



ERIA Holds the 10th ASEAN Connectivity Symposium in Bangkok

INDEX

Featured Story	1
Thoughts from ERIA	3
Top Stories	5
Publications	17
Upcoming Events	20

Bangkok, 27 August 2019 : The Economic Research Institute for ASEAN and East Asia (ERIA), the Ministry of Foreign Affairs of Thailand, and the ASEAN Secretariat jointly organised the 10th ASEAN Connectivity Symposium with the theme, 'Connecting ASEAN Through Financing Sustainable Infrastructure', at Centara Grand and Bangkok Convention Centre on 27 August 2019.

In his opening remarks, Prof Hidetoshi Nishimura, the President of ERIA, underscored the importance of 'digital connectivity' in terms of implementing the Master Plan on ASEAN Connectivity (MPAC) 2025, while noting that enhancing 'physical' connectivity remains one of the biggest challenges in ASEAN. In order to achieve a more advanced digital economy, investment in 5G transmission facilities is important, he added. He also encouraged the participants to discuss ways to achieve the quality of growth in the region based on effective development of sustainable infrastructure financing, invoking ERIA's 'ASEAN Public Private Partnership Guidelines' which emphasises the facilitation of close-network structures where governments, the private sector, and financial supporters are engaged.

H.E. Mr Arthayudh Srisamoot, Deputy Permanent Secretary, Ministry of Foreign Affairs of Thailand, delivered an opening keynote in which he noted that Thailand sought to pursue the 'Sustainability of Things', following the theme for Thailand's ASEAN Chairmanship, 'Advancing Partnership for Sustainability'. He also conveyed several reasons why Thailand advocates the importance of the connectivity agenda:

1. so-called multi-dimensional connectivity is an effective tool to address emerging political, economic and social challenges,
2. financial connectivity is important to overcome the issue of inadequate financing relative to the high demand for infrastructure investment,
3. an approach called 'Connecting the Connectivities' - finding synergies and forming links between the MPAC 2025 and other sub-regional and regional initiatives and strategies will be key to uplifting the people's livelihood and bringing prosperity within and outside of ASEAN.

Attended by around 200 participants including Chairs of the ASEAN Connectivity Coordinating



ERIA, the Ministry of Foreign Affairs of Thailand, and the ASEAN Secretariat jointly organised the 10th ASEAN Connectivity Symposium with the theme, 'Connecting ASEAN Through Financing Sustainable Infrastructure', at Centara Grand and Bangkok Convention Centre on 27 August 2019.

Committee (ACCC), Dialogue Partners, Sectoral Body Chairs, leaders from the private and public financial sectors, international organisations, and academia, the day's proceedings were divided into three sessions around the themes: Building Sustainable Infrastructure for Quality Growth, Getting Private Sector on Board – What Would Make Infrastructure Attractive for Them, and Funding Options for Infrastructure Development.

After in-depth discussions throughout the day, Ambassador Phasporn Sangasubana, Chair of the

ACCC and Thailand's Permanent Representative to ASEAN, noted that physical infrastructure is the important first step to enhance connectivity, which is a part of the MPAC 2025, particularly under the Strategic Area of Sustainable Infrastructure. She closed her remarks with her hope that the Symposium will be a platform to improve cooperation and coordination in order to better address infrastructure needs through infrastructure investment in ASEAN. ■

Prof Hidetoshi Nishimura, the President of ERIA, underscored the importance of 'digital connectivity' in terms of implementing the Master Plan on ASEAN Connectivity (MPAC) 2025, while noting that enhancing 'physical' connectivity remains one of the biggest challenges in ASEAN.



Alloysius Joko Purwanto
Energy Economist at ERIA

Can Electric Vehicles Reduce Greenhouse Gas Emissions in Indonesia?

'The potential positive effects of PEV deployment in reducing GHGs in Indonesia would not materialise unless two types of accompanying measures are taken: the increase of renewable sources in power generation and the management of PEV-charging.'

People living in the urban areas of Indonesia may soon see plug-in electric vehicles (PEVs) running on their streets now that President Joko "Jokowi" Widodo is expected to roll out regulations to accelerate the penetration of battery-operated vehicles.

Urban air quality improvements are among the frequent arguments evoked in favour of PEV adoption in Indonesia. Electric vehicles emit very low air pollutants that are harmful to human health such as nitrogen oxide, sulfur oxide, and particulate matters.

However, there remains at least one important question that is rarely discussed, namely: how clean is the electrical power that is used to meet the additional demand from PEVs. In other words, would the penetration of PEVs actually contribute to a reduction of Indonesia's greenhouse gas emissions (GHGs)?

Minister of Industry, Airlangga Hartanto, has explained the government's goal to accelerate the development of low carbon-emission vehicles as one of the measures to achieve the Indonesian National Determined Contribution target of reducing GHG emissions by 29 per cent under a business-as-usual scenario by 2030. The Ministry of Industry road map targets increasing the sale of electric vehicles to 20 per cent by 2025 composed of both PEVs and non-plug-in hybrid electric vehicles (HEVs).

Unfortunately, recent studies indicate that increasing the number of PEVs on Indonesia's roads may not result in lower emissions. Why not? The answer has to do with how power is generated in Indonesia combined with the way in which PEVs are charged.

Conventional internal combustion

engine vehicles (ICEVs) emit GHGs through the ignition of a mixture of fuel and compressed air. In the case of PEVs, GHGs, principally in the form of carbon dioxide, are emitted mostly during electric power generation that occurs at power plants.

The problem is that, in Indonesia, coal-fired power plants currently produce around 56 per cent of the country's electricity, followed by gas-fired plants (25 per cent), oil plants (8 per cent) and non-fossil energy sources (11 per cent) including hydro and geothermal power stations. With this energy mix, the Indonesian electricity system emits on average around 840 grams of carbon dioxide for each kilowatt-hour (kWh) of produced electricity.

