

Frames

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EDITOR'S NOTE

The Chairman's Statement of the 22nd ASEAN Summit held in Brunei Darussalam in April 2013 put special emphasis on the importance of "... realizing a truly 'People-Centered' ASEAN as a central element of a post-2015 vision of ASEAN." The essence of having this people-centered ASEAN necessarily highlights the role of the people in ASEAN's community building. However, they need to have the right understanding and attitude towards the demands called for by the process as well as the appropriate skills to deal with them. Thus, human resource development becomes a fundamental priority in community building.

Equipping individuals with the proper tools and access to information and knowledge for them to be able to effectively tap on their respective countries' potentials and strengths for community building requires capital, organizational resources and professional expertise. Which is why ERIA's contribution in terms of capacity building is critical. And which is why partnership with other key stakeholders in optimizing resources for building human capacity is important. Human resources are a nation's greatest asset. And working towards making ASEAN a truly 'people-centered' community of nations is a testimony to this. □

IN THIS ISSUE:

Building Human and Institutional Capacity for Development	1
ERIA Presents Inputs on RCEP at the RCEP TNC Leads Meeting	4
Japan's House of Representatives Budget Committee Visits ERIA	4
ERIA Holds Workshop Series on PPP for Southeast Asia	5
Selection Starts for 2 nd Asia Cosmopolitan Awards	6
ERIA Releases Its Annual Report for 2013	7
First RIN Meeting for FY2014-15 in Bangkok	8
Project Examines Behavioural Impacts of Disasters	9
ERIA Economist Wins a Best Paper Award in Innovation and Knowledge Sharing	10
Thoughts: How will the Coming AEC Promote Knowledge-oriented Approach to Industrial Development in ASEAN?	11
ERIA Participates in the 46 th AEM and Related Meetings	12

ERIA Capacity Building Program

Building Human and Institutional Capacity for Development

In the Joint Media Statement issued by the 46th ASEAN Economic Ministers Meeting on 25 August 2014, the Ministers emphasized that capacity building, together with technical assistance, "remains a cornerstone in supporting ASEAN integration efforts."

Surely, as ASEAN Member States (AMSs) prepare for economic integration with the establishment of the ASEAN Economic Community (AEC) in 2015, they need to ensure that their citizens are able to meet the challenges involved in the integration process and are "up to the task" of making it work. Thereupon, they have to be equipped with the necessary skills for analysis and research, management, and decision-making, tools that are so crucial in meeting the demands and in understanding the nuances of integration and liberalization.

While this requirement may be relatively easier for the more developed countries in ASEAN, it may be more difficult for the newer member countries of ASEAN such as Cambodia, Lao PDR, Myanmar and Viet Nam (CLMV). For them, it is important to build their human resource capacity, especially in the areas mentioned above, not only to gain more confidence as they participate in the process of integration but also and more importantly, to catch up with the other nations in the ASEAN region in terms of economic development and reforms.

For despite the dynamism experienced by ASEAN's economy and the dramatic reduction in its regional poverty incidence in the last three or four decades, there still remains a wide gap in the human capacity of the countries in the region, in particular between the



ASEAN 6 (Singapore, Malaysia, Thailand, Indonesia, the Philippines and Brunei Darussalam) and the CLMV countries.

Extending assistance to the CLMV countries therefore is important if they are to catch up and eventually be at par with their other ASEAN counterparts as well as to be ready to face AEC 2015. One of the mandates of the Economic Research Institute for ASEAN and East Asia (ERIA) is precisely to provide such assistance through its capacity building program.

ERIA's Capacity Building Program

When ERIA was established in 2008, one of the provisions for the role that it will play in the ASEAN region as outlined in the Statement for its establishment is to "provide meaningful resources for narrowing development gaps and enhancing research capabilities in countries in need of improvements of public policymaking and research abilities to build up confidence of these countries in the integration process".

Based on this, ERIA has established, as one of its major activities, the ERIA Capacity Building Program for CLMV. As per the abovementioned provision, ERIA's capacity

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building program aims "to strengthen policy research capacities and secure an intellectual basis for the development of CLMV countries." It brings in academics, professionals, experts from the private sector and ERIA economists/researchers as lecturers/speakers for especially organized seminars and symposia on topics concerning certain concepts and aspects of the ASEAN economic integration process. Target participants are members of the bureaucracy and various ministries, administrators, researchers and representatives from the private sector in each of the CLMV countries. The capacity building seminars/workshops serve as a venue for an exchange of views and experiences as well as knowledge on the topics presented and discussed during the seminars/workshops.

The first capacity building seminar organized by ERIA was held in Phnom Penh, Cambodia on 28 January 2009 with

the theme "Impact of Economic Integration to CLMV Countries." The seminar was co-organized with the Cambodian Ministry of Commerce and the Cambodian Institute for Cooperation and Peace (CICP) with the support of the Bangkok Research Centre (BRC, JETRO Bangkok). Since then, ERIA has conducted a total of 23 seminars/workshops for the CLMV countries as it regularly holds such seminars in these countries every year on specific topics relating to the AEC and the integration process, in partnership either with a national research institution or concerned ministry in each of the CLMV countries. Box 1 (in the insert page) outlines the capacity building seminars/workshops for CLMV co-organized by ERIA since its establishment.

Among the topics presented and discussed include: Regional Comprehensive Economic Partnership (RCEP); competition law; free trade agreements (FTAs); small and medium enterprises (SMEs); Intellectual Property Right (IPR); connectivity; and foreign direct investment, and their impact on each of the countries when they are implemented. Expressing their appreciation of the topics, the keynote speakers in each of the seminars in these countries were one in saying that the topics "are critical in achieving ASEAN's vision of regional economic integration as well as of full integration into the global economy." They also provide basic knowledge infrastructure for innovation which is a key element in enhancing competitiveness. In recent times, government officials have also begun to give their stand on certain issues based on what they have learned from the seminars. This by itself maybe considered a benefit gained from the program.

