



## Macroeconomic Policies and Development Challenges Lead Discussion at Asia Regional Roundtable

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Distinguished policy makers, prominent academics, think tank experts, and practitioners from the Organisation for Economic Cooperation and Development (OECD), the ASEAN +3 Macroeconomic Research Office (AMRO), the Asian Development Bank, the Asian Development Bank Institute (ADB/ADBI) and ERIA convened a two day event in Jakarta to discuss issues at the fore of recent economic development in Asia. The 7th OECD-AMRO-ADB/ADBI-ERIA Asian Regional Roundtable on Macroeconomic and Structural Policies, a T20 Japan Associated Event, took place from 18-19 June 2019 at ERIA's offices.

Previous roundtables were held in Singapore, Manila, and Tokyo and focused on topics including Euro-area economic uncertainty and its implications for Asian economies, new growth models in Asia, the impact of monetary easing in the OECD on the Asian economies, middle-income trap, and challenges in energy sector, digitalisation, as well as some other topics.

Through five sessions, this year's roundtable addressed recent domestic, regional and global trends that are changing the environment including subthemes of trade tensions and digital economy, connectivity in ASEAN+3 region, urbanisation, ageing population, and human capital development.

The first session examined challenges facing global trade and multilateralism such as rising protectionism, unequal opportunities to engage in global value chains, and legal systems that are inadequate for digital economy and international trade in services. Policies and actions to strengthen the global economy and the WTO are required to improve the global trading system and reinstate multilateralism. ASEAN and East Asia have a special role to play in this task, leading by example.

Ms Anita Prakash, Director of Policy Relations, ERIA, moderated the event. She noted the deep fault lines that originated with the financial crisis and exist until today. The global trading system is marked by 'unequal opportunities to engage in global trade and value chains, especially for small countries,' she said. She also noted the challenges posed by the shift to services and the onset of the digital age.

Dr Siswo Pramono, Director General/Head of Policy Analysis and Development Agency in the Ministry of Foreign Affairs of the Republic of Indonesia, presented on the same theme, focussing on the geopolitical aspects, noting that the trade war is not just a trade war, but includes 'tinges of a cold war and a proxy war.' In his presentation, he reviewed the importance multilateral trade agreements, noting that RCEP would be the largest in the world, but includes more fragile states than the other large trade agreements (NAFTA and EU). Dr Amalia Adininggar Widyasanti, Senior Advisor to the Minister of National Development Planning for Economic Synergy and Financing, looked at what the region

should do to respond to an unending trade war, noting that the 'trade war' is actually multiple trade wars. Focusing on Indonesia and Japan, she notes that neither will be significantly affected in the short run. However, over the long run, the trade wars will have a negative impact on the global economy. Indonesia needs to prepare by attracting more investment to induce accumulation in the long term and increasing total factor productivity through infrastructure development, regulatory efficiency and re-industrialisation.

The second session focused on improving the quality of education and human capital development in emerging Asia. It is key in reducing poverty, raising labour productivity, expanding economic potential and improving overall social welfare. With the deepening of digitalisation, the stakes have risen in making education more responsive to the possible changes in skillset that the domestic labour market will likely demand in the future. The Head of Asia Desk in OECD, Mr Kensuke Tanaka, presented some of the key findings of the OECD's Economic Outlook for Southeast Asia, China, and India 2019. He discussed some of the growth risks and structural challenges faced by countries in the region, namely trade tension, opportunities and risks of financial technology, impact of natural disasters, digitalisation, traffic congestion, and education. Meanwhile, the Head of Early Childhood and Schools Division in the OECD, Ms Yuri Belfali, discussed the trends in students' performance and ways to improve the quality of education amidst the development of artificial intelligence and education priorities proposed by employers.

The third session addressed urbanisation in Asia and its role in driving economic growth. Cities host dynamic firms and create productive jobs, with agglomerations resulting in better matches between workers and jobs, strong input-output linkages, and more knowledge spillovers. But the

way developing Asia is urbanising—in terms of speed, size, the extent of planning, infrastructure provision, and urban governance—may not be optimal for nurturing the growth of dynamic firms and creating productive and well-paying jobs. This may have implications for development prospects in the region.

The fourth session looked at building capacity and connectivity in ASEAN+3 economies and how they have come a long way since the Asian Financial Crisis. Following a period of consolidation and rebalancing, economies in the region embarked on a diversified growth strategy while building economic and financial resilience. Development priorities during the next growth phase will shift to enhancing capacity and connectivity, especially infrastructure investment needs and the scope for region-wide initiatives, as presented by Ms Lam San Ling, a consultant with AMRO. She provided a brief overview from the thematic chapters of AMRO's ASEAN+3 Regional Economic Outlook 2019.