A study on the influence of electric vehicle penetration on economic, energy and environmental sectors in ASEAN conducted by the Economic

Research Institute for ASEAN and East Asia (Suehiro and Purwanto, forthcoming - 2019) elaborates and simulates a scenario where, starting in 2025, power generation in Indonesia achieves a cleaner mix that emits only an average of 535 grams of carbon dioxide per kWh.

Assuming that the Ministry of Industry's market share target of 20 per cent of electric vehicles by 2025 is achieved and continues to grow linearly, the total car stock in Indonesia by 2040 would be composed of around 30 per cent PEVs, 20 per cent HEVs and around 50 per cent ICEVs. In theory, the penetration of PEVs could potentially reduce the total energy-related carbon dioxide emissions in Indonesia by around 10 per cent in 2040 compared to a situation without any PEV penetration.

However, the ERIA study estimates that if the Indonesian power generation mix remains the same as today, the electric vehicle penetration target, as set by the Ministry of Industry, would contribute practically nothing to greenhouse gas emission reduction. It is an absolute prerequisite that Indonesia achieve the goal of at least 25 per cent renewable energy share in its power generation mix if increasing PEVs are to reduce GHGs. In fact, if the power generation energy mix gets worse than the current mix, for example if the number of coal-fired power plants increases or the share of renewable energy drops, PEV penetration would only raise carbon dioxide emissions.

Second, when and how PEVs are

charged determines which plants satisfy additional electricity demand. This can also have an impact on emissions. Studies in countries that lead in electric vehicle penetration have shown that when charging is not regulated, most users tend to charge their electric cars as soon as they reach home after work, between 6 and 9 pm. In Indonesia, this would add pressure to the urban electric grid at peak load times as electricity demand from household activities is highest during these hours.

Studies in countries where coal-based electricity generation is still quite important, such as in Germany and China, show that electricity supplied to PEVs charged in the late afternoon would mostly come from carbon-intensive energy power generators, namely coal- and gas-fired plants, as they are the usual recourse for additional energy demand during the peak load period. In other words, the time that PEVs are charged can increase GHGs.

To sum up, the potential positive effects of PEV deployment in reducing GHGs in Indonesia would not materialise unless two types of accompanying measures are taken: the increase of renewable sources in power generation and the management of PEV-charging.

First, in the power generation sector, Indonesia needs to achieve the power plant mix targets set in the Indonesian 2018 – 2027 Electricity Supply Business Plan and the 2018-2037 National Electric Energy General Plan. In addition to these targets, the government

must elaborate and implement an additional set of policies to increase renewable resources in power generation for urban areas as PEV penetration would take place first in cities. For example, the potential of building solar PV installations along urban rail corridors or in the outskirts of urban areas needs further assessment.

Second, the government needs to prepare a strategy to implement low-carbon electricity-oriented charging schemes to avoid additional stress on the electric grid and at the same time maximise the use of low-carbon power generation. This could be done through the adoption of a smart-charging mechanism that would favour PEV charging during periods of the day when use of low-carbon energy electricity is at its highest. This strategy should also include the development of an open-data platform to gather information on public charging stations, their locations, types, modes, real-time use, and operators. The platform should help users to optimise their electric mobility and use of the electric grid through their PEV-charging needs. ■

ASEAN Vision 2040 Launched in Jakarta



'ASEAN is in the front row of taking up this challenge now, because ASEAN is the fulcrum of the Asian economies' economic policy strategy towards the world', said Prof Drysdale.

ASEAN Vision 2040, ERIA's project with the Government of Thailand, the ASEAN Chair in 2019, was launched in Jakarta on 30 August 2019 with the theme 'Integration, Transformation and ASEAN Centrality'.

The four-volume compilation consists of thoughtfully written chapters by 60 ASEAN experts. Each chapter is a fascinating exploration of crucial issues confronting the region now and in the near future. The product is the result of all these people working since 2018 to produce a cohesive vision made up of disparate parts.

Prof Nishimura, President of ERIA, opened the event by recognising the leadership of the late Dr Ponciano Sabado Intal Jr, ERIA Senior Economist and Senior Policy Fellow. This was followed by a moment of silence for private reflection on Dr Intal.

Prof Nishimura then introduced the project: 'ASEAN Vision 2040 is a vision of an ASEAN that steps boldly forward towards the year 2040 to transform the ASEAN Community and secure its position in the region and globally. The original ASEAN Vision 2020 was launched during the Asia Financial Crisis in 1997 to express the Leaders' determination to move boldly forward to deepen economic integration and strengthen community building. Now we are approaching the year 2020, and the Ministry of Foreign Affairs of Thailand and ERIA have jointly worked to develop the Vision for the next two decades to address the great uncertainty in the regional and global geo-political, geo-economic and technological landscapes in the coming 20 years.'

Ms Lydia Ruddy, ERIA Director of Communications, spoke next. 'This important body of work lays out key priorities and strategies for

consideration by ASEAN Leaders, policy-makers, academics, civil society and the private sector,' she said.

The panel discussion was opened by Prof Fukunari Kimura, ERIA's Chief Economist and professor at Keio University, on the topic of 'How to Take Advantage of New Technologies for the Development of ASEAN'. Using the international division of labor and international trade and the concept of the 'third unbundling' as an analytic framework, Prof Kimura looked at how to capture value added with dynamic impact on global value chains, noting that there is still ample room for further widening production networks in the manufacturing sector in ASEAN. He also noted that the outsourcing of cross-border services may become an increasingly large channel in the international division of labor.

