biofuels held its 2<sup>nd</sup> meeting in Tokyo to present and discuss preliminary results of the WG's study. According to the study, the future biofuel demands of ASEAN and East Asia will reach nearly 36 million toe of bioethanol and 37 million toe of biodiesel by 2035. It also showed that by early 2020s, Indonesia will lead bio-ethanol demand followed by China, India, Thailand and the Philippines. Shigeru Kimura, Special Advisor to ERIA Executive Director on Energy Affairs, emphasized that second generation-biofuel technologies will be required to meet additional future demand. Dr. Venkatachalam Anbumozhi, ERIA Energy Economist, meanwhile, commented that the region needs to enhance policy at the national level to improve agricultural productivity and avoid competing demands for land as well as strengthen regional cooperation in biofuel trade for energy security.

### 14<sup>TH</sup> INTERNATIONAL ENERGY FORUM (IEF)

15-16 May

Moscow, Russia

ERIA Executive Director Prof. Hidetoshi Nishimura was invited to the 14<sup>th</sup> International Energy Forum, whose theme for this year is *The New Geography of Energy and the Future Global Energy Security*. The forum was inaugurated by H.E Dmitry Medvedev, Prime Minister of the Russian Federation and was attended by more than 500 prominent

participants from government and industry. In the Plenary Session 3, Prof. Nishimura presented a key note paper on *Transition to a Low-carbon Economy: Realistic Goal or Science Fiction?* which highlighted ERIA's research findings. Prof. Nishimura exchanged views on policies and actions required to promote a lower carbon emitting economy that also meets the needs of energy security and addresses energy poverty in the region.

### INTERNATIONAL SEMINAR ON THE EFFECTIVENESS OF BEST AVAILABLE ENVIRONMENT TECHNOLOGIES

6 June

Bangkok, Thailand

The seminar was organized by the ASEAN – METI Economic and Industrial Cooperation Committee (AMEICC) secretariat and mainly discussed successful initiatives and examples of absorbing best available technologies. ERIA Energy Economist, Dr. Venkatachalam Anbumozhi, was invited as the Keynote Speaker. In his presentation, Dr. Anbumozhi shared the results of ERIA Energy Outlook studies, and emphasized the need to see energy as an integrated solution to the economic and environmental problems surrounding ASEAN countries. During the open discussion, participants identified various areas where ASEAN – Japan cooperation could potentially bring needed energy and environmental results. The forum was attended by 21 senior government officials from ASEAN countries.

### WORKSHOP ON ENERGY SECURITY CHALLENGES WITH SOE LEADERS

12 June

Luang Prabang, Lao PDR

Back-to-back with the 32<sup>nd</sup> Senior Officials Meeting on Energy of ASEAN, ERIA held an energy workshop to discuss Energy Security Landscape and Challenges in the ASEAN region. Senior Energy Analyst Shigetoshi Ikeyama from the International Energy Agency (IEA) delivered the keynote speech, followed by three thematic panel sessions, wherein ERIA Energy Economists, Dr. Venkatachalam Anbumozhi, Dr. Han Phoumin, and Dr. Yanfei Li presented relevant ERIA studies to stimulate interactive discussions involving Senior Officials on Energy (SOE) leaders as panellists. In this occasion, Prof. Hidetoshi Nishimura joined the deliberations of the panels and summarized the views, experiences and insights of the SOE leaders. He concluded that based on the use of the various strategies, countries are making progress at different pace and scale, with local knowledge as important inputs for policymaking.

## The 7th Governing Board Meeting



Governing Board members listen to presentation made by ERIA senior officials (photo: ERIA)

On 30 May 2014, the Economic Research Institute for ASEAN and East Asia (ERIA) held its 7<sup>th</sup> Governing Board Meeting at the ASEAN Hall of the ASEAN Secretariat in Jakarta, with Governing Board Chair, Dato Paduka Lim Jock Hoi, Permanent Secretary of Brunei Darussalam's Ministry of Foreign Affairs and Trade, opening the session. Dato Paduka Lim Jock Hoi noted how ERIA has grown in size and activities and how its contribution and importance in the ASEAN and East Asia region has expanded through the years. At the same time, he reminded everyone that as the AEC 2015 is moving closer and the momentum for integration in the region is growing, the "expectations for ERIA to contribute to this integration process are also rising." The mission therefore of the Governing Board is to provide guidance to ERIA and its research activities in addressing the needs of policymakers and businesses in the region.

ASEAN Secretary General, H.E. Le Luong Minh, echoed this view as he observed that ASEAN is reaching a critical juncture as the AEC is approaching. He therefore urged the ASEAN members to accelerate their efforts in economic cooperation to make the dream of an ASEAN Community a reality.

