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# Research and Research-Related Activities



Research is at the core of ERIA's mandate. From it spring other roles that ERIA is tasked to do, such as research dissemination; capacity building aimed at strengthening policy research capacities in less developed countries, especially Cambodia, Lao PDR, Myanmar, and Viet Nam (or the CLMV countries); and providing policy recommendations to policymakers of ASEAN and East Asia Summit countries.

ERIA research projects focus on four major themes: (i) deepening economic integration, (ii) narrowing development gaps, (iii) achieving sustainable economic development, and (iv) energy-related research.

Below is a summary of the completed research projects in FY2018 according to themes.

## Deepening Economic Integration



## **1. ASEAN Vision 2040**

The Economic Research Institute for ASEAN and East Asia (ERIA), in support of Thailand's ASEAN chairmanship in 2019, prepared a report on ASEAN Vision 2040. This project presents a vision for ASEAN by 2040 marked by regional integration along social and economic lines. Each chapter presents an issue or policy area of relevance to ASEAN and recommends key strategies for transition and implementation of each relevant issue.

The ASEAN Vision 2040 report provides important analyses, insights, and recommendations on the various important issues for ASEAN Economic Community (AEC), ASEAN Socio Cultural Community (ASCC), and ASEAN Political Security Community (APSC) moving to 2040. Issues include those related to the ASEAN single market, the new industrial revolution, and its implications for ASEAN economic transformation and integration; the drive towards an inclusive and innovative ASEAN of good governance; the challenges of resiliency and sustainability in the region; the fundamental challenge that ASEAN needs to be felt as vital to the lives and livelihoods of ASEAN people; and the challenge of strengthening ASEAN centrality in a changing global and regional geopolitical environment.

The report consists of many chapters and each chapter tackles an issue of importance for ASEAN Vision 2040. Each chapter discusses the vision for 2040 related to the chapter, explains the rationale, and maps out the transition path from the current period to the targeted 2040 Vision (i.e. key strategies). Each section takes into consideration three critical points embedded in the report:

1. 'Leave no one behind';
2. Making the ASEAN project feel vital to the lives and livelihood of ASEAN people; and
3. The risk of a diminution of ASEAN if it fails to deliver.

The ASEAN Vision 2040 report offers key policy recommendations for strengthening ASEAN. They include:

1. realising a Seamless ASEAN as a single market and production base underpinned by good regulatory practice;
2. emphasising the importance of collective leadership and ASEAN centrality in East Asia and the Indo-Pacific region;
3. establishing a stronger sense of an ASEAN community amongst ASEAN people; and
4. promoting regional and sustainable economic growth, trade, transformation, good regulatory practice, cooperation, innovation, and free flow of information.

*Geographic scope: ASEAN*

## **2. ASEM Connectivity Inventory**

Partner: European External Action Service (EEAS), Clingendael Institute

The need for strengthened connectivity between Asia and Europe has been recognised since the 10th Asia-Europe Meeting (ASEM) Summit of 2014 held in Italy. The 11th ASEM Summit of 2016 held in Ulaanbaatar agreed to make ASEM responsive to emerging demands for connectivity within a framework of economic prosperity, institutional linkages, and social-cultural exchange and

cooperation, and to this end established the ASEM Pathfinders Group on Connectivity (APGC).

In view of the unique institutional nature of ASEM and the diversity in the areas of cooperation within the ASEM framework, the ASEM Pathfinders Group on Connectivity (APGC) requested ERIA to prepare an inventory of all ASEM connectivity related activities since 2014, and to come up with recommendations for the APGC and the Senior Officials Meeting that would enable the two bodies to create a practical and contemporary plan for ASEM connectivity. Following this request, ERIA prepared the ASEM Connectivity Inventory which consolidates the lessons in the field of connectivity from ASEM activities held between October 2014 and April 2018. It supports the APGC in further developing the direction of and framework for policy processes of ASEM's Asia–Europe connectivity activities.

Two key conclusions emerge from the inventory of ASEM activities. First, a considerable number of ASEM activities touches upon one or more of the three connectivity pillars, but their relevance and contribution to advancing physical, institutional, or people-to-people connectivity in member countries are not fully evident. The uneven distribution of events over time and topics, inadequate follow-up, and indeterminate implementation of outcomes are not uncommon in activities under the three pillars of ASEM. The inventory cautions ASEM against interpreting the high number of activities as evidence of their strong contribution to connectivity between Asia and Europe.

Second, the inventory found that the formal structures of ASEM – such as Ministers' meetings

and Summits – are rather results-oriented. These structures constitute ASEM's strength as they typically provide clear guidance and directions. In the inventory it was noted that APGC can particularly benefit from Ministerial and SOM meetings on transport, economy, and finance – the hard aspects of ASEM connectivity – as these bodies are favourable to APGC's formation, and that their work will be linked with that of the APGC.