Prof Mari Pangestu, Professor, Univer-

-sity of Indonesia and ERIA Governing Board Member, spoke next on 'Trade and Development Amidst Disruptions: Implications for ASEAN.' Focusing on the 'New Normal,' Prof Pangestu discussed trade tensions; geopolitical hotspots; technological disruptions and competition; and sustainable development and climate change. She proposed a three-pronged solution that involves:

- Unilateral reforms – predicated on regional and multilateral commitments
- Strengthening and building on Regional Economic Integration: ASEAN Centrality and its role in other fora (APEC)
- ASEAN centrality in upholding the Multilateral Trading System under the WTO: maintain the current rules-based regime and proactive in renewing the WTO rule book.

Next, Prof Peter Drysdale, Emeritus Professor, Crawford School of Public Policy, Australian National University and Member of ERIA's Academic Advisory Council, who underlined the importance of ASEAN in the current global situation.

'ASEAN is in the front row of taking up this challenge now, because ASEAN is the fulcrum of the Asian economies' economic policy strategy towards the world. And in many ways, because of its nature, as Mari has described so carefully, it alone can make the difference in taking up this challenge,' said Prof Drysdale.

'Of course, it falls to all of us in



Dr Venkatachalam Anbumozhi, Prof Dr Mari Elka Pangestu, Prof Fukunari Kimura, Prof Peter Drysdale, and Dr Kasan Muhri during the panel discussion session at the launching of ASEAN Vision 2040 event with the theme 'Integration, Transformation and ASEAN Centrality', held in ERIA office, Jakarta on 30 August 2019.

this room, official and non-official, particularly for ERIA and the way in which it relates its partnerships with policymakers and institutions around the region, to fulfilling the task of making ASEAN Vision not just a vision but a reality. This will be, if we succeed in it, a living testament to Pons Intal and all who put their effort behind this report, and did so much to get us so far but now can inspire us to take the task forward to its conclusion,' said Prof Drysdale as he concluded his remarks.

Dr Kasan Muhri, Head of Trade Analysis and Development Agency, Ministry of Trade of the Republic of Indonesia spoke next on a range of subjects related to development in the region, particularly in Indonesia, such as the need for skilled labour and the trade balance of ASEAN countries.

The final panelist was Dr Venkatachalam Anbumozhi,

Senior Energy Economist at ERIA. Presenting on 'Expanding the Opportunities through Industry 4.0 for Integration, Transformation and Sustainability' Dr Anbumozhi explored how new technologies can promote inclusive and sustainable growth. Success will require involvement by people, governments, and businesses, as well as strong policy support.

The diversity of the panelists' presentations reflects the even greater diversity contained in the four volumes of ASEAN Vision 2040.

Mr Koji Hachiyama, Chief Operating Officer, ERIA, closed the event by thanking the participants and inviting them to attend a Tribute event for Dr Intal which followed immediately afterwards. ■

ERIA Attends the 40th General Assembly of the ASEAN Inter-Parliamentary Assembly



ERIA and AIPA Secretariat will organise a Joint Dialogue to support the proper waste management for sustainable development in ASEAN countries.

Bangkok, 30 August 2019: The 40th General Assembly of ASEAN Inter-Parliamentary Assembly (AIPA) with the theme 'Advancing Parliamentary Partnership for Sustainable Community' was held on 25-30 August 2019 at Shangri-La Hotel, Bangkok, Thailand. Prof Hidetoshi Nishimura, the President of ERIA, was invited to the opening ceremony and the first plenary session on 26 August.

Prof Nishimura also attended the Committee Meeting on Organizational Matters on 27 August as ERIA submitted a draft resolution on 'Establishing AIPA-ERIA Joint Dialogue to Support the Waste Management for Sustainable Development'. The resolution was adopted by all AIPA member countries at the second plenary session on 29 August.

Based on the resolution, ERIA and AIPA Secretariat will organise a Joint Dialogue to support the proper waste management for sustainable development in ASEAN countries.

Prof Nishimura also paid a courtesy call to H.E. Chuan Leekpai, AIPA

President of National Assembly of the Kingdom of Thailand and President of AIPA. ■



President of ERIA, Prof Hidetoshi Nishimura at The 40th General Assembly of ASEAN Inter-Parliamentary Assembly (AIPA) which was held on 25-30 August 2019 at Shangri-La Hotel, Bangkok.

ERIA Holds Family Memorial for Dr Ponciano Sabado Intal, Jr



'Pons was a good mentor to young economists like me and I learnt a lot from him about policymaking and about the ASEAN region' said Dr Rashesh Shrestha.

On Monday, 26 August 2019, ERIA held a memorial gathering in honour of Dr Ponciano Sabado Intal, Jr. who passed away on 24 August 2019. Dr Intal's wife Dr Anna Miren Gonzalez-Intal and daughter Ms Noelle Alana Gonzalez-Intal attended, along with ERIA staff and close friends.

As the Master of Ceremony for the event, ERIA Director of Capacity Building Mr Jeremy Gross asked people to share their reflections and memories of Dr Intal. Speakers remembered his brilliance and kindness and the way he combined the two in mentoring junior staff. He had an open-door policy towards all colleagues who sought insights and information, and enjoyed discussions on topics that often strayed far from the original question.

'Pons was a good mentor to young economists like me and I learnt a lot from him about policymaking

and about the ASEAN region through many of his projects that I was involved in. He was always passionate about contributing to the progress of the region,' said ERIA Economist Dr Rashesh Shrestha.

Mr Salvador Buban, ERIA Policy Fellow, remembered how Dr Intal could expound upon any idea, and at length, but then asking 'am I making sense?' He could be as humble as he was passionate. Others remembered his love of dance and the way he always supported younger academics. And the numerous emails from Dr Intal with the exclamation 'Urgent urgent urgent!'

He believed in his colleagues and saw strengths in them, of which they were often unaware, and he pushed them to excel beyond their expectations.

In response to all the recollections,

Dr Intal's wife, Dr Gonzalez-Intal, responded by thanking everyone for being such an important part of his life. She recalled that when they were first married he told her that he had two dreams – to work towards a better future for the Philippines and to do the same for ASEAN. She thanked ERIA for giving him an opportunity to realize the second dream.