The Executive Capacity Building Seminar-Workshops: Focus on the Future Key Players

In the middle of 2013, ERIA introduced an innovation in its Capacity Building Program by adding the Executive Capacity Building Seminar component. Designed specifically for government officials at the deputy director general level in Cambodia, Lao PDR, Myanmar, Viet Nam and Thailand, the seminar-workshops under this component aim to help these officials prepare for the challenges in pursuing the grand plan for regional integration, with connectivity in the Sub-Mekong region as a major aspect. The more focused and intensive seminar-workshops brief them on the significance of the connectivity plan and the accompanying projects, the requirements needed and the implications of their respective roles and responsibilities as the future key players and senior officials in their respective countries in charge of implementing plans, programs and projects in the areas of transport, trade and commerce, utilities and national planning.

The first Executive Capacity Building Program activity



Photo taken at the ERIA EXECUTIVE CAPACITY BUILDING PROGRAM 2013 "Executive Leaders Summit 2013 in Thailand", October 2013

was held for one week in Thailand in October 2013. It started with an executive seminar in Bangkok on 21 October, followed by an executive workshop and field trips in Chiang Mai and Chiang Rai on 22 – 25 October. The theme was on "Building Robust, Efficient and Value Creating Connectivity for Regional Development." The participants were senior officials at the level of deputy director general, director and deputy director of concerned ministries of public works, transport, investment planning, commerce, industry affairs and trade from Cambodia, Lao PDR, Myanmar, Viet Nam and Thailand. In view of the success of this activity, a second seminar workshop is scheduled to be held in the coming months.

Getting Some Initial Feedback and Thinking of the Next Step

Meanwhile, the latest seminar under the Capacity Building Program of ERIA was a one-day symposium on "Upgrading Viet Nam's Position Towards AEC 2015 and Beyond" held on 12 August 2014 in Hanoi, Viet Nam. For this symposium, ERIA collaborated with the Ministry of Trade and Industry of Viet Nam, with the support of the Central Institute for Economic Management (CIEM) of Viet Nam, BRC, JETRO Bangkok and JETRO Hanoi.

The symposium dealt with the ASEAN Economic Community (AEC) 2015 and post-2015, based on the study done by ERIA researchers which was published as *ASEAN RISING: AEC 2015 and Beyond*. The main presenter was ERIA Senior Economist Dr. Ponciano Intal, Jr. whose presentation was followed by a panel discussion on "Maximizing the Benefits of AEC and RCEP for Enhancing the Supply Chain."

In general, how did the participants find the presentations and discussions? Did they find them of potential use to them in their respective areas?

One of the participants, Ms. Bui Thu Ha, a lecturer from the Diplomatic Academy of Viet Nam, said during an interview after the symposium, that the knowledge and information that she gathered from the symposium will add

great value to her work. "The first session about AEC 2015 and beyond gave me insights into the opportunities, challenges and different potential impacts of AEC on its members," she said.

She added that "The presentations and discussions among the representatives of government, representatives from different types of enterprises and researchers [during the panel discussion] helped me understand Viet Nam's current situation and the mismatch between policies and enterprises' needs."

From the perspective of the private sector, meanwhile, Mr. Nguyen Phuoc Hai, Vice Chairman and General Secretary of the Vietnamese Electronic Industries Association, said that he got a lot of interesting information from the keynote and opening speakers and "would like to share these information with our association's members for better understanding to prepare for the AEC 2015."

"Capacity building is one of the most critical elements in the socioeconomic development of the country as it prepares to create the necessary pre-conditions and favorable environment for [its] profound transformation."

— H.E Sun Chantol, Senior Minister, Ministry of Commerce of Cambodia

Finally, as the capacity building program has had more than 20 events over a period of more than five years in various forms and topics, ERIA is now ready to have an evaluation or assessment of the program in order to make the program better and more in-depth. In the meantime, however, it is useful to recall the opening statement of H.E. Sun Chantol, Senior Minister of the Ministry of Commerce of Cambodia, during a capacity building seminar held in Cambodia in November 2013, wherein he said that "capacity building is one of the most critical elements in the socioeconomic development of the country as it prepares to create the necessary pre-conditions and favorable environment for a profound transformation of Cambodia."

It is precisely in fulfilling such role that ERIA hopes that its Capacity Building Program for CLMV has succeeded in achieving. □

ERIA Presents Inputs on RCEP at the RCEP TNC Leads Meeting

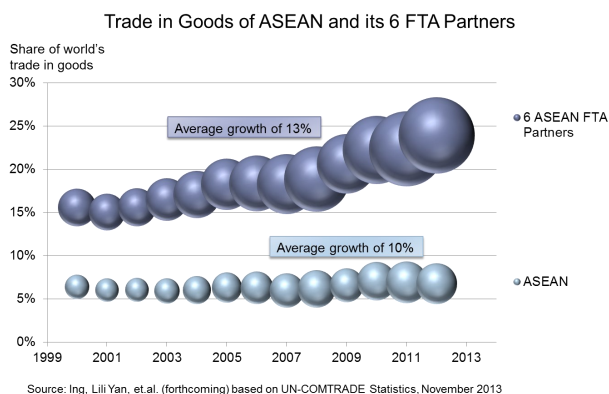
As part of its support in the setting up of a new and more enhanced regional architecture for deeper integration in the East Asian region, the Economic Research Institute for ASEAN and East Asia (ERIA) has continuously provided analytical inputs to the Regional Comprehensive Economic Partnership (RCEP) negotiation. In this regard, the RCEP Technical Negotiating Committee (RCEP TNC) invited ERIA to the TNC Leads Meeting on 23-27 June 2014 in Singapore to present results of the latest analyses done by ERIA, in collaboration with researchers from its network of

regional research institutions and other leading economists, with regard to topics related to the negotiation of the RCEP.

