

Press Release



ASEAN Needs to Get into the Spirit of Community

Jakarta, October 31, 2011 – Dr. Jon D. Mills, Manager of Harvard University Asia Center concluded the first day of the joint symposium of Government of Indonesia - the Economic Research Institute for ASEAN and East Asia (ERIA) - Harvard University, held in the Le Meridien Hotel. In the “Moving ASEAN Community Forward into 2015 and Beyond” themed-symposium, several issues had been discussed by experts of their respective fields.

Fundamental Questions Answered in the First Day

Dr. Jon D. Mills concluded the first day of symposium had answered several fundamental questions, the first was related to the inspirational, aspirational, and actual objectives of ASEAN. Second was the question of necessity to achieve the objectives. Dr. Mills concluded that ASEAN’s natural resource and human resources would be the important factors. ASEAN’s human resource, particularly, is expected to provide human capital driven-growth, aligned with ASEAN’s people oriented, people centered, and people driven vision. Hence, SME would also play crucial role, for example in providing employment and boosting economic growth. Dr. Mills furthermore stressed that ASEAN has to think about how to develop a community, stating “the whole is greater than sum of parts”—that ASEAN’s statistics is great in the aggregate level, but could be more than that if driven by the spirit of community.

Transformation from Middle-Income to Developed Countries is the Challenge Beyond 2015

Prof. Fukunari Kimura, Chief Economist of the ERIA, elaborated the possible pathways in realizing the ASEAN Economic Community (AEC), and emphasized the main challenge that would be faced by AEC beyond 2015. Four pathways (competitive and dynamic; inclusive; sustainable; dynamic equilibrium with ASEAN centrality *vis a vis* ASEAN partners) were proposed as the framework to materialize AEC, conforming to the pillars of AEC (a dynamic, resilient, competitive, and sustainable regional economy; a thriving, healthy, equitable, and harmonious regional community; a globally connected, influential, important, and engaged ASEAN).

The true future challenge that awaits ASEAN beyond 2015, according to Prof. Kimura, is transforming the middle-income economies to fully developed, sustainable and resilient ones, while keeping inclusiveness within regions and engagement in global world. By 2020, most extended East Asian countries per capita income is estimated to be higher than \$10,000—only three countries will have it lower than \$3,000. Prof. Kimura stated that ASEAN economic integration would include the stages of connecting infrastructure and production networks, eliminating tariffs, reducing within-country income gap, and increasing coverage of pensions.

ASEAN Needs More Openness and Infrastructure to Innovate

Vice Minister of Transportation, Dr. Bambang Susantono emphasized the importance of domestic connectivity to support regional connectivity. He mentioned that the Master Plan of ASEAN Connectivity and Indonesia’s Master Plan of Economic Development Acceleration and Expansion should work in synchronized way. The same treatment applies to all member countries’ policies.

"Further openness will foster innovation," said ERIA researcher, Dr. Dionisius Narjoko, while showing the result of his research—that protection rates have the negative relationship with innovation. "The amount of R&D declines when protection rates are high. This is consistent in all the sectors we studied, from the food sector to the machineries," said Dr. Narjoko, again citing his research that is co-conducted with academician from University of Indonesia. Furthermore, he said, in Indonesia, the innovation that comes from the industrial agglomeration is hampered by the lack of infrastructure. Innovation is now under the spotlight for ASEAN member countries as new source of growth, while China has started much earlier in promoting it. The panelists also emphasized that proper incentives and protection of intellectual property rights would foster endogenous innovation and new technology start-up forms in ASEAN.

Second Day to Focus on Resiliency, Harmonization, and Global Engagement

Trade was not the only issued touched in the symposium's first day panel sessions. The panel sessions had discussed on the production networks, sustainable growth, the role of SME, ASEAN's political economy, and connectivity. The second day of the symposium will focus on the talks of resiliency and harmonization—including food security, energy security, mitigation of natural disasters—as well as the ASEAN's engagement in global community.

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