The final session focused on fiscal sustainability in the era of ageing population which presents a major challenge in terms of decreasing revenues and increasing expenditures. Addressing this challenge requires a macroeconomic perspective and the assessment of alternative paths that Asian economies can take to properly and adequately respond. In a pre-recorded video presentation, Dean of ADBI Prof Naoyuki Yoshino recommended two policies: productivity-based wage rate and deferred retirement. Mr Chul Ju Kim, the Deputy Dean of ADBI conveyed several policy recommendations for younger developing countries, such as maximising first demographic dividend, developing tax coverage and enhancing efficiency, designing and implementing proper social security systems, as well as strengthening governance and enhancing productivity to attract foreign direct investment. ■



Anita Prakash

Director of Policy Relations at ERIA

## Strengthening Global Governance and Multilateralism: G20 Summit in Osaka Must Deliver Results

**' The process of global governance and the spirit of multilateralism can prevail at several levels – global, regional, subregional, bilateral, and trilateral. Multilateralism also provides for innovation in connectivity and cooperation mechanisms among countries and regions, and facilitates reaching out to new partners. '**

Global governance systems must resonate with the interests of all of their members – small or large, developed or developing – including those that have special or differential requirements. Multilateral governance bodies are mandated to represent the interests of all their member countries. The list of global governance issues addressed by multilateral bodies is long: human rights, human development, labor, health, peace, conflict, disarmament, communication, finance, and environment. Trade and economic integration, however, have been the most visible aspects of international cooperation in the past year.

The three major elements in global governance – the consensus, rules, and membership of multiple national governments – require a binding mode of interaction. Multilateralism facilitates such interaction and helps sustain the rules-based global order. The process of global governance and the spirit of multilateralism can prevail at several levels – global, regional, subregional, bilateral, and trilateral. Multilateralism also provides for innovation in connectivity and

cooperation mechanisms among countries and regions, and facilitates reaching out to new partners.

The spirit as well as the practice of global governance and multilateralism have suffered serious setbacks. The global financial crisis of 2008 brought home the strong message of the need for multidimensional development of all people. Sharing the benefits of globalization and resultant prosperity, and making growth inclusive became the byword for policymakers across the globe. At the G20 Summit in Hamburg in July 2017, leaders noted and forewarned against the global headwinds that are challenging policies aimed at promoting openness and growth in the global economy. The leaders recognized that risks to the global outlook persist in the context of economic and geopolitical uncertainty, continued financial volatility, global excess capacity in industrial sectors, the challenges faced by commodity exporters, and persistent low inflation. The challenges faced by multilateral agencies are slowing down the

response mechanisms of member countries. Against such a backdrop, G20 leaders reaffirmed that they stand ready to use all policy tools to foster confidence and achieve strong, sustainable, and balanced economic growth. To achieve this, cooperation among the multilateral institutions is important.

Currently, the multilateral system of trade governance and cooperation for economic growth is under stress, induced mostly by world's two largest economies. Individual positions of the US and China on tariffs, disputes, and economic cooperation are overshadowing the multilateral governance systems. Trade facilitation measures, long considered the pathway for improved prosperity, are at risk of being delayed or even overlooked. This would be detrimental for developing and developed countries alike in Asia and Europe. The smaller and more economically vulnerable countries are at greater risk of being left behind.

The uncertainties created by Brexit

in Europe, the withdrawal of the US from the Trans-Pacific Partnership Agreement and the Paris Agreement, the stalemate in the World Trade Organization (WTO) and its Dispute Settlement Mechanism (DSM) body, and the tariff war between the US and China are still being assessed for their impact on regional investment and trade. These are further clouded by the rising support for trade restrictiveness, national security, and intellectual property rights issues. In sum, global governance and multilateral systems are under unprecedented strains.

Against this background, the G20 meeting in Osaka in June faces a challenging task to produce an inclusive strategy to resolve the tensions around global governance and reinstall the consensus in multilateral systems.

### **Strengthening Global Governance Mechanisms for Economic & Financial Cooperation**

The Hamburg Summit in 2017 declared that mastering the challenges of our age and shaping an interconnected world is the common goal of the G20, which will act as the premier forum for international economic cooperation. In 2018, the G20 agreed to take concrete actions to advance greater economic integration. It underlined the crucial role of the rules-based international trading system. In particular, it committed to working together with all WTO members to improve the functioning of the WTO and to cooperate to ensure the effective and timely enforcement of trade rules and commitments as well as improve the organization's negotiating, monitoring, and dispute settlement functions.

2019 has already witnessed an intensified and escalated trade dispute

with increasing adverse effect on the global economy. What should be more worrying for the G20 leaders is that the disregard for consensus and rules in trade and economic cooperation have spilled over into other significant policy areas of agriculture, environment, sustainable development and cooperation in financial measures such as taxation. The participation of diverse economies and leading international organizations, such as the United Nations, International Monetary Fund, World Bank, World Trade Organization, Financial Stability Board, and the Organization for Economic Cooperation and Development is meant to create a policy impact on the G20 and ensure that its focus is truly global. The G20 Africa Partnership is a special vehicle of global governance and multilateralism to support African countries as well as the goals of the 2030 Agenda.