During the RCEP Plenary Session on 23 June, ERIA Economist Dr. Lili Yan Ing presented ERIA's latest estimates and recommendations on trade in goods (tariff elimination, adoption of a common concession, rules of origin, non-tariff measures and trade facilitation), trade in services (formula-based approach and ways to increase levels of liberalization in the services sectors), and investment (adoption of the four pillars of protection, liberalization, facilitation, and promotion). Ms. Anita Prakash, ERIA Policy Relations Director, meanwhile, shared ERIA's study and proposals with regard to economic and technical cooperation during the TNC Working Group Meeting on Economic and Technical Cooperation on 25 June.

The ERIA team emphasized the following points with regard to the importance of the RCEP:

- *Economically*, integration in RCEP should be levelling up those of the existing regional FTAs; and
- *Politically*, RCEP is beyond economic integration; it is about economic cooperation and partnership. □



Japan's House of Representatives Budget Committee Visits ERIA

A high-level delegation from Japan's House of Representatives Budget Committee, led by former Minister of Economy, Trade and Industry of Japan, H.E Toshihiro Nikai, paid a visit to the ERIA Office in Jakarta on 24 July 2014.

Mr. Nikai is one of the leading persons behind ERIA's establishment more than eight years ago and has since remained a strong supporter of ERIA. He is currently the Chairman of the Parliamentary League for ERIA. Amongst the delegates were H.E Yasuhisa Shiozaki and H.E Motoo Hayashi, members of Japan's House of Representatives, and H.E Aiboshi, Ambassador of Japan to ASEAN.

After the warm welcome ceremony, the delegation had a private meeting with ERIA Executive Director Prof. Hidetoshi Nishimura, other ERIA officials and ERIA economists. During the meeting, Prof. Nishimura mentioned some of ERIA's recent achievements, in particular, the

signing of the Memorandum of Understanding (MoU) between ERIA and the Organisation for Economic Co-operation and Development (OECD) in May this year. In addition, he also brought up the Chairman's Statement of the 8th East Asia Summit which made mention of ERIA and its works and which encouraged it to continue its extensive research in promoting economic integration in the region.

ERIA Senior Economist Dr. Ponciano Intal, Jr; Economists Dr. Fauziah Zen, Dr. Dionisius Narjoko and Dr. Lili Yan Ing; and Energy Economists Dr. Venkatachalam Anbumozhi, Dr. Han Phoumin, and Dr. Yanfei Li each briefly explained his/her current projects and recent achievements to the delegates who in turn expressed their appreciation on the importance of all the ongoing research and of ERIA's role in supporting economic integration in the region. □



ERIA Holds Workshop Series on PPP for Southeast Asia



The Economic Research Institute for ASEAN and East Asia (ERIA) held a series of technical workshops on the drawing up of public private partnership (PPP)

frameworks for Southeast Asia in three key cities in Southeast Asia, namely, Nay Pyi Taw (Myanmar), Vientiane (Lao PDR) and Phnom Penh (Cambodia). The workshops were held on 11 August, 19 August and 21 August, respectively, in collaboration with the Ministry of National Planning and Economic Development (MNPED) in Myanmar, the National Economic Research Institute (NERI) of the Ministry of Planning and Investment in Lao PDR, and the Council for the Development of Cambodia (CDC) in Cambodia.

With the theme “Towards a Tailored Approach to Establishing PPP Guidelines in Southeast Asia”, the workshops had leading international experts on PPP as well as government officials, representatives of the private sector and members of academia in each of the abovementioned countries sharing knowledge and views on how to develop a PPP framework using the ASEAN PPP Set of Guidelines developed and drafted by ERIA.

The workshop in Myanmar was participated in by around 70 invitees from concerned ministries, the private sector and academe from and outside of Myanmar. Opening the workshop was H.E. Dr. San Lwin, Deputy Minister of MNPED, who expressed his government’s gratitude in having the workshop which, according to him, “will support the development of a PPP framework and the successful implementation of the economic reform in Myanmar.”

The workshop sessions provided the participants with a fundamental understanding of PPP and the sectoral issues in Myanmar as well as suggestions on how to refine the draft of the PPP Guidelines, taking into account the specific situation of Myanmar. Among the issues raised are (1) the need to have a champion institution for PPP, (2) provision of effective incentives for private partners, and (3) the definition of PPP in the Myanmar context.

Meanwhile, for the workshop held in Vientiane, Lao PDR, the speakers and participants numbering around 60 were unanimous in their view that a common understanding on the concept of PPP is vital in finalizing the framework and guidelines for PPP and in making them applicable to the circumstances of a specific country like Lao PDR.

This echoes the message expressed by Dr. Leeber Leebouapao, Director General of NERI, in his opening remarks when he said that while Lao PDR has started to adopt the approach of PPP, the country nonetheless still has to focus on policy reforms that would enhance the effectiveness of PPP. He thus called for further discussion for the deepening of understanding of PPP so that the nation can take a step forward from its current Build-Own-Transfer (BOT) model of PPP.

The panel discussion further looked into the issues of government support under fiscally constrained circumstances, readiness of private companies to have a shareholding participation by foreign investors, and the development of a good channel of information for potential investors.

Culminating the series of technical workshops was the one held in Phnom Penh, Cambodia on 21 August. Delivering the opening remarks was H.E. Sok Chenda Sophea, Minister attached to the Prime Minister and Secretary General of CDC, who stressed the importance of human resource development for both the private and public sectors in the implementation of PPP in Cambodia. He said that while the concept and experience of PPP itself is not totally new in Cambodia, he hoped, however, that the workshop will be an opportunity to think forward in supporting the Law on Concession promulgated in 2007 inasmuch as said law requires further explication in terms of implementation and understanding among stakeholders.