In closing, Mr Gross expressed what everyone felt. 'I know these personal recollections do not do justice to what a great man you were as a friend or mentor, but I wanted to share with you nevertheless so you could understand what you meant to so many of us,' he said. ■

ERIA Takes Part in Delhi Process V



ERIA presented the experiences from ASEAN Community building process as a good example of SSC which can be upscaled in other parts of South.

ERIA's network organisation in India, Research and Information System for Developing Countries (RIS), organises the Delhi Process on South-South Cooperation to further the goals of Buenos Aires Plan of Action. ERIA was invited to participate in Delhi Process V, held in New Delhi on 21 to 25 August 2019.

The conference sessions were themed to assess and identify the future challenges and their implications for South-South Cooperation (SSC) and Triangular Cooperation, as well as to develop a roadmap in tune with the consensus arrived at BAPA+40 in Buenos Aires. The Delhi Process also deliberated to find ways for scaling up SSC and evolving an impact assessment framework that captures the unique features of SSC.

ERIA presented the experiences from ASEAN Community building process

as a good example of SSC which can be upscaled in other parts of South. The East Asian economic integration was also explained as a model of Triangular Cooperation, in particular the positive role of Japan, Australia, and the Republic of Korea in economic growth in Southeast Asia. ERIA will continue to share its works and findings in the next initiatives in South-South and Triangular Cooperation in coming years.

The proceedings of the Delhi Process V can be found here: <https://www.ris.org.in/delhi-process-v-south-south-and-triangular-cooperation-exploring-new-opportunities-and-new-FTA-negotiations>. There were group discussions and simulation exercise ■



Ms Anita Prakash, ERIA Director of Policy Relations was invited to participate in Delhi Process V, held in New Delhi on 21 to 25 August 2019.

ERIA and the Indonesian Ministry of Trade Holds a Policy Dialogue on East Asia Integration



‘Trade agreements, Investment agreements and regional production networks are all key to securing a prosperous future for all ASEAN Member States and the region as a whole,’ said Mr Hachiyama.

Experts on international trade discussed various challenges that lay ahead for the economic integration of East Asian countries during a discussion organised by the Economic Research Institute for ASEAN and East Asia (ERIA) and the Indonesian Ministry of Trade on 20 August 2019 in Jakarta.

The discussion was based on *East Asian Integration: Goods, Services, and Investment*, a co-publication from ERIA and Routledge edited by Dr Lili Yan Ing, Lead Advisor, the Ministry of Trade of Republic of Indonesia; Prof Martin Richardson, Professor of Economics at the Australian National University; and Prof Shujiro Urata, Professor at Waseda University and Advisor to the President of ERIA. During the discussion, Dr Ing acted as the moderator while Prof Urata delivered a presentation.

There were two other panellists in addition to Prof Urata: former Indonesian Finance Minister Dr M. Chatib Basri and Lawyer at Allen and Overy Mr James Losari.

ERIA’s Chief Operating Officer Koji Hachiyama delivered the opening remarks in which he stated that the discussion topic was very timely given the current state of global trade and regional integration, especially with the significant tensions with the US-China trade war, the need to transform the WTO, and a shift towards protectionist policies in many of the world’s largest economies.

‘ASEAN and East Asia need to chart a safe path through these changes – a path that reflects the region’s strengths and ability to adapt. The Regional Comprehensive Economic Partnership – RCEP – is a priority

given the multi-polar character of world trade. Trade agreements, Investment agreements and regional production networks are all key to securing a prosperous future for all ASEAN Member States and the region as a whole,’ said Mr Hachiyama.

The Head of Trade Analysis and Development Agency of the Ministry of Trade, Dr Kasan Muhri, delivered the opening remarks from Minister of Trade, Mr Enggartiaso Lukita. He discussed the situation regarding the world economy and Indonesian economy as well as internal and external challenges faced by Indonesia. He also discussed Indonesian export performance and strategy, namely by improving bilateral trade with main trading partners, enhancing exports in East Asia, and forming new trade agreements.

In his presentation, Dr Basri asked the question, 'What can Indonesia and ASEAN do in the midst of the 'new normal' and what is the future path of Asia economic integration?' He went on to describe the current global situation that has formed 'the new normal', global trade, trade in Asia, and intra-regional trade. He underlined the importance of creating a success story to restore trust in the system.

'Globalisation's positive impact has not resonated with people. Efforts are needed to restore trust in globalisation. This can be accomplished by highlighting globalisation's success stories, or the direct positive impact of globalisation on people's lives,' said Dr Basri.

'What would be the fora for cooperation in Southeast Asia? Let's say SME, infrastructure. The national agenda of Indonesia is infrastructure, if the ASEAN agenda is also infrastructure, it fits well. Once it is successful, we can move in a more complex things like non-tariff barriers,' he added.

Prof Urata presented the trends of free trade agreements (FTAs) in East Asia from the 1990s to 2010s. He explained how in the 1980s to 1990s, *de facto* regional economic integration was driven by trade and FDI by multinational corporations and realised by trade and FDI liberalisation policies. Then in the late 1990s, institution-driven regional economic integration emerged in the form of FTAs. According to Prof Urata, East Asia was a late comer to the FTA frenzy, but it soon caught up with the rest of the world in the FTA race.



Experts on international trade discussed various challenges that lay ahead for the economic integration of East Asian countries during a discussion organised by ERIA and the Indonesian Ministry of Trade on 20 August 2019 in Jakarta.

'FTAs promote economic growth by expansion of international economic activities and by improving productivity. FTAs face opposition from potentially negatively impacted people, such as unemployment of workers in liberalised industries. The provision of safety nets is needed to overcome the opposition to successfully conclude FTA negotiations and enact them. Specifically, provision of training and education for improving skills and of subsidies for moving to obtain job opportunities is needed. These safety nets are necessary not just for workers affected by trade liberalisation but also for workers faced with structural employment problems,' said Prof Urata.