### **Supporting Global Governance & Multilateral Institutions Will Strengthen G20's Mandate**

As the chair of the G20 in 2019, Japan should have both the resolve and the voice to provide the multilateral and intergovernmental bodies with a greater and more granular understanding of domestic and regional concerns of Asia, Europe, North America and Latin America. When the top two economies of the world have their sights away from the need for international cooperation and consensus, Japan may well take the lead in bringing like-minded economies together for a feasible action plan for expediting the work on inclusive and sustainable growth, addressing important issues before agriculture sector, taking the consensus on Paris Agreement forward, creating remedial growth plans for the digital economy, drawing contingency plans for transnational

livestock diseases like the African Swine Fever, and many other intergenerational issues which require global attention and action. Japan enjoys the trust of all developing and developed economies which remain open to cooperation, consensus and a rules-based multilateral order. The capacity for trade rivalry between the US and China can undermine consensus as witnessed in the APEC's missing communique in November 2018 in Papua New Guinea. The Osaka G20 summit takes place when the US-China acrimony overshadows equitable and balanced discussions in a multilateral setting. Japan is expected to walk the talk that Prime Minister Shinzo Abe made in the United Nations General Assembly in November 2018:

*"The goal of Japanese diplomacy, (which I conveyed to you to some extent today,) is to make the future of the world and the region something that is certain."*

The global and interconnected character of the challenges to the global economy calls for solutions that transcend national borders. Multilateralism itself requires an integrated approach that promotes the effective use of partnerships among multiple countries, regions, and regional institutions for resolving common economic and financial issues. The Osaka summit of G20 will therefore be a test of member countries' resolve, Japan's leadership and multilateral organizations' preparedness towards an action plan for restructuring global governance institutions and agreements. This will also strengthen the very foundation on which the G20 is conceptualised – bringing people, places, and economies closer than before - for common goals of growth and prosperity. ■



## UNESCAP Proposes up to \$1.5 Trillion Investment Per Year in Asia Pacific to Achieve SDG 2030



**'Mr Jian presented the key findings of the Survey 2019 including an estimated need of \$1.5 trillion per year to achieve the Sustainable Development Goals (SDGs) in the Asia Pacific region by 2030.'**

The United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) and the Economic Research Institute for ASEAN and East Asia (ERIA) held a Joint Policy Dialogue on UNESCAP's flagship publication, *The Economic and Social Survey of Asia and the Pacific 2019: Ambitions beyond growth (Survey 2019)*, to discuss and exchange views on policy issues raised in the report. It took place at ERIA's office on 20 June 2019.

Ms Lydia Ruddy, Director of Communication of ERIA, opened the policy dialogue noting the importance of making development inclusive and sustainable.

Mr Zheng Jian, Economic Affairs Officer in the Macroeconomic Policy and Financing for Development Division of UNESCAP, was the main speaker. He presented the key findings of the *Survey 2019* including an estimated need of \$1.5 trillion per year to achieve the Sustainable

Development Goals (SDGs) in the Asia Pacific region by 2030. \$1.5 trillion is equivalent to approximately 5 percent of the region's GDP in 2018. That \$1.5 trillion includes \$669 billion for people, \$196 billion for prosperity and \$590 billion for the planet. The amount is equal to \$1 per person per day in the region.

Dr Fauziah Zen, Senior Economist of ERIA, expressed concern that \$1 per person per day was too much for some countries in the Asia Pacific, especially the Least Developed Countries (LDCs). The intersection between several SDGs goals and the investment gap in LDCs was also cause for concern. Mr Jian acknowledged these challenges, noting the need to achieve balance between national priorities and SDGs.

The event was attended by representatives from the US, Singapore, and Korean Missions to ASEAN, the US-ASEAN Business

Council, the Japan International Cooperation (JICA), the Indonesian Institute for Energy Economics (IIEE), the Center for Indonesian Policy Studies (CIPS), The Jakarta Post, the United Nations Development Programme (UNDP), the Indonesian Ministry of National Development Planning (BAPPENAS), and researchers from Jakarta-based organizations. ■

## ERIA Attends the G20 Ministerial Meeting on Trade and Digital Economy



Prof Nishimura expressed ERIA's view that the Free Flow of Data with Trust is an excellent initiative and very important for small- and medium-sized countries such as many ASEAN Member States.

A delegation from the Economic Research Institute for ASEAN and East Asia (ERIA), headed by the President, Prof Hidetoshi Nishimura, was invited to attend the G20 Ministerial Meeting on Trade and Digital Economy on 8 and 9 June in Tsukuba, Japan. Prof Nishimura also had a bilateral meeting with H.E. Rudiantara, Minister of Communication and Information Technology of Indonesia, on the margins of the Ministerial Meeting.

The ERIA delegation participated in every session in the two-day event, including sessions on Digital Economy, Trade and Digital Economy, and Trade. In the Digital Economy Session, the ministers exchanged their opinions on the concept of 'Data Free Flow with Trust' (Japan's idea to create a set of international rules governing the free flow of data), human-centric artificial intelligence, digital security

and sustainable development goals, and inclusion.