The Cambodian workshop had around 80 participants, including the speakers, in attendance. The discussions focused on the recent efforts and roadmap prepared by the Ministry of Economy and Finance in the establishment of a PPP mechanism for its use in reviewing PPP initiatives; the road development strategy and cases of BOT projects in the public works and transport sector; and the importance of having a robust PPP contract in the agreement between government and the private sector.

Providing the closing remarks in all three workshops and representing ERIA was Mr. Yasushi Iwata, General Manager of ERIA, who expressed the hope that the workshops would provide the opportunity to learn the importance and real meaning of “better partnership” since the successful implementation of PPP initiatives requires better coordination among the various stakeholders. He thanked the partner organizations in all three countries which helped organized the workshops, the speakers and experts who unselfishly lent their expertise, and all the participants for their openness and willingness to learn more about PPP. He further assured everyone of ERIA’s commitment to continue updating studies and activities on PPP to contribute to the development of stronger PPP frameworks and initiatives. □

Selection Starts for 2nd Asia Cosmopolitan Awards



The Selection Committee for the 2nd Asia Cosmopolitan Awards met on 2 July 2014 in Tokyo, Japan to discuss the eligibility and

potentials of the nominees recommended by the Recommendation Committee for the different categories of the award. During the meeting, the Selection Committee thoroughly reviewed and validated the list of nominees submitted and their accomplishments/contributions in order to come up with a short list of candidates from which the selection of winners for the different categories will be made.

The Economic Research Institute for ASEAN and East Asia (ERIA) conceived and proposed the establishment of the Asia Cosmopolitan Awards in 2010 during the celebration organized by the Nara Prefectural Government of the 1,300-year anniversary of Heijo-kyo (ancient capital of Japan located in present-day Nara) as the last destination of the ancient Silk Road and one of the first cosmopolitan cities in East Asia. The awards are given on a biennial basis in three categories, namely, (1) Grand Prize, (2) Economic and Social Science Prize, and (3) Cultural Prize. [The accompanying Box to this story essays the meaning and significance of the awards.]

Nominees for the awards are recommended by a Recommendation Committee composed of representatives from economic and policy research institutions from 16 East Asian countries. Their recommendations are then submitted to and further sifted by a Selection Committee which then discusses the qualifications and eligibility of the nominees in depth based on criteria set in the Asia Cosmopolitan Awards Charter. From there, a final and trimmed down list of candidates is identified. The winners of the various categories will be formally presented during the awarding ceremony in December this year.

The members of this year's Asia Cosmopolitan Awards Selection Committee are: H.E. Dr. Akito Arima, former Minister of Education of Japan and Chancellor of Musashi Academy of the Nezu Foundation, Japan; Mr. Shogo Arai, Governor of Nara Prefecture; H.E. Dr. Lee O Young, First Minister of Culture of South Korea; Mr. Matsuoka Seigow, Japanese Culture Researcher; Prof. Hidetoshi Nishimura, Executive Director of ERIA; H.R.H. Samdech Norodom Sirivudh, Founder and Chairman of the Board of Directors, Cambodian Institute for Cooperation and Peace (CICP); Dr. Surin Pitsuwan, former Secretary General of ASEAN and Professor Emeritus, Thammasat University; and Dr. Takashi Shiraishi, President of the Institute of Developing Economies (IDE), Japan External Trade Organization (JETRO). □

The Asia Cosmopolitan Awards: In Recognition of Contributions Towards a Stable, Vibrant and Peaceful East Asian Community

This year, the Asia Cosmopolitan Awards are set to be given out for the second time to individuals or organizations who have made substantial and significant contribution to the development and enrichment of the East Asian Community through cultural and economic integration, narrowing of development gaps, and establishment of sustainable growth of society in the region. First given in 2012, the biennial awards were conceived and established by the Economic Research Institute for ASEAN and East Asia (ERIA) in 2010 during the commemoration of the 1300-year anniversary of Heijo-Kyo, the ancient capital of Japan from 710-784 A.D. located in present-day Nara. Heijo-Kyo was the last destination of the ancient Silk Road' and one of the first cosmopolitan cities in East Asia. The commemoration activities were organized and led by the Nara Prefectural Government.

Coinciding the establishment of the awards with the commemoration of Heijo-Kyo's anniversary pays tribute to the qualities of the Heijo-Kyo period which mirror the same features of the vision for the 21st East Asia Community. Heijo-Kyo was known to be a place where different groups and types of people with a diversity of cultures and beliefs lived and mixed well together. It is this quality of harmonious co-existence, together with the capacity to meld features of different philosophies, cultures and products making for a stronger and more vibrant community, that the vision for the modern-day East Asian Community is founded on.

In addition, in fulfilling the dream of the 21st century East Asia Community, it is also crucial that gaps in the levels of economic development which can cause chasms in attitudes and relations are narrowed between countries and within countries; that efforts in achieving and sustaining growth in the region and individual countries are strengthened; and that integration premised on respect for diversity is promoted. These are not easy tasks. The individuals and organizations who have contributed towards helping to reach that dream through their work and accomplishments in the fields of economics and social sciences as well as culture help build a stable, vibrant and peaceful East Asian community. And the Asia Cosmopolitan Awards are in recognition of this endeavor.