Mr James Losari discussed international investment agreements (IIAs) and policies amidst the current uncertain times.

'Indonesia has a lot of potentials to attract investments at this point.

Reform in investment policies will help to attract more investors, such as transparent, clear, and inclusive regulation creation. IIAs can potentially help to attract investment, such as facilitation, liberalisation, and protection, provided the state's policy space is protected,' said Mr Losari.

The book *East Asian Integration: Goods, Services, and Investment* can be purchased directly from Routledge's website. ■

World Bank Report: East Asia Countries Should Adapt Development Model



Dr Mason stated that there are three issues that create new development challenges: trade, technology, and the countries themselves.

A recent World Bank report 'A Resurgent East Asia: Navigating a Changing World' stated that countries in developing East Asia will need to adapt their development model to ensure that they would improve their economic development in order to prosper during the shifting global situation. The report was presented by Dr Andrew D. Mason, Acting Chief Economist of East Asia and Pacific Region, the World Bank, in a discussion held by ERIA and the World Bank at ERIA's office on 1 August 2019.

Dr Mason began his presentation by outlining the ways in which the East Asian development model has worked: outward-oriented, labor-intensive growth, basic human capital development, and sound economic governance. A combination of these things have translated into a higher economic

growth compared to other developing regions in the world, even if China is not included in the calculations. By 2016, about two-thirds of East Asian population were economically secure. However, development is still far from complete as income, productivity, and human capital levels are far lower than in high-income countries.

Dr Mason stated that there are three issues that create new development challenges: trade, technology, and the countries themselves. Moreover, there are also several emerging challenges in East Asia; (1) slowing productivity growth, (2) inclusion at risk, and (3) rising demands on state institutions. He explained the statistics of global trade, trade restrictions on services, challenges in building innovation, the need for technology in learning, the emerging robot industry, and countries' low spending on social sectors.

In order to address the shift of circumstances, developing East Asian countries need to adjust their traditional development model and incorporate both new and traditional policy priorities. Dr Mason stated that there are five key areas that policymakers need to focus on: (1) Boosting economic competitiveness, (2) Building skills, (3) Fostering inclusion, (4) Strengthening state institutions, and (5) Financing the transition to high-income status. These policy recommendations do not negate the current focus on development policy, which is still relevant, but the World Bank suggested policymakers should adapt elements of their approach in order to foster their economic security.

The presentation was followed by a panel discussion moderated by Prof Fukunari Kimura, Chief Economist of ERIA. The first panelist was Prof

Mari Elka Pangestu, Former Minister of Trade and Former Minister of Trade and Former Minister of Tourism and Creative Economy of Indonesia, who is currently a member of ERIA's Governing Board. According to Prof Pangestu, the World Bank report is a good report that highlights the achievements of the East Asia 'Miracle' and identifies emerging challenges, painting a picture of the changing world—which she called the 'new normal'. The report also provides a framework of a policy strategy for the next stage of East Asia development. She said that the current slowdown in trade, anti-globalisation tendencies such as the rise in nationalism and protectionism, and trade tensions are not short-term and it is disrupting the global value chain. To counter that, the world needs to be more open and maintain a rules-based trading system which has been the key to East Asia's development.

Prof Pangestu also emphasised the need to address the issues of sustainable development and climate change, which were not included in the report. 'Sustainable development and climate change need to be mainstreamed into our development and growth strategy. If you don't address it, it's going to cost your

economic growth. If you address it properly, you can reach a higher quality growth,' she said, adding that by addressing these issues, new jobs will also be created and it will provide new economic opportunities.

The second panellist was Dr Fauziah Zen, Senior Economist at ERIA. She acknowledged Prof Pangestu's comments and emphasised the dangers of ignorance. Her comments touched on technological advancement and government's capacity, social protection issues

related to the ageing population, and several constraints on how to prioritise individual reforms when several reforms are needed simultaneously. Dr Mason responded by saying that if we focus to only one point, we are missing its complimentary factors that also need to be done because they all are linked to one another. ■



Dr Andrew Mason, Lead Economist for the East Asia and Pacific Region of the World Bank presented a recent World Bank report 'A Resurgent East Asia: Navigating a Changing World'. The presentation continued with a panel discussion with Prof Dr Mari Elka Pangestu, former Minister of Trade and former Minister of Tourism and Creative Economy, and Dr Fauziah Zen, ERIA Senior Economist as the panelists, and ERIA Chief Economist, Prof Fukunari Kimura as the moderator of the session.

Journalists and Diplomatic Community Discuss ASEAN Outlook on the Indo-Pacific



“If you look at the Background, there are some keywords like ‘dynamics’, ‘geopolitical and geostrategic shifts’, and then of course ‘ASEAN interests’. These three keywords are pretty much inter-related,” said Dr Pramono.

The ASEAN Outlook on the Indo-Pacific is a dynamic and living document that aims to protect ASEAN interests and promote cooperation on the maritime domain, which was adopted by ASEAN Member States in a relatively short time thanks to Indonesia’s strong leadership and Thailand’s support, as discussed by the three panelists during the Jakarta Media Briefing on 4 July 2019.

The Briefing was co-hosted by the Economic Research Institute for ASEAN and East Asia (ERIA) and the Jakarta Post to discuss **The Role of ASEAN in the Indo-Pacific Era**. This panel discussion was moderated by Ms Lydia Ruddy, ERIA’s Director of Communications.

Dr Siswo Pramono, Director General of Policy Analysis and Development, Ministry of Foreign Affairs of the Republic of Indonesia, was the first panelist of the session. He focused his explanation on the creation of

the ASEAN Outlook on Indo-Pacific.