Prof Nishimura expressed ERIA's view that the Free Flow of Data with Trust is an excellent initiative and very important for small- and medium-sized countries such as many ASEAN Member States. He emphasised the need to establish effective international arrangements that ensure interoperability of different data governance frameworks.

In the Trade and Digital Economy Session, the ministers discussed issues related to the interface between trade and the digital economy including the concept of data free flow with trust, WTO discussions on electronic commerce, and needs for capacity building, bearing in mind the importance of ensuring that all countries are able to realise their

opportunities.

In the Trade Session, the ministers discussed current international trade developments, a sound business environment that promotes market driven investment decisions, promotion of trade and investment that contributes to sustainable and inclusive growth, WTO reform, as well as recent developments in bilateral and regional trade agreements.

In the bilateral meeting with H.E. Rudiantara, Prof Nishimura asked for advice on what ERIA will be expected to do as a follow-up for the Project 2045, especially on 'Digital Technologies to Improve Quality of Life'. H.E. Rudiantara asked ERIA to determine Indonesia's human capital needs every five years, highlighting the importance of education and human resource development. ■

## ASEAN-Japan Celebrates 45-Year Relationship



When the Prime Minister of Japan, H.E. Shinzo Abe visited Viet Nam last year, both sides agreed to organise the so-called ASEAN-Japan Day to further boost the relations.

HANOI, 4 June 2019—ASEAN and Japan commemorated their 45th anniversary of their relationship with a series of activities including cultural shows, seminars and a photo exhibition. When the Prime Minister of Japan, H.E. Shinzo Abe visited Viet Nam last year, both sides agreed to organise the so-called ASEAN-Japan Day to further boost the relations.

Japan's delegation was headed by HE Mr. Norikazu Suzuki, Parliamentary Vice Minister for Foreign Affairs of Japan, HE Mr. Takeo Mori, Senior Deputy Ministry for Foreign affairs. Vietnamese delegation was led by Deputy Foreign Minister Nguyen Quoc Dung.

In his opening speech, Dung said that with a strong foundation established over the past 45 years and a common vision for the future, Japan-Asean cooperation would reach new heights.

In response, HE Takeo Mori, Senior Deputy Minister for Foreign Affairs, said that Asean and Japan relations had been developing rapidly and growing in importance. He reiterated that during the recent visit of ASEAN Secretary General Paduka Dato Lim Jock Hoi to Japan, both sides signed a cooperative agreement, which would further strengthen their cooperation.

At the symposium, 'ASEAN-Japan Cooperation For Prosperity', speakers and experts from Japan and ASEAN, including representatives from ERIA, discussed issues related to ways and means to strengthen ASEAN-Japan ties, promotion of political and security cooperation, investment opportunities in agro business, smart cities, and aging population. Vietnam is the coordinator country for ASEAN-Japan relations from 2018-2021.

During the discussion on the Indo-Pacific framework, experts shared views that there are areas that both sides can agree to work together to synergize and to ensure that the region would achieve economic and social progress coupled with political stability. ■



## ERIA Takes Part in G20 Ministerial Meeting on Energy Transitions and Global Environment for Sustainable Growth



G20 Ministerial Meeting on Energy Transitions and Global Environment for Sustainable Growth  
15-16 June, 2019, Karuizawa, Nagano, Japan

President Nishimura presented energy security and climate challenges in the ASEAN region focusing on fossil fuels, hydrogen, and electric vehicles (EVs).

A delegation from the Economic Research Institute for ASEAN and East Asia (ERIA), headed by the President, Prof Hidetoshi Nishimura, participated in the G20 Ministerial Meeting on Energy Transitions and Global Environment for Sustainable Growth on 15 and 16 June 2019 in Karuizawa, Japan.

Prof Nishimura and the ERIA delegation attended all of the sessions in the meeting: Joint Session, Environment session, and Energy session.

Prof Nishimura delivered a presentation during the Joint session, in which he talked about 'Energy and Climate Challenges in the ASEAN Region—Role of Fossil Fuel, Hydrogen, and Electric Vehicles'. President Nishimura presented energy security and climate challenges in the ASEAN region focusing on fossil fuels,

hydrogen, and electric vehicles (EVs). Due to the fact that fossil fuels, in particular coal, will play a dominant role in the regional energy mix in the coming decades, Prof Nishimura stressed the importance of the penetration of high-efficiency low-emission technology and ultimately carbon capture and storage (CCS)/Carbon Capture, Utilisation, and Storage (CCUS) for the low carbon future. He underlined the bigger role of natural gas as a transitional fuel and emphasised the need for competitive and transparent LNG markets, overcoming financial constraints, and enabling the policy environment. Due to its zero emissions, unlimited supply, storability, and transportability, hydrogen could contribute to low carbon future in the region. To make this happen, massive cost reduction is absolutely necessary. Prof Nishimura also presented the

role of EVs for reducing environmental damage and oil import dependence in the region. Power generation mix is the key for reducing CO<sub>2</sub> emissions. Lastly, he also emphasised careful consideration of fiscal burden in supporting introduction of EVs.