The awards are categorized into three: (1) Grand Prize, (2) Economic and Social Science Prize, and (3) Cultural Prize. The recipients of the 1st Asia Cosmopolitan Awards in 2012 were: (1) Grand Priize – Dr. Supachai Panitchpakdi who has significantly increased the presence of Asia throughout the world and in Europe while serving as the Director-General of the World Trade Organization (WTO) in 2002-2005 and as Secretary-General of the UN Conference on Trade and Development (UNCTAD) since 2005. He has been actively engaged in the establishment of a regional cooperation framework for APEC and other Asian forums in response to the need for economic integration in ASEAN and East Asia; (2) Economic and Social Science Prize – Dr. Benedict Anderson who has made outstanding contributions to research and education, especially with the new perspective he offered on the analysis of nationalism through his ground-breaking book titled *Imagined Communities: Reflections on the Origin and Spread of Nationalism*. His highly innovative research has helped people better understand nationalism; and (7) Cultural Prize – Mr. Takehiko Inoue who has given the Japanese art of manga international recognition. In his best-known manga series, *Slam Dunk*, he depicted basketball, a western-originated sport, from an oriental perspective and has informed many young readers on the sources of meaning in life such as hard work, friendship and victory which can be achieved through devotion to the sport. In addition to these awards, a special prize – Memorable Prize – was given in memory of the late Dr. Hadi Soesastro, one of the founders and former executive director of the Centre for Strategic and International Studies (CSIS) in Indonesia. Dr. Soesastro was a leading economist in Indonesia and played a central role in the realization of the ASEAN Economic Community².

For the 2nd Asia Cosmopolitan Awards, which will be given out this year, the selection process has already started, with the winners to be presented in December. □

¹The Silk Road or Silk Route is a series of trade and cultural transmission routes that were central to cultural interaction through regions of the Asian continent connecting the West and East from China to the Mediterranean Sea during various periods of time. [Elisseeff, V (2001). *The Silk Roads: Highways of Culture and Commerce*. UNESCO Publishing/Berghahn Books].

²“2012 NARA Forum Asia Cosmopolitan Awards Program” issued by the NARA Prefecture, the Economic Research Institute for ASEAN and East Asia (ERIA) and the Asia Cosmopolitan Awards (People Connected), pp. 5-7.

PUBLICATION UPDATE

ERIA Releases Its Annual Report for 2013



The Economic Research Institute for ASEAN and East Asia (ERIA) has just released its 2013 Annual Report which presents its various research and research-related activities, events, seminars/symposia, publications, capacity building seminars and media exposure for fiscal

year 2013.

The report also features a section on ERIA's First Five Years: How it Began and What it Has Done which explains the Institute's history, mandate, structure, and the way it has responded to the ASEAN and East Asian region's research needs in its first five years. A message from the Executive Director, meanwhile, shows how the Institute performed and responded to the challenges in 2013 and the direction that it will chart in the coming year.

One of the highlights of the report is the section detailing the research projects completed in fiscal year 2013 and the ongoing research as of end of said fiscal year. Among the completed research are the ones on ASEAN RISING: AEC and Beyond 2015, ASEAN SME Policy Index

2014: Towards Competitive and Innovative ASEAN SMEs, and studies related to energy.

Meanwhile, the section on research and research-related activities also outlines the numerous outreach activities of ERIA's researchers/economists in terms of their paper/article contributions to major journals, quarterlies, magazines and opinion columns in media dailies as well as their sharing of expertise outside of ERIA as symposia speakers, panelists, discussants, paper presenters or advisers on key policy issues to government officials and ministries.

These contributions helped promote the works and mandate of ERIA and also provided key insights and perspectives to public discussions of policy issues. □

MESSAGE FROM THE EXECUTIVE DIRECTOR



"Today, ERIA's role in the region continues to expand especially as ASEAN and East Asia enter into critical phases in regional integration in the coming years."

ERIA has made a number of important contributions to facilitate regional integration in both ASEAN and East Asia in the past five years through the conduct of research, provision of policy recommendations and organization of programs as mandated by the ASEAN and East Asia Leaders. The article on the First Five Years of ERIA included in the Report outlines the significance of these contributions and may have laid seeds for cooperation in the future and elsewhere in the region.

Today, ASEAN and the region continue to expand rapidly as ASEAN and East Asia enter critical phases in regional integration in the coming years. In this light, Fiscal Year 2013 proved to be a challenging as well as exciting year as ERIA helped ASEAN and East Asia push the integration further to address the emerging challenges of the ASEAN Economic Community (AEC) in 2015 and to set up a new and more enhanced regional architecture for deeper integration in the Asia Pacific region.

In the area of research, for example, ERIA's contributions to ASEAN under the AEC included the completion and publication of the results of the AEC Impact 2010 program which offered high recommendations for strengthening and accelerating completion of Phase 1 of the AEC Economic Program which dealt with the conduct of informal consultations, with the help and support of the members of ERIA's Research Institute Network (RIN), on regulatory reform and transparent regulatory governance in ASEAN trade-related activities to facilitate ASEAN trade trade facilitation as well as with the extension and adoption of trade and related technical assistance in the region and made contribution to the ASEAN Member States and the further strengthening of the regional architecture of the AEC through the completion of a more enhanced AEC Scorecard under Phase 4 which entered into force at the end of 2013. All these have helped ASEAN in taking stock of the AEC progress.

First RIN Meeting for FY2014-15 in Bangkok

The first meeting of ERIA's Research Institutes Network (RIN) for the year 2014-15 was held in Bangkok, Thailand on 19 July 2014 under the chairmanship of Dr. Hank Lim Giok-Hay from the Singapore Institute of International Affairs (SIIA).

In his welcome remarks, Dr. Lim introduced the newcomers to RIN, namely, Ms. Florence Chong from Brunei Darussalam Institute of Policy and Strategic Studies, Dr. V.S. Seshadri from the Research and Information System for Developing Countries in India, and Dr. Khin Ning Oo from Yangon Institute of Economics in Myanmar. Dr. Lim also welcomed some RIN members who were not present in the previous meeting, namely, Dr. Wisarn Pupphavesa of Thailand Development Research Institute, Dr. Chap Sotharith of the Cambodian Institute for Cooperation and Peace, and Prof. Jenny Corbett of the Australian National University.