This ASEM Connectivity Inventory recommends the following:

- To consider a greater role for the APGC (and SOM) in managing the diversity and uneven outcomes of ASEM connectivity activities through a careful selection of topics, coordination amongst stakeholders, wider participation (of youth and women in particular), a more unified way of presenting findings and outcome documents, and a shared sense of direction and follow-ups.

These adjustments will make ASEM more responsive and relevant to the peoples of Asia and Europe. Initiatives for digital connectivity, sustainable development, higher education, technology, and innovation will make ASEM future-proof and more agile.

- To update ASEM's definition of connectivity to address the gap between present-day activities and long-term needs, and the APGC can facilitate this makeover.
- To match the performance of ASEM's informal institutions – Track 1.5 and Track 2 dialogues – with the clear focus and direction of its formal platforms.



In moving forward and to add value for ASEM connectivity activities, the APGC can establish frameworks for and linkages with other multilateral bodies, global compacts, and non-ASEM programmes of Asia–Europe cooperation.

*Geographic scope: Asia, ASEAN, Europe, and Oceania*

### 3. Assessment of Global Value Chains in the ASEM Region: Strengthening Economic Connectivity for Sustainable and Inclusive Growth

Partner: International Trade Center

The 7th ASEM Economic Ministers' Meeting (EMM7) was held in Seoul, Korea on 21–22 September 2017, chaired by H.E. Paik Ungyu, Minister of Trade, Industry and Energy of the Republic of Korea. It was attended by economic and trade Ministers from 21 Asian countries and 30 European countries, coordinated by European Commission and Estonia in its role as the President of the Council of the European Union, the EU Trade Commissioner, and the Deputy Secretary-General of ASEAN.

The theme of the meeting – 'Reconnecting Asia Europe: Innovative Partnership for Inclusive Prosperity' – reflected the important agenda of linking ASEM connectivity with the growth and prosperity of the two regions. The trade ministers concentrated on three themes: i) facilitating and promoting trade and investment, ii) strengthening economic connectivity, and iii) sustainable and inclusive growth and mandated ERIA to conduct a study on ASEM global value chains. Trade is the most

visible aspect of ASEM connectivity and the GVC structures between the two regions are important for understanding the region's pivotal role in both regional and global growth. Therefore, a study of the GVC structure within the ASEM region helps ASEM senior officials undertake policy consultations and activities that deepen Asia–Europe economic connectivity and induce sustainable and inclusive growth in the ASEM region.

Europe has created a seamless movement of goods, capital, and people in the European Union (EU). Countries outside the EU are also integrated with EU production networks through various trade agreements. Asia has been the growth centre of the global economy over the past decade. East Asia is a region where production networks, particularly in machinery industries, are the most advanced in the world. Trade integration within the world economy – particularly so within Europe and Asia, has increased rapidly. GVCs have brought special benefits to firms in low-income and developing countries through sophisticated imported technology, know-how, richer skill-sets, and above all new opportunities. Small and medium-sized enterprises (SMEs) in particular have benefited from participation in GVCs.

GVCs have changed the Asian and European economic and political landscapes in fundamental ways. Advances in technology and an enabling policy environment have allowed businesses to internationalise their operations across multiple locations to increase efficiency, lower costs, and speed up production. ASEAN and developing East Asia have proved that moving up in global value chains (GVCs) can be achieved through better and more reliable connectivity.

ASEM GVCs are drivers of sustainable and inclusive growth in the region. GVCs are particularly beneficial for lower-income countries and smaller firms. Deeper integration into GVCs help them through reduced costs of internationalising their productions, regulatory compliance, and search for profitable markets and reliable partners. SMEs can join an international value chain at different points and provide a variety of inputs.

The study will be presented to the ASEM Senior Officials Meeting – Trade and Industries (SOMTI) – for the findings to be put before the EMM 8.

*Geographic scope: Asia, ASEAN, Europe, and Oceania*

#### **4. Brussels Report on Strengthening Asia Europe Connectivity: Drawing Synergy from Global Development and Governance Programmes**

Partner: European External Action Service (EEAS)

At the 12th ASEM Summit in Brussels held on 18–19 October 2018, ASEM leaders met under the theme of ‘Global Partners for Global Challenges’ to chart ASEM’s common response to global challenges. The Brussels Report on Strengthening ASEM Connectivity supported the leaders and policymakers of ASEM to assess the drivers of deepening ASEM connectivity and effectively use the ASEM connectivity mechanisms for delivering results in global programmes of development. The Brussels Report highlights the strength of Asia and Europe’s mechanisms to support member countries and global institutions alike in the progress towards sustainable development goals and to create

conditions that allow the benefits of development to be shared by all. The report highlights that ASEM connectivity transcends the borders of Asia and Europe when the two regions work together to contribute to global programmes of development such as the 2030 Agenda; the Paris Agreement; the Sendai Framework for Disaster Risk Reduction; and the Istanbul, Almaty, and SAMOA plans of action. The report provides concrete examples of and recommendations on how ASEM connectivity mechanisms can contribute significantly in realising the objectives of these programmes.