During the Environment Session 1 with the theme 'Resource Efficiency and Marine Plastic Litter', Prof Nishimura delivered a presentation on 'How to Cope with Marine Plastic Litter in ASEAN and East Asia'. He stated that ASEAN and East Asia have begun to issue several statements and action plans for addressing this issue at regional as well as national levels. He underlined the importance of (i) Promoting knowledge-sharing and good practices, both regionally and globally; (ii) Developing policy coordination mechanisms at the national and international levels; and (iii) Encouraging the development of scientific knowledge and international



cooperation. Moreover, Prof Nishimura conveyed ERIA's determination to contribute as the Regional Knowledge Centre of ASEAN+3 region. During the session, H.E. Yoshiaki Harada, the Minister of the Environment of Japan discussed working with ERIA to establish a Regional Knowledge

Centre of marine plastic litter at ERIA as one of the deliverables of the G20 Presidency.

On the sidelines of the Ministerial Meeting, Prof Nishimura held discussion with several ministers: H.E. Siti Nurbaya, Minister of Environment and Forestry of

Indonesia; H.E. Ignasius Jonan, Minister of Energy and Mineral Resources of Indonesia; H.E. Danny Ray Brouillette, Deputy Secretary of the Department of Energy of the United States; and H.E. Le Cong Thanh, Deputy Minister of Natural Resources and Environment. ■

## ERIA Attends T20 Summit in Tokyo



ERIA members contributed policy briefs to T 20 task forces on trade and investment, cooperation with Africa, future of work and education in digital age, and climate change and environments.

The Economic Research Institute for ASEAN and East Asia (ERIA) participated in the Think 20 (T20) Summit of the G20 held in Tokyo on 26-27 May 2019.

ERIA 's Chief Economist Prof Fukunari Kimura, Ms Anita Prakash, Director (Policy Relations), Dr Lurong Chen (Economist), and Dr Venkatachalam Anbumozhi (Energy

Economist) participated in the panel discussions on Trade, Investment and Globalization, Cooperation with Africa, and Digital Economy. Leading to the summit, these ERIA members contributed policy briefs to T 20 task forces on trade and investment, cooperation with Africa, future of work and education in digital age, and climate change and environment.

Prime Minister of Japan H. E. Shinzo Abe addressed the T20 summit through a video message. The recommendations of the T20 were presented to H. E. Taro Aso, Finance Minister of Japan. The recommendations will reach the chair of G20 during the G20 summit on 28-29 June in Osaka. ■

## Lao Business and Industry to Benefit from ICT and Blockchains



The power of digitalisation and the fragmentation of tasks improves the capacity and access to resources and information for market participants.

Lao businesses and government need to work together to realise the potential benefits of information and communications technology (ICT) and blockchains. That was the main message from the seminar hosted by the Economic Research Institute for ASEAN and East Asia (ERIA) jointly with the Ministry of Industry and Commerce (MOIC) and the Lao ICT Commerce Association (LICA) in Vientiane on 13 June 2019.

The seminar topics included Lao PDR's development plan for ICT, the use of ICT in business development and e-commerce, and the ability for blockchains to support small-medium enterprise (SME) financing.

Mr Samly Boutsady, Deputy Director General of MOIC began the seminar with opening remarks pertaining to Lao's positive outlook in modernising ICT throughout the country. Upon the completion of his remarks, he

welcomed the valuable insights of all the participants in their collective effort to strengthen Lao.

Dr Somphaivan Sengsouliya, Deputy Director General of E-Government Center at MPT, delivered the keynote speech. He presented the modernization plan for ICT in Lao, and the current status of the technology throughout the country, stating that '[the government of Lao] has a strategic plan for ICT Development. Digitalisation of government services is essential.' He expanded his comments to highlight that there is a large amount of space for improvement. 'Lao PDR communications infrastructure at the moment has established a 2G system that covers 95% of total villages. 4G is at approximately 45%. Coverage expansion is vital to a strong ICT infrastructure,' he said.

Dr Sengsouliya concluded his

presentation championing the recent success in the development of e-governance systems to improve quality of life and government services. Supporting Lao people with e-portal access to government documentation, early alert disaster systems, and the creation of e-banking an e-payment system complements the larger trends of global digitisation. These steps will serve as a precursor to the development of greater cloud storage/computing, as well as data and mobile driven solutions, steering Lao towards an applications programming interface economy.

When questioned about the role of blockchain in the development of Lao PDR, Dr Sengsouliya responded that the technology is 'not only for digital currency, it is a tool to improving access to information and infrastructure. It can be used to promote and therefore develop technology skills. Actions need to be

taken to drive forward innovation and to support this technological growth. National data centre updates, high speed connections, and e-governance, will support this reality.'

The first presentation following the keynote speech was led by Mr Thanongsinh Kanlaya, President of the LICA. Building upon the comments of Dr Sengsouliya, Mr Thanongsinh discussed the role of LICA in expanding the interest of ICT service providers, influencing legislation, and creating international standards. He shared his vision for Lao PDR, stating that Lao's geographically advantageous position 'bordering so many countries can result in Lao being a [regional] centre for ICT infrastructure...however, their needs to be incentives to integrate technology into complementary industries, especially those sceptical of its impacts on employment.'