During the meeting, the Governing Board (GB) adopted a joint statement wherein they outlined the areas where ERIA should and can make an even deeper mark in the promotion of economic integration in ASEAN and East Asia. Referring to the region as a *game changer* in the global

economic landscape, the GB statement urged the ASEAN member states to move forward in unity through cooperation and coordination in order to cement this phenomenon further. And ERIA's role, among others, is to continue to work towards the realization of the AEC, provide intellectual support to the Regional Comprehensive Economic Partnership (RCEP) negotiation, and contribute to the empowerment of small and medium enterprises in the region.

Welcoming five new members - from Cambodia, India, Japan, the Philippines and Viet Nam - the Governing Board also re-elected Dato Paduka Lim Jock Hoi as its Chair for another three years.

## ERIA GB, AAC &amp; Ambassadors Meeting

After the successful meeting of the ERIA Governing Board in May, ERIA organized a meeting of its Governing Board (GB) and Academic Advisory Council (AAC) members with the Ambassadors of ERIA member countries for an exchange of views on the ERIA activities and related ASEAN and East Asia concerns on 26 June 2014 at the ASEAN Secretariat Meeting Hall.

The exchange of views between the GB and AAC members, and the ERIA member country- Ambassadors is a regular annual event and one of ERIA's most important activities wherein it invites and solicits ideas and suggestions from the Ambassadors. The exchange provides ERIA guidance from the member countries at the highest possible level and form the base of ERIA's contribution towards growth and integration in the region.

In his remarks, ERIA Executive Director Prof. Hidetoshi Nishimura thanked the Ambassadors for their presence and continued support to ERIA. He emphasized that ERIA is a common asset to all the ERIA member countries and as such, is open to comments and suggestions from them that could help in strengthening both ERIA's and the region's resources and capacities. □

## ERIA Activities

9-10 June 2014 (Indonesia)  
The 2/2014 ASEAN Connectivity Coordinating Committee Meeting & The 1/2014 ACCC-Japan Meeting

22-24 June 2014 (Singapore)  
TNC Meeting on RCEP

28 June 2014 (Cambodia)  
2nd Workshop of Household Behaviors in Disasters

2 July 2014 (Japan)  
Selection Committee Meeting for the 2nd Asia Cosmopolitan Award

17-18 July 2014(Thailand)  
2nd Workshop of AEC Scorecard Phase IV

19 July 2014(Thailand)  
1st Workshop Business Law in ASEAN

19 July 2014(Thailand)  
RIN Meeting

## ERIA Reaches Out to Potential Partners



ERIA GB and AAC members and officials discuss with Potential Partner(s) on cooperative undertakings.

Bringing in a new chapter to its outreach to countries that are not members of ERIA, ERIA held separate Dialogue Partner Meetings with Mongolia on 30 May 2014 and with the Federation of Russia and the United States of America on 26 June 2014 at the ASEAN Hall of the ASEAN Secretariat in Jakarta.

Mongolia is an important and strategic country in terms of connectivity in the East Asia region. It is a vibrant and emergent nation making a mark in East Asia. During the dialogue, H.E. Lunder Purevsuren, Foreign Policy Advisor to the President of Mongolia, led the Mongolian Delegation and expressed his country's aspiration to become a dialogue partner of ASEAN, and a member of the EAS and Asia Pacific Economic Cooperation (APEC). The discussions that followed looked into possible areas of joint undertakings that would benefit not only both parties but the East Asian region as a whole.

Meanwhile, ERIA's separate dialogue meetings with two giants – the Russian Federation and the United States of America – brought out potential platforms for cooperation and engagements with the two countries' governments and institutions that would enhance not only physical connectivity but also and more importantly, institutional and people-to-people connectivity.

Presenting a possible starting point for the cooperative modality between ERIA and the two countries, according to ERIA Governing Board Chair, Dato Paduka Lim Jock Hoi, would be through linkages between ERIA's Research Institutes Network (RIN) and the forthcoming Energy Research Institutes Network (ERIN), and knowledge and research institutions in both Russia and the United States.

Leading the Russian Federation Delegation in the dialogue meeting was H.E. Mr. Alexander Shilin, Deputy Chief of Mission of the Russian Federation to ASEAN. The United States Delegation, meanwhile, was led by H.E. Ambassador Larry Miles Dinger, Senior Advisor of the United States Mission to ASEAN.

Present during the discussions were members of the ERIA Governing Board and Academic Advisory Council as well as ERIA senior officials and researchers.

□

### 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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