The Brussels Report provides details on how ASEM’s connectivity activities can be converged with the objectives of global development programmes and its outcomes shared with intergovernmental organisations and their subsidiary bodies in charge of monitoring those programmes and supporting capacity building in several countries. The report also brings out those aspects of Asia–Europe Connectivity that reinforce and strengthen multilateralism and a rules-based international order. ASEM’s strength and mandate is aligned with the workings of multilateral institutions and governance mechanisms for trade, financial stability, and economic growth. The Brussels Report recommends the interlinkage of ASEM with multilateral global governance organisations. ASEM represents a group of countries that face many of the same challenges faced by the global community – sustainable growth, income inequality, trade, climate change, disaster risks, and peace and security. Governments across the globe recognise connectivity’s growing importance for sustainable development, trade and economic cooperation, new areas of connectivity, peace and security, and bringing people closer together.



The Brussels Report on strengthening ASEAM connectivity converged with the theme of the 12th ASEM Summit: 'Global Partnerships for Global Challenges'. The Brussels Report was presented to the 12th ASEM Summit in Brussels in October 2018.

### **5. Cities, Urban Amenities, and the Global Production Value Chain: New Developments in Trade and Services Liberalisation in East Asia and ASEAN**

Regional and global supply chain activities in Asia and ASEAN are growing and deepening as more mature economies move to the second stage of production fragmentation and newly emerging ASEAN countries are already building up the industrial base for the first stage of production fragmentation. However, we are also observing certain challenges emerging in the Asian region. Liberalisation – in particular services and investment liberalisation – is losing momentum. Asian cities are plagued by high population densities, which decreases the returns on urbanisation (pollution and congestions) and limits their productive contribution to regional growth. The level of trade and investment liberalisation in multilateral agreements such as the Regional Comprehensive Economic Partnership (RCEP) is becoming weaker which does not augur well for further regional integration.

Several policy issues have to be addressed as East Asian and ASEAN economies are in different stages of growth in the global production value chain. Most of the developed ASEAN countries of Indonesia, Philippines, Thailand, and Viet Nam are in the middle stage of second unbundling; Malaysia is in the later

stage of second unbundling; and the ASEAN least developed countries of Cambodia and Lao PDR are now in the early stage of second unbundling. Singapore is already in the early stage of third unbundling.

*Geographic scope: ASEAN and East Asia*

### **6. Economic Impact of ASEAN Economic Integration**

This project will assess the impact of the ASEAN Economic Community (AEC) on the economies of the ASEAN Member States (AMS). Since its inception in the early 2000s, AMS have, jointly and concertedly, embarked on a region-wide economic integration using the AEC as the framework. The Community is now in the second round of its implementation with the next milestone set for 2025. The year 2020 arrives as the midpoint of the AEC 2025. The report of this project is intended to serve as a companion document for the official AEC 2025 Midterm Review process. This is in line with the enhanced monitoring and implementation mechanism in the AEC 2025 for a more effective implementation.

In assessing the impact of AEC, this project will focus on answering the question of whether the AEC since its inception has been improving the economic performance and welfare of the AMS, individually or together as a region. But this needs to be placed into its proper context, so the project will firstly evaluate the extent of liberalisation in each of the AMS, which should give us some idea about how far AMS have become integrated since the early 2000s. This evaluation should reflect various

measures implemented through the AEC, although each member state's unilateral actions should also be reflected in it.

*Geographic scope: ASEAN*

## 7. Handbook of Asian Economic Integration

ERIA has been working together with Edward Elgar Publishing to produce a handbook on regional economic integration in Asia. The volume compiles and places in the context of related research in this field the wide range of ERIA's publications relevant to this topic. It serves to highlight ERIA's significant contribution in this field and identifies priorities for future work.

Elgar handbooks are designed to provide a broad overview of research in a given field while creating a forum for a more challenging, critical examination of complex and often underexplored issues within that field. Often widely cited, individual chapters present expert scholarly analysis and offer a vital reference point for advanced research. The handbook comprises original, specially commissioned chapters.

In addition, the publisher establishes a companion website for the book, which includes all the data used in all chapters (tables and charts) and material recorded by authors to make it easier for the handbook to be used for teaching purposes.

*Geographic scope: Asia*