ERIA Economist, Dr Lurong Chen, sought to advance the discussion to capture the benefits of digitalization for micro, small, medium enterprises (MSME) in Lao PDR. Dr Chen provided an overview of the historical evolution of industrial and economic globalisation as three unbundlings of economic and industrial order. The 1st unbundling focused on the separation of production and consumption. The 2nd unbundling occurred within production itself, demonstrating that production does not need to be an integrated process. The 3rd, and current, unbundling is being driven by digitalisation. The 3rd unbundling focuses on the facilitation of the movement of skills

and purpose, fragmenting tasks. This leads to mass innovation shifting towards mass customisation.

The power of digitalisation and the fragmentation of tasks improves the capacity and access to resources and information for market participants. Production and task division expands marketing opportunities and employment opportunities. Operations, trade, and capital costs decline as external and internal shocks and knowledge gaps lessen. However, barriers internally and externally persist in efforts to encourage digital adoption. Affordability, the rate of rapid technological change, technological knowledge gaps, security, and ICT infrastructure development concerns can slow the process of adoption. Despite these barriers, Lao PDR shows great potential in developing ICT on the firm level and within business-to-business and business-to-consumer transactions.

Prof Mitsuhiro Maeda, Professor, Advanced Institute of Industrial Technology, gave a special lecture on the importance of blockchain, related business and SME Finance. Initially explaining the technical workings of blockchain technologies, Professor Maeda highlighted opportunities to apply this technology to create new financial schemes for SMEs and to reduce the prevalence of market failures in current financing. He emphasised the application of blockchain technology to real businesses, such as SME finance by credit banks, food safety management, and energy trading systems. Using Japanese financing structures as a case-

study, the professor demonstrated how blockchain technologies can be applied in certain systems of community financing, corporate bond market infrastructure, and equity investment infrastructure, but not others. To conclude his presentation, Professor Maeda explained that there are already current applications of blockchain in food safety management, peer-to-peer energy trading, and low-carbon city management.

The seminar speakers participated in a final panel discussion moderated by Mr Souknilanh Keola, Researcher, Bangkok Research Center, Institute Developing Economies-Japan External Trade Organization to recapitulate and elaborate upon their corresponding topics. Discussing examples of digitalisation and government supported innovation in Estonia and Indonesia, panellists created an outline of how to apply similar actions in the policy and market environment of Lao PDR; concluding the seminar with an optimistic outlook for Lao PDR's overall growth and development. ERIA Economist Dr Masahito Ambashi delivered the closing remarks, in which he stated that the ICT industry can be a strategic sector in the Lao PDR. ■



## Prof Nishimura Discusses Digitalisation at the 12th Dialogue Between Secretary-General of ASEAN and FJCCIA



**'By creating a robust digital ecosystem within the region, ASEAN, which has huge market and production networks, can reinforce its growth potential as an integral core of the world,' said Prof Nishimura.**

A delegation from the Economic Research Institute for ASEAN and East Asia (ERIA) took part in the 12th Dialogue between the Secretary-General of ASEAN and Federation of Japanese Chambers of Commerce and Industry in ASEAN (FJCCIA) on 12 June 2019 in Pattaya, Thailand.

The President of ERIA, Prof Hidetoshi Nishimura, gave remarks at the opening session, stressing how the digitalisation of the ASEAN region could result in tariff reductions, better trade facilitation, cross-border custom management, and a decrease in non-tariff measures.

'By creating a robust digital ecosystem within the region, ASEAN, which has huge market

and production networks, can reinforce its growth potential as an integral core of the world,' said Prof Nishimura. He also underlined the importance of free flow of data as a driver of the regional economic integration and development of ASEAN.

The dialogue was divided into four sessions: Trade Facilitation, Labor Environment and Industrial Human Resource Development, Data Governance, and Discussion for Future Cooperation. The opening remarks were delivered by Mr Shinji Nakano, Chairman of FJCCIA; H.E. Mr Kazuo Sunaga, Ambassador of Japan to ASEAN; Hon Dr Aladdin D Rillo, Deputy Secretary-General of ASEAN for ASEAN Economic

Community; and Mr Nobuhiko Sasaki, Chairman & CEO of Japan External Trade Organization (JETRO). ■

# Call for Proposals

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The Economic Research Institute for ASEAN and East Asia (ERIA) invites submissions of research proposals for ERIA's Research Project on **'Impact of Non-tariff Measures on Trade and Competitiveness in East Asia'**. Please email research proposals to Doan Thi Thanh Ha (doan.ha@eria.org) by 30 August 2019. Early submission is encouraged.

The authors will be notified of the decision on the proposal selection process no later than 15 September 2019.

ERIA provides financial support of US\$7,000 (seven thousand dollars) per paper for the selected proposals. ERIA also covers the travel costs of one author per paper to attend the workshops of the project. Selected research papers shall be published as working papers in the ERIA Discussion Paper series.