Dr. Hank Lim also mentioned some of the major ERIA events that have taken place in recent months such as the ERIA Academic Advisory Council (AAC) Meeting in April, the 7th ERIA Governing Board (GB) Meeting in May, the GB/AAC Exchange of Views Meeting with the Ambassadors of ERIA Member Countries in June, and the East Asia Summit also in June. These major events had the three pillars of ERIA's stakeholders in attendance: the members of ERIA's Academic Advisory Council, Board of Governors and Research Institutes Network as well as the Ambassadors or Permanent Representatives of the different Country Missions to ASEAN [details of these meetings were featured in previous issues of the *ERIA Frames* - ed].

The RIN meeting was moderated by Prof. Yasuhiro Yamada, President of the Bangkok Research Centre-JETRO Bangkok and was divided into two sessions.

During the first session, Prof. Fukunari Kimura, ERIA Chief Economist, presented the highlights of the ERIA research projects for 2013-14, totaling 34.

This was followed by a presentation by Mr. Yasushi Iwata, ERIA General Manager, on the latest activities of ERIA which include recent events, publications and organizational matters.

Regarding ERIA's research program, the RIN members discussed how their contributions and support to ERIA can further help in the selection process of research projects, provide new ideas for research topics and improve the range and quality of publications, and other aspects related to the research activities of ERIA.

The second session focused on the presentation by Dr. Ponciano S. Intal, Jr., ERIA Senior Economist, on the



RIN members and ERIA officials pose for posterity at the start of the meeting.

highlights of one of ERIA's flagship research projects, *ASEAN Rising: ASEAN and AEC Beyond 2015*. Because of the importance of having the key findings and recommendations of the study disseminated to the various stakeholders in the region, Dr. Hank Lim suggested that ERIA makes full use of the RIN in relaying the key messages of the study and in disseminating the research output to the different member countries so that their results may be fully utilized in the member countries. Relatedly, he also urged the submission of research proposals by RIN members to ERIA and their active participation in the different research activities. This also applied to possible collaborative undertakings with other international institutions such as the OECD and joint projects with other organizations initiated within the region.

For his part, Prof. Hidetoshi Nishimura, ERIA Executive Director, acknowledged, in his closing remarks, the recommendations from the RIN members and welcomed the comments and suggestions regarding the RIN Statement on AEC 2015 and beyond. He also welcomed any proposal for joint projects to be submitted by RIN members and informed them that higher consideration will be given to the CLM countries in terms of the dissemination and translation of ERIA project reports/studies as part of ERIA's and the RIN's contributions in narrowing the development gaps within the region.

Professor Nishimura also noted that because of ERIA's work, with the support of the RIN, in various economic aspects affecting the region, ERIA has been internationally recognized, especially for studies and initiatives relating to regional economic integration. Especially significant is the signing of the Memorandum of Understanding (MoU) between ERIA and OECD which could expand the scope and depth of the Institute's research work that will benefit the ASEAN and East Asian region.

In this connection, some of the RIN members pointed out that maintaining the need to meet the expectations of

stakeholders from all over the world on ERIA should serve as a big challenge to ERIA in 2014-15 and beyond. Therefore, ERIA's support to the success of the Myanmar Chairmanship of the ASEAN as well as to the process of transfer of the chairmanship from Myanmar to Malaysia is indeed very important and crucial.

Finally, Prof. Nishimura expressed his gratitude to all the RIN members for their insights and thanked Prof.

Yasuhiro Yamada for hosting the meeting. He likewise thanked Dr. Hank Lim for his Chairmanship of the RIN. In addition, he also informed the members about the first meeting of the newly formed Energy Research Institutes Network (ERIN) to be held in September this year in Brunei Darussalam. □

ERIA UPDATES

Project Examines Behavioural Impacts of Disasters

The Economic Research Institute for ASEAN and East Asia (ERIA) held a workshop on *Disaster Risks, Social Preferences, and Policy Effects: Field Experiment Studies in Selected East Asia* on 28 June 2014 in Siem Reap, Cambodia. It was the second workshop related to the project on the said topic, with the first workshop held in January 2014 in Thailand. The workshop in Cambodia was meant to discuss the results and first draft of the papers under the project.

The workshop was opened by ERIA Chief Economist, Prof. Fukunari Kimura, and followed by the presentation of Prof. Yasuyuki Sawada on the objectives and summary of the project.

According to Prof. Sawada, serious natural disasters have hit both developed and developing countries. These natural disasters include hydrological disasters (floods), meteorological disasters (storms), climatological disasters (droughts) geophysical disasters (earthquakes, tsunamis and volcanic eruptions), and biological disasters (epidemics and insect infestations). Asia, particularly Southeast Asia, is the most prone region in the world to natural disasters. Some of the recent natural disasters to have hit Asia are the 2013 Typhoon Haiyan (Yolanda) in the Philippines, the 2008 Sichuan earthquake in China and the 2011 massive floods in Thailand.

Several studies have been done related to disaster prevention and preparedness. However, few have been conducted in the areas regarding actions, coping mechanisms and behaviours in the aftermath of disasters, especially in terms of individual and firm responses. The project therefore aims to fill this gap in the literature regarding behavioural impacts of disasters and come up with the academic foundations in the link between a disaster and individual (social preferences). To do this, the project will investigate and look into two issues: (1) whether and how disasters affect individual and firm preferences, and (2) how preferences determine one's vulnerability to and resilience against disaster damages.

The first three sessions of the workshop focused on

cases relating to natural disasters that happened in Southeast Asian countries whilst the last two sessions discussed the incidents of natural disasters that happened in East Asian countries such as the earthquake in China and the Fukushima nuclear disaster in Japan.