‘If you look at the Background, there are some keywords like ‘dynamics’, ‘geopolitical and geostrategic shifts’, and then of course ‘ASEAN interests’. These three keywords are pretty much inter-related. ASEAN interests must be protected and must be advanced, when we have dynamics due to geopolitical shifts. I think this is the background. And I think because the dynamics and geopolitical shifts are still happening, it is very wise to have a very dynamic and a living document. So, from time to time, you have a chance to review, to adjust, and the document must be flexible,’ said Dr Pramono, adding that ‘maritime’ is stated as another keyword due to the Southeast Asian people’s historical background.

‘We are sea people, because sea is the way we communicate and transport our things to the rest of the world. That is why the maritime domain is very important, and one of

the cooperation will be on maritime aspect,’ he said.

The second panelist was Mr Endy Bayuni, the Senior Editor of The Jakarta Post, who commented on the speed at which the Outlook was endorsed by ASEAN leaders since its inception.

‘You know ASEAN as much as I do. This is actually quite a record to get a text like this within just 1.5 years. We all know the ASEAN way. We take time and with the consensus, it needs all the countries to agree to a goal,’ said Mr Bayuni.

‘I think how the ASEAN leaders eventually agreed precisely because of the flexibility, and it is of course inclusive, as one of the characters. The Indo-Pacific concept or ideas were more there to counter the rise of China. But the ASEAN Outlook on Indo Pacific is inclusive and makes it easier for the other countries to embrace. Of course, ASEAN centra-

-lity is also important. I think the word flexibility is very important and typical of ASEAN documents. If the Indo-Pacific Outlook had been more concrete, more binding, there will be no agreement,' he added.

The final panelist was Mr Kavi Chongkittavorn, Senior Communications Advisor of ERIA. He explained how the Indo-Pacific concept finally came into existence after several disagreements. He also said that Indo-Pacific is inclusive and comprehensive because it covers all 3 pillars of ASEAN Community.

'In the end, when Indonesia takes

a strong lead, ASEAN follows. If you look at the history of ASEAN, you [Dr Pramono] mentioned Bali Concord. It is not the first, second, or third Bali Concord, but all of them. We are actually looking forward to the next Bali Concord. This is what it is. It takes the ties to support Indonesia, I have to credit the Thailand chairmanship, otherwise it would be very difficult,' said Mr Chongkittavorn.

'It was very clear that the Thailand chairmanship agrees with Indonesia. I think the chemistry of ASEAN chair with the rest of ASEAN member is very crucial. What I would like to

say is, now the ball is in the ASEAN court and the Indo-Pacific will serve as a common guideline for ASEAN interactions with its dialogue partners. We are the catalyst. Like it or not, we have to live up to our objective as Pak Siswo has mentioned,' he said.

During the Q&A session, there was a question regarding a low coverage on ASEAN Outlook if compared to Indo-Pacific's strategy and how to overcome this huge gap. Mr Chongkittavorn responded by saying that the narrative of ASEAN mostly does not come from the local journalists. He encouraged ASEAN journalists to take back the narrative. ■

ERIA Receives Courtesy Call from Charge d'Affairs a.i. of US Mission to ASEAN



Ms Brown highlighted some of the key priorities for the US in ASEAN including digital economy, energy, and infrastructure.

ERIA President Prof Hidetoshi Nishimura was very pleased to welcome Ms Melissa Brown, Charge d'Affairs a.i. of the United States

Mission to ASEAN, to the ERIA offices on Friday, 23 August 2019. She was accompanied by Mr Peter Thorin, Director of the US ASEAN

Connect. Mr Koji Hachiyama, COO of ERIA and Ms Lydia Ruddy, Director of Communications at ERIA also attended the meeting.

Prof Nishimura explained ERIA's mission to support ASEAN and East Asia through research, policy recommendations, and capacity building. He gave an overview of some of ERIA's current projects on trade, energy, and connectivity.

Ms Brown highlighted some of the key priorities for the US in ASEAN including digital economy, energy, and infrastructure. Mr Thorin indicated that there were several areas where the Mission and ERIA could cooperate, especially in energy

and infrastructure.

After the meeting, Ms Ruddy gave a tour of ERIA's offices including ERIA's Information Centre. ■

Exchange Students from ASEAN and East Asia Countries Visit ERIA



ERIA's COO Mr Koji Hachiyama welcomed the students with his opening remarks and a review of ERIA's Projects and Activities.

A group of 30 exchange students from ASEAN and East Asia countries visited ERIA's office in Jakarta on 13 August 2019 as part of their short course programme organised by one of the top universities in Indonesia, Universitas Indonesia.

ERIA's Chief Operating Officer Mr Koji Hachiyama welcomed the students with his opening remarks and a review of ERIA's Projects and Activities. One of ERIA's economists, Dr Rashesh Shrestha, then delivered

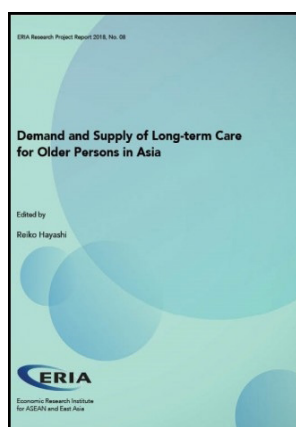
a presentation on his research projects.

During the discussion session, some of the students enthusiastically asked Mr Hachiyama and Dr Shrestha various questions about the work of ERIA and the application of ERIA's work in the current global situation.