## Theme of the project

Tariff rates have decreased significantly in the past few decades. Along with the progress of bilateral and multilateral trade agreements, the importance of tariffs as a protectionist tool has declined. At the same time, the prevalence of non-tariff measures has increased. These two opposite trends have triggered the questions of whether NTMs are being used as a substitute for tariffs, and how NTMs affect economic and social objectives.

NTMs are policy measures, other than ordinary customs tariffs, that can potentially affect trade by changing price, quantity traded, or both. On the one hand, NTMs can impose heavy burdens on producers and consumers. For producers, NTMs raise production cost through adjustment of production technology or sourcing for better-quality inputs. Moreover, producers also need to bear the procedural costs to conform with the regulations. For consumers, NTMs can result in more expensive consumption goods or narrower product choice.

On the other hand, NTMs can serve legitimate purposes. Unlike tariffs which clearly distort trade and welfare, typically, NTMs are designed to correct several market failures, notably to protect consumers' health and safety and to preserve the environment. From that perspective, NTMs are not necessarily non-tariff barriers, thus elimination is not the option. The complexity of NTMs as a regulatory tool poses considerable challenge to policymakers. Moreover, the expansion of global value chains further magnifies the impact of NTMs on trade and competitiveness.

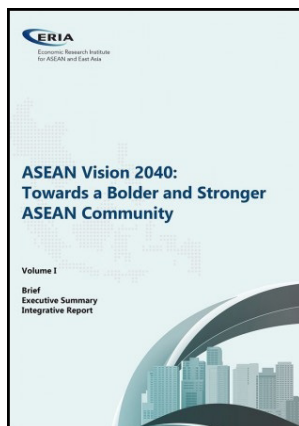
Despite the growing importance of NTMs in international trade, research on NTMs, particularly for developing countries, is limited due to data paucity. Recognising the compelling need to enhance the transparency of existing NTMs and promote research on their impact, ERIA, in coordination with United Nations Conference on Trade and Development (UNCTAD), has developed a database of NTMs in ASEAN+6 countries – ASEAN, Australia, China, India, Japan, New Zealand, and the Republic of Korea.

The data is available to the public through UNCTAD's global database on NTMs at <https://trains.unctad.org/>

Visit our website for more information:

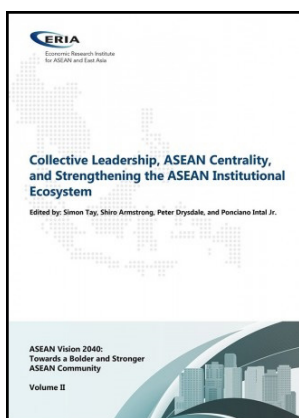
<http://www.eria.org/news-and-views/call-for-proposals-impact-of-non-tariff-measures-on-trade-and-competitiveness-in-east-asia/>

# Publications



## ASEAN Vision 2040 Volume I: Towards a Bolder and Stronger ASEAN Community

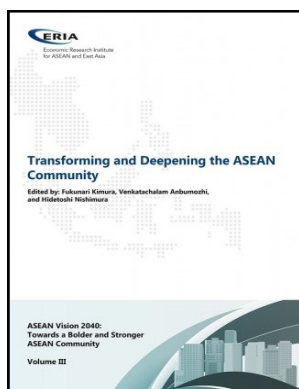
Volume I consists of the integrative report and executive summary of ASEAN Vision 2040, and a briefer on new challenges and key priorities and strategies. ASEAN Vision 2040 has been drawn up in the context of ASEAN's achievements, revealed aspirations, and expectations of the peoples of ASEAN for the near future, and the recent and expected global, regional, and technological developments. The volume presents the ASEAN Vision 2040 and highlights key areas of collective leadership and ASEAN centrality, harnessing the emerging Industry 4.0 to transform the ASEAN economies and enhance ASEAN resiliency and developmental sustainability, realising a seamless ASEAN, engendering greater inclusivity, and a deeper sense of community and belonging, and strengthening the ASEAN institutional ecosystem.



## ASEAN Vision 2040 Volume II: Collective Leadership, ASEAN Centrality, and Strengthening the ASEAN Institutional Ecosystem

Edited by Simon Tay, Shiro Armstrong, Peter Drysdale, and Ponciano Intal Jr.

The papers in Volume II discuss the imperative of collective leadership and ASEAN centrality in light of the greater uncertainty in the global trading system and on regional security which have been underpinning ASEAN's outward oriented strategy and development. It is suggested that ASEAN's major Dialogue Partners in East Asia and the United States as well as ASEAN itself can be important contributors to strengthening collective leadership in East Asia and to enhancing ASEAN Centrality.