Some of the papers presented and discussed during the first three sessions include: (1) *Floods and the consequences on farmers' market, non-market and natural-based safety net behaviours in Cambodia* by Dr. Sommarat Chantararat and Cheng Kimlong of the Australian National University (ANU) and Dr. Sann Vathana of CARD, Cambodia; (2) *Risk Coping of Firms in LDCs: Evidence from Laos Firm Data* by Ms. Mari Tanaka of Stanford University; (3) *The Consequences of Natural Disasters on Preferences, Risk Assessments, and Behaviours: Evidence from Thai Farmers After the 2011 Mega Flood* by Prof. Krislert Samphantararak of the University of California and Dr. Sommarat Chantararat of ANU; and (4) *How does a Natural Disaster Affect People's Preference? The Case of a Large Scale Flood in the Philippines using the Convex Time Budget Experiments* by Prof. Yasuyuki Sawada of the University of Tokyo.

Finally, for the last two sessions, among the papers presented were: (1) *Natural Disasters and Human Capital Accumulation: The Case of the Great Sichuan Earthquake in China* by Prof. Sangui Wang of Renmin University of China; and (2) *The Impact of Indoor Park Programs on Children's Mental Health in Fukushima, Japan* by Mr. Chishio Furukawa of the Massachusetts Institute of Technology (MIT). □

ERIA Economist Wins a Best Paper Award in Innovation and Knowledge Sharing



Dr. Yasushi Ueki at the GIKA 2014

Dr. Yasushi Ueki, Economist at the Economic Research Institute for ASEAN and East Asia (ERIA), and his co-authors, Dr. Tomohiro Machikita of the Institute of Developing Economies (IDE) in Japan and Mr. Xaysomphet Norasingh of the Economic Research Institute for Trade (ERIT) in Lao PDR, won a Best Paper Award at the 3rd Global Innovation and Knowledge Academy Annual Conference (GIKA 2014) held in Valencia, Spain on 8-9 July 2014. Their paper titled “Technology Transfer through Face-to-Face Contacts to Lao PDR from its Neighboring Developing Countries” was one of around 70 papers presented at parallel sessions during the two-day conference. The awarding ceremony for the various winning papers took place during a Gala Dinner-Reception on 9 July.

The Global Innovation and Knowledge Academy (GIKA) Annual Conference provides a platform for the discussion of challenges pertaining to contemporary issues in innovation and knowledge. It is the premier global conference on new research in innovation and knowledge on technologies, products and services, and allows the sharing of insights and ideas on challenges for management sciences that would help improve firms’ performance and adjustment to their business environment.

For this third annual conference, the theme focused on “Spirit of Strategy (S.O.S.): the New S.O.S. for Competitive Business” which seeks to blend contextual information and cognitive knowledge in helping improve decisions, tasks, performances and outcome evaluations. The conference was held at the campuses of the joint local organizers, the University of Valencia and the Catholic University of Valencia in Spain.

The winning paper by Machikita, Norasingh and Ueki



Intra-firm Technology Transfer to Lao PDR in the Mekong Sub-region

is a product of an ERIA-supported research titled “Innovation Between and Within Supply Chain: Empirical Study of Tracing Local and Global Production-Knowledge Network in East Asia” done for the ERIA Micro Data Project for FY 2012. It investigated whether firms in Lao PDR obtained technologies from foreign partners through face-to-face (F2F) interactions, especially those from the neighboring countries such as Thailand, China and Viet Nam, and examined the relationships between F2F interactions/contacts and process/product improvements through the use of a survey questionnaire and estimation of negative binomial regression models.

Based on their analysis and estimation results, the authors found that firms in Lao PDR obtain technologies for process improvements from foreign partners through F2F contacts. They also found that indigenous firms in Lao PDR depend on technologies transferred face-to-face from the neighboring countries such as China, Thailand and Viet Nam. However, they noted that empirically, it was not evident whether or not multinational corporations (MNCs) in Lao PDR transfer technologies from the neighboring developing countries for process improvements. Nonetheless, their findings showed that when introducing new products, MNCs in Lao PDR transfer technologies through F2F interactions from Thailand.

The above findings imply that while factories of MNCs in Lao PDR might have achieved a level of process control/improvement acceptable to buyers in Thailand and other countries through learning by producing, said factories, however, still need technical assistance from Thailand when they start to produce new products. □

How will the Coming AEC Promote Knowledge-oriented Approach to Industrial Development in ASEAN?

by YASUSHI UEKI, ERIA Economist

The current integration of CLMV (Cambodia, Lao PDR, Myanmar and Viet Nam) into East Asian production networks is triggered mainly by serious labor shortage and consequent wage inflation in China and Thailand. Firms in these countries are forced to seek alternative manufacturing sites that have ample and cheap labor forces to relocate labor-intensive production blocks. Among potential host countries, the CLMV countries are succeeding in accommodating such production activities. Why do firms choose CLMV? Anecdotal evidence suggests that the East Asian economic integration, enhanced ASEAN connectivity, and local efforts in promoting infrastructure development are the main determinants for the locational choice of migrating companies to the CLMV countries.

However, even if benefits of the regional economic integration are emerging in the Mekong sub-region, there is still a mixture of expectation and anxiety among ASEAN Member States (AMSs) towards the ASEAN Economic Community (AEC) and the East Asian economic integration initiative. Expectations, on the one hand, are based on the increasing opportunity for international trade and investment. Anxieties, on the other hand, are provoked by the fiercer international competition for markets and limited resources, including unskilled, skilled, and knowledge workers. These can increase the risk of causing brain drain, thereupon missing out on the benefit of economic integration and subsequently widening development gaps further.

One of the reasons why people have such concerns may be due to an insufficient understanding of the mechanism of industrial upgrading in the new business environments. The ERIA Survey for Indonesia, the Philippines, Thailand, and Viet Nam conducted in 2013 partially fills this information deficiency. The survey asked establishments in the manufacturing sector about their implementation of product upgrading,

collaborative relationships with buyers and suppliers, and management practices to ensure QCD (quality, cost, delivery) and workplace safety in order to examine the association among these variables.

The key findings from the survey reveal the following: (1) Respondents who interact with their buyers or suppliers face-to-face are more likely to introduce new products based on new technologies; (2) Respondents who adopt the 5S (sort, straighten, shine, standardize, sustain the discipline) approach are more likely to introduce new products based on new technologies; and (3) Respondents who adopt quality control practices like 5S are more likely to interact with their buyers or suppliers face-to-face.