The programme, known as UI-CREATES (Universitas Indonesia Credit Earning Programme), is a short course programme for

students from outside of Indonesia in which students can earn credit after the completion. They work together with various universities across ASEAN and East Asia, and the students will take a course entitled 'ASEAN Plus Three' in Universitas Indonesia. ■

Publications

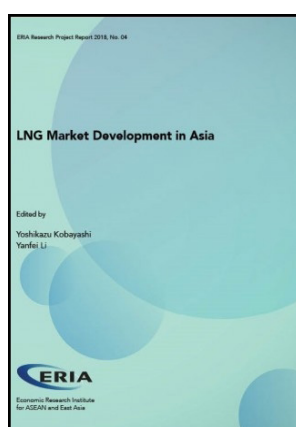


Demand and Supply of Long-term Care For Older Persons in Asia

Edited by Reiko Hayashi

In East and Southeast Asia, the numbers and proportions of older persons are increasing. The quickly increasing elderly population will create greater demand for long-term care. This report provides care demand estimates for the coming decades based on the care need statistics of several countries, as well as the increasing numbers of elderly people living alone, which significantly affects care demand. As for the supply of long-term care, this publication reports on the current status of the care workforce, which varies from country to country depending on the stage of development of the long-term care system. The situation of long-term care facilities is also briefly analysed.

Data comparison amongst countries highlights the existing challenges. Rapid increases in care need should be addressed through a system providing long-term care and policy dialogues should be encouraged.



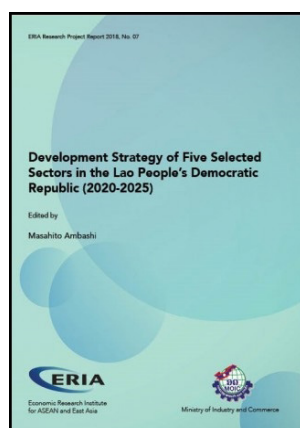
LNG Market Development in Asia

Edited by Yoshikazu Kobayashi and Yanfei Li

This report highlights the following key findings about the dynamics of the liquefied natural gas (LNG) market in this region. First, transparent and active spot markets are essential for identifying a price that reflects the fundamentals of supply and demand.

Second, China and India have become a source of substantial new LNG demand. Because both are large, even small shifts in demand patterns contribute to uncertainty and volatility in LNG prices. Third, in most Asian countries, companies and governments have little direct experience in the operation and construction of LNG re-gasification facilities and connection to electric power plants and distribution networks. Relevant laws and regulations have not been fully developed, leading to delayed decision-making and project implementation. Fourth, as LNG bunkering advances globally, there is the potential that bunker fuel markets will become fragmented. For LNG bunkering to succeed, intergovernmental coordination is necessary. Fifth, traditional patterns of risk allocation in financing new LNG export capacity are not adequate to meet recent market trends. Supportive government policies and new risk-sharing strategies are needed to for more projects to reach Final Investment Decisions.

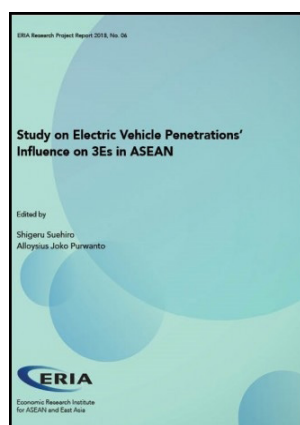
Last but not least, the Panama Canal Authority (ACP) recognises its critical role as a transit point and a potential bottleneck in the movement of United States LNG exports to Asia. The ACP has eliminated unfair practices and physical limitations in their arrangements for LNG cargo passage.



Development Strategy of Five Selected Sectors in the Lao People's Democratic Republic (2020-2025)

Edited by Masahito Ambashi

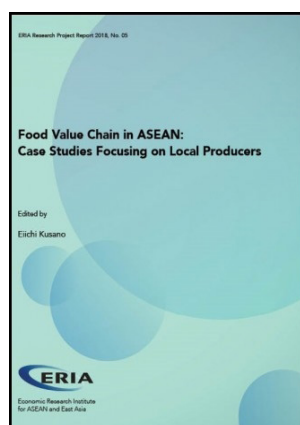
'Development Strategy of Five Selected Sectors in the Lao People's Democratic Republic (2020–2025)' follows up the research of the report *Lao PDR at the Crossroads: Industrial Development Strategies 2016–2030*, which was published and submitted to the Ministry of Industry and Commerce in June 2016. With as its aim to help Lao PDR move to the next stage of economic development, this report provides not only detailed assessments of the advantages and bottlenecks but also specific policy recommendations in the five selected sectors – (i) agriculture and food processing, (ii) garments, (iii) wood processing, (iv) handicraft and artisan crafts, and (v) information technology in the heavy use of cheap electricity.



Study on Electric Vehicle Penetrations' Influence on 3Es in ASEAN

Edited by Shigeru Suehiro and Alloysius Joko Purwanto

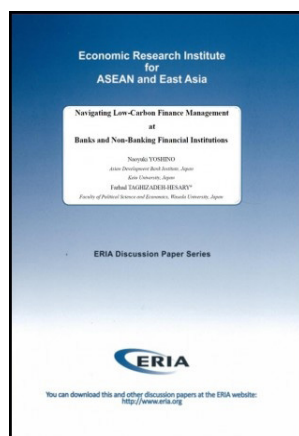
The study analyses the effects of electric vehicle deployment on the economy, energy, and the environment (3Es) in Indonesia, Malaysia, Thailand, and Viet Nam. In the scenario that assumes a continuation of historical trends, those countries may face challenges in the 3Es especially in terms of increasing CO₂ emissions and decreasing energy self-sufficiency. The study reaches four main conclusions. First, the effect of electric battery electric vehicle (BEV) penetration in terms of reducing CO₂ emissions is limited unless the power generation sector is decarbonised. Second, BEV penetration requires investment funds and subsidies several times higher than that for hybrid electric vehicles, and large investments in low-carbon power supply are required. Third, charging infrastructure is a key requirement, but not the only one, for plug-in electric vehicles. Finally, introducing electric vehicles into ASEAN countries would fulfil various policy purposes, but their massive deployment might have negative economic side effects. Electric vehicle penetration, therefore, requires realistic and affordable policies.