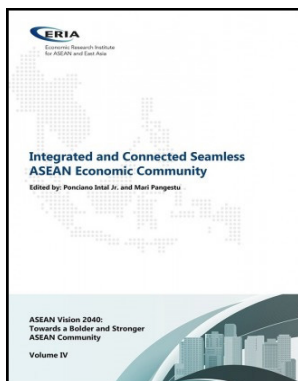


## ASEAN Vision 2040 Volume III: Transforming and Deepening the ASEAN Community

Edited by Fukunari Kimura, Venkatachalam Anbumozhi, and Hidetoshi Nishimura

The papers in Volume III delve into the theme of transforming and deepening the ASEAN Community. The main focus is on the digital and fourth industrial revolution as well as on innovation as both offer opportunities and challenges for ASEAN Member States for economic transformation and enhanced resiliency and sustainability. The volume also emphasises the drive towards greater inclusivity, leaving no one behind, and greater people centredness and engagement to deepen the sense of belongingness in the ASEAN Community.

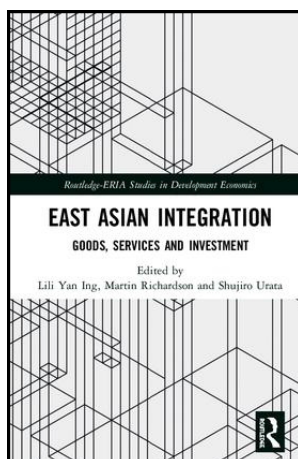




## ASEAN Vision 2040 Volume IV: Integrated and Connected Seamless ASEAN Economic Community

Edited by Ponciano Intal Jr. and Mari Pangestu

The volume consists of papers on critical elements for an integrated and connected Seamless ASEAN Economic Community up to 2040. The critical elements include seamless trade facilitation, managing nontariff measures, strategies on standards and conformance, engendering skills mobility and development, service sector development and open investment environment, competition and intellectual property policy, seamless logistics and connectivity, data flows and electronic payments in the digital economy, capital market deepening, and good regulatory practice.



## East Asia Integration: Good, Services and Investment

Edited by Lili Yan Ing, Martin Richardson, and Shujiro Urata

The growth of world trade has been stagnant in recent times; trade liberalisation now has been challenged. The recent rise of anti-globalisation calls for a better integration in East Asia. How should East Asia manage its openness? This book provides profound analyses on rules of origins, non-tariff measures, restrictiveness in services and investment.

It gives insight into how East Asian countries should shape its trade, investment and industrial policies. This book helps to answer what kind of a better integration it should be, and how East Asia can realise it.



## ERIA Annual Report 2018

ERIA's Annual Report 2018 presents the organisation's various activities – such as research, seminars, capacity building, policy design, and dissemination initiatives – in fiscal year 2018. In 2018, ERIA celebrated its 10th anniversary with the Economic Ministers in the margins of the 50th ASEAN Economic Ministers Meeting. ERIA also published a four-volume book on ASEAN Vision 2040 in support of Thailand's chairmanship of ASEAN. Prof Hidetoshi Nishimura, President of ERIA, also noted in his message how ERIA strengthened its role in the energy field with 40% of ERIA's research studies covering energy and energy-related issues. The Institute worked together with ministries in member states, developing the Lao PDR and Myanmar Energy Statistics, and the Cambodia Basic Energy Plan with the governments of Lao PDR, Myanmar, and Cambodia, respectively.

# Upcoming Events

## Jakarta Media Briefing: 'The Role of ASEAN in the Indo-Pacific'

Date: 4 July 2019  
Venue: Jakarta, Indonesia

## Roundtable on ASEAN's Relationships with Japan and China

Date: 5 July 2019  
Venue: Jakarta, Indonesia

## Working Meeting of ERIA-ERIN Research Project of Study on Mongolia's Energy Efficiency Indicators

Date: 8-10 July 2019  
Venue: Ulaanbaatar, Mongolia

## Workshop on E-Commerce for Trade Negotiators of Myanmar

Date: 11-12 July 2019  
Venue: Nay Pyi Taw, Myanmar

## Asian Infrastructure Investment Bank (AIIB) Annual Meeting

Date: 10-13 July 2019  
Venue: Luxembourg

## Workshop on E-Commerce for Trade Negotiators of Myanmar

Date: 15-16 July 2019  
Venue: Phnom Penh, Cambodia

## ERIA CLM Energy Internship Program 2019

Date: 22 July-16 August 2019  
Venue: Jakarta, Indonesia

## ASEAN Roundtable Series - ERIA ASEAN Vision 2040 Report Launch

Date: 26 July 2019  
Venue: Kuala Lumpur, Malaysia

## The First Workshop of Economic Integration and Firm Competitiveness

Date: 20 August 2019  
Venue: Jakarta, Indonesia

## The 10th ASEAN Connectivity Symposium

Date: 27 August 2019  
Venue: Bangkok, Thailand

## About Us

The Economic Research Institute for ASEAN and East Asia (ERIA) is an international organisation based in Jakarta, Indonesia that conducts in-dept research on issues facing the people and governments of ASEAN and East Asia.

ERIA works closely with the ASEAN Secretariat and research institutes from across East Asia and beyond to provide innovative and analytical research and policy recommendations. Our projects are organised under three research pillars:

- Deepening Economic Integration
- Narrowing Development Gaps
- Achieving Sustainable Development



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