The first finding indicates that the transfer of tacit knowledge is facilitated by face-to-face interactions with business partners. The second one may provoke a question on why 5S is associated with the introduction of technologically new products when it is only a simple tool to organize workplaces. A possible answer may be found in the third finding which indicates that a better implementation of quality control enables firms to develop collaborative production linkages.

What are the implications of these findings with regard to the AEC? Or conversely, how will the AEC or the regional economic integration impact on the industrial upgrading and development in the region?

The economic integration and industrial policies will increase opportunities for firms to secure new buyers and suppliers in the region. To make such benefits economically sustainable, however, firms need to make continuous improvements. The economic integration can facilitate the movement of people and stimulate interactive relationships among firms. But to realize these, firms need to invest in better quality management and learning capabilities to assimilate external knowledge.

Fortunately, the implementation of 5S does

not require huge capital investments. The opportunity becomes open to all firms by putting 5S into practice. On the other hand, 5S is an approach meant to change organizational culture, which means that it becomes a very difficult challenge for firms because changing organizational culture requires time and perseverance before it is realized.

Meanwhile, the possibility of a brain drain is an intractable and sensitive issue for all countries. The AMSs therefore need to formulate relevant policies carefully. But putting restrictions on the movement of people may not solve the problem because economic integration by itself accelerates diffusion of knowledge. In practice, firms in Thailand transfer technologies to Lao PDR at a faster speed with cheaper costs compared to the transfer from Japan. Lao and Thai people can easily move across the border for training and use Thai as a common language. The accelerated knowledge diffusion also implies a rapid rate of obsolescence of knowledge, meaning that knowledge tends to become obsolete much faster. For people who live in an advanced country and whose knowledge may become obsolete in the midst of rapid knowledge diffusion, they may be forced to move to a lesser developed or an advancing country where their knowledge is seen to still be novel. Otherwise, if they choose to stay, they will need to keep updating their knowledge throughout their entire careers.

A comprehensive economic integration makes more diversified knowledge available within the region and will help realize long-term economic development. Fostering a culture of lifelong learning and organizational discipline in workplaces should thus be a policy priority. One of the most complicated challenges for the AMSs is to close the gap in the speed of knowledge obsolescence and organizational learning. Governments therefore need to have an accurate perspective of the knowledge lifecycle and develop appropriate educational and training systems according to the development stage. □

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 yasushi.ueki@eria.org or to the editor of ERIA FRAMES at contactus@eria.org

ERIA Participates in the 46th AEM and Related Meetings

With ERIA Executive Director Prof. Hidetoshi Nishimura leading the group, several ERIA officials and economists attended and participated in the 46th ASEAN Economic Ministers (AEM) Meeting and related meetings held in Nay Pyi Taw, Myanmar on 23 to 28 August 2014.

For the 46th AEM Meeting on 25 August, Prof. Nishimura presented the report on ERIA's AEC Scorecard Phase 4 study titled "AEC 2015 and Beyond: Progress, Challenges, Way Forward Towards ASEAN's Landmark Achievement" which showed the progress in implementation by the ASEAN Member States (AMSs) of the ASEAN Economic Community (AEC) Blueprint measures vis-à-vis their commitments and which indicated the degree of readiness of the AMSs in the areas of trade facilitation, investment and services liberalization, non-tariff measures, mutual recognition agreements (MRAs) on professional services, and standards and conformance for the coming AEC 2015.

The Ministers thanked ERIA for its work on the AEC Scorecard Phase 4 study and noted that the remaining work highlighted in the report, especially in terms of customs, services and investment, indicates the need for the AMSs and the ASEAN bodies to exert greater efforts to see to it that the pending measures are expeditiously implemented and carried out as they will have a strong influence on the realization of the AEC 2015.

The Ministers also welcomed the progress in the area of small and medium enterprises (SMEs) development, in particular, on initiatives relating to access to finance and markets, which open more opportunities for SMEs and help them become more competitive and better prepared to face the challenges of the AEC. The Ministers likewise tasked the SME Working Group to identify areas where initial benefits may be reaped from the results of the ASEAN SME Policy Index study conducted by ERIA in close coordination with the SME Working

Group, the ASEAN Secretariat and the Organisation for Economic Co-operation and Development (OECD).

Meanwhile, ERIA's draft concept and presentation by Prof. Nishimura on the industrial cluster research was warmly received during the 6th Mekong-Japan Economic Ministers Meeting on 27 August. The research is proposed to be one of the core elements and theoretical backbone of the Mekong Industrial Development Vision. It highlights the importance of the association between the development of production networks and industrial upgrading. In his presentation, Prof. Nishimura showed visual perspectives of future industrial agglomerations as well as simulations of the impact of the East Asian economic integration initiatives on the geographical distribution of manufacturing activities in the Mekong sub-region.

Also held on 27 August was the 2nd East Asia Summit (EAS) Economic Ministers Meeting where Prof. Nishimura presented an update of ERIA's activities and research, including its studies on industrial cluster policy, regulatory coherence (jointly with the New Zealand Institute of Economic Research), energy issues and development such as clean coal technologies, SME development, disaster management, revision of the Comprehensive Asia Development Plan (CADP), establishment of PPP Guidelines, and proposals for an ASEAN post-2015 scenario.

Thanking ERIA for its support and contribution to the region's integration efforts, the EAS Economic Ministers thereupon encouraged EAS member states to engage ERIA for their research needs. The Ministers also welcomed the statement of ERIA's 7th Governing Board Meeting issued on 30 May 2014 outlining ERIA's role in helping achieve unity, peace and prosperity in the East Asia region through its studies and related activities on connectivity, inclusiveness and cooperation. □

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.

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