Food Value Chain in ASEAN: Case Studies Focusing on Local Producers

Edited by Eiichi Kusano

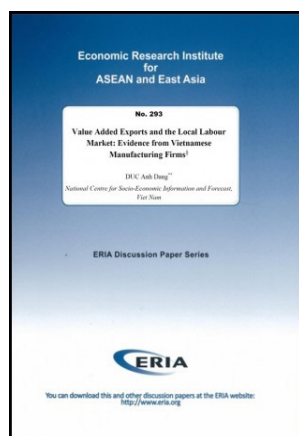
A key question for the bottom-up development of the food value chain (FVC) is how agri-food producers, mainly characterised by small-scale and unstable management, can improve their profitability by participating and utilising the chain. This study aims to contribute to economic development and poverty reduction in the agri-food sectors in countries of the Association of Southeast Asian Nations (ASEAN) by assessing the policy implications obtained from case studies of selected FVCs in Indonesia, Malaysia, Thailand, and Viet Nam. Each case study provides essential policy prescriptions: increase productivity and product quality; improve resilience against external shocks; enhance vertical collaboration amongst actors in the FVC; expand market channels particularly of small-scale producers; and improve distribution and production systems to fully utilise resources.



Navigating Low-Carbon Finance Management at Banks and Non-Banking Financial Institutions

By Naoyuki Yoshino and Farhad Taghizadeh-Hesary

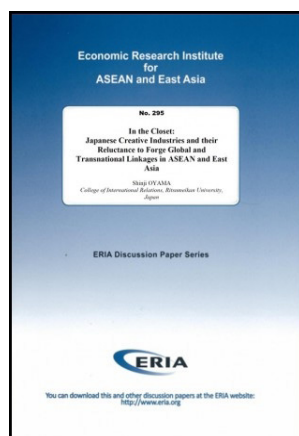
Lack of long-term financing, the existence of various risks, the low rate of return, and lack of capacity in market actors are major challenges for the development of low-carbon projects. This paper attempts to provide guidelines for governments and financial institutions by highlighting practical solutions as enabling conditions of low-carbon finance and investment. Such solutions include increasing the role of public financial institutions, increasing the share of non-banking financial institutions in long-term investments, using the spillover tax to increase the rate of return, developing green credit guarantee schemes to reduce the credit risk, and addressing low-carbon investment risks via financial and policy de-risking. These solutions are analysed in detail and considerations for their implementation are discussed throughout the paper. Tools and instruments for low-carbon investments and a practical example of the implementation of the proposed tools are also provided in this paper.



Value Added Exports and the Local Labour Market: Evidence from Vietnamese Manufacturing Firms

By Duc Anh Dang

The formation of global value chains (GVCs) has reshaped production processes across countries. This paper investigates the relationship between GVCs and firms' employment by using panel data on Vietnamese small manufacturing firms for 2005–2011. The results suggest that increased foreign value added in exports results in higher wages, increased productivity, and a greater share of production workers in domestic small and medium-sized enterprises. In addition, it brings about a lower share of professionals and makes smaller firms retrain their existing workers. At the same time, domestic value added in the export of intermediate products has negative impacts on employment and increases wages, particularly in medium-sized firms. All of these may come from the increased competition for labour from larger firms.



In the Closet: Japanese Creative Industries and their Reluctance to Forge Global and Transnational Linkages in ASEAN and East Asia

By Shinji Oyama

This paper addresses rarely asked questions: is Cool Japan a creative industries policy and, if so, what kind of creative industries policy is it? It addresses these questions by examining Cool Japan's differences from the UK derived and globally very influential creative industries model. The paper will try to make sense of these differences by looking at how the Japanese creative industries comprise businesses of different sizes with a varied history and prestige, how those companies have complex and contrasting relationships with various state organisations, and how the forces of globalisation and its free-market and neo-liberal economic ideologies affect companies in various sectors differently. This will challenge the dominant narrative of Japanese Creative Industries and Cool Japan in which, it is generally believed, the former embraces globalisation and digitalisation, and the latter is responsible for broadening the appeal of Japanese popular culture abroad. This paper reveals the complexity and diversity of the creative industries from socio-cultural and politico-economic perspectives often overlooked in the Cool Japan discourse.

Upcoming Events

The 6th Workshop on Follow Up of 'Lao PDR at the Crossroads'

Date: 3 September 2019
Venue: Vientiane, Lao PDR

Workshop on Recommendations for Viet Nam's Development in 2021 – 2030

Date: 6 September 2019
Venue: Hanoi, Viet Nam

High School Students Summit on 'World Tsunami Awareness Day' 2019

Date: 10–11 September 2019
Venue: Hokkaido, Japan

The 3rd ASEAN-India Workshop on Blue economy

Date: 12 September 2019
Venue: Bangkok, Thailand

Workshop on Global Production Value-Chain, SMEs and Productivity: Sustainable and Inclusive Growth in Trade for Lao PDR

Date: 16-18 September 2019
Venue: Vientiane, Lao PDR

Seminar on Regional Waste Management in Indonesia and Other Asian Countries

Date: 18 September 2019
Venue: Jakarta, Indonesia

In-country Training on Non-tariff Measures

Date: 23-24 September 2019
Venue: Bandung, Indonesia

Seminar Nasional "Menuju Konektivitas Maritim yang berkelanjutan di Indonesia"

Date: 2 October 2019
Venue: Jakarta, Indonesia

Global Production Value-Chains, Services and Economic Liberalization: the Case of ASEAN LDCs

Date: 2 October 2019
Venue: Vientiane, Lao PDR

The 8th ERIA Editors' Roundtable

Date: 5-6 October 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



www.eria.org



ERIA.org



ERIAorg



ERIAorg-Indonesia



ERIAorg



Economic Research Institute
for ASEAN and East Asia