

# Frames

Features, News, Thoughts, and Feedback

Vol. II No. III MAY–JUNE 2015

website: [www.eria.org](http://www.eria.org)

ISSN: 2355-0708

## EDITOR'S NOTE

Whilst regional economic integration has become a 'buzzword' because the realisation of the ASEAN Economic Community (AEC) at the end of this year is within reach, it is worthwhile to bear in mind that the process is a complex one. In this issue's lead story, Dr Milo and Dr Intal discuss how systematic monitoring and review of the AEC Blueprint has evolved since 2008 and proposes ways forward to make integration more effective and sustainable as we march on towards AEC 2025.

## CONTENTS

### Lead Story

*Monitoring the AEC: Some Key Initiatives and Ways Forward - 1*

**ERIA 8th Governing Board Meeting - 5**

### News Updates

*ERIA–OECD Promotes Good Practices and Economic Integration in East Asia - 6*

*Policy Research Institute Conference on Globalisation and Equitable Development - 7*

*ERIA President Joins Delegation led by H.E. Mr Nikai to China - 7*

*ERIA Holds Second Seminar on Agriculture and Food Security - 8*

*Integrating Climate Change Adaption and Disaster Risk Management - 9*

*ERIA Participates in International Symposium on Nuclear Energy - 9*

*Thoughts: Future Challenges to Southeast Asian Education - 11*

*ERIA and OECD Commemorate MoU Signing - 12*

**Publications Update - 10**

**ERIA Visitors - 12**

## LEAD STORY

### Monitoring the AEC: Some Key Initiatives and Ways Forward

By Dr Melanie Milo, ERIA Economist  
Dr Ponciano Intal, Jr., ERIA Senior Economist

Following the adoption of the ASEAN Economic Community (AEC) Blueprint at the 13th ASEAN Summit in November 2007, ASEAN established the AEC Scorecard in 2008 as the first step to develop a systematic monitoring and review of the implementation of the AEC Blueprint. The AEC Scorecard reports the progress of implementation of AEC Blueprint commitments and measures by ASEAN Member States (AMSs) both at the regional and national levels; identifies implementation gaps and challenges; and tracks the overall realisation of the AEC by 2015.

Since the AEC Scorecard is primarily a compliance tool, ASEAN economic officials also recognised the need to strengthen the review process of the AEC Blueprint implementation. Thus, ASEAN Economic Ministers (AEM) at their 41st meeting in August 2009 requested ERIA to undertake analytical studies to strengthen the review process to ensure that the AEC Blueprint targets would be achieved. Key to this task was for ERIA to develop a rigorous methodology and a set of indicators to assess the status and progress of implementation and integration in the region particularly in specific priority areas, and provide a more analytic assessment of the key measures. Thus, the AEC Scorecard and the task assigned to ERIA strongly complement each other.

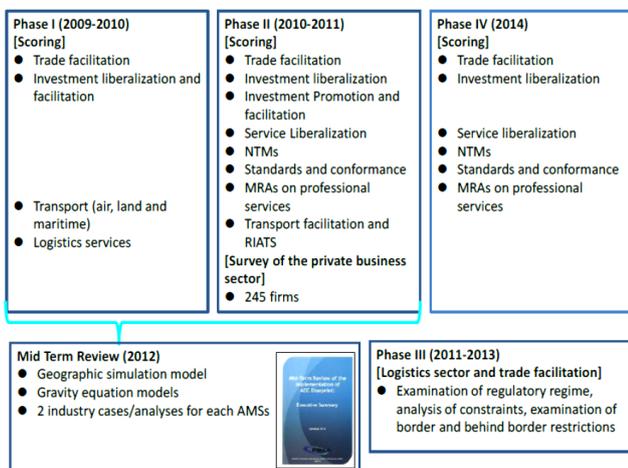
### ERIA as External Monitor of the AEC

ERIA, with the participation of member institutions of the Research Institutes Network (RIN) from the 10 AMSs and the support of the ASEAN Secretariat, undertook the first 'ERIA Study to Further Improve the ASEAN Economic Community Scorecard in 2009–2010 (Phase I)' (Figure 1). In developing the scoring systems for the four AEC areas initially selected, ERIA designed survey questionnaires that the RIN administered to government officials and private sector firms in order to



assess the status of the liberalisation and facilitation environment and analyse the eventual outcomes or impacts of the selected AEC measures in the AMSs.

**Figure 1: ERIA Studies on the Implementation of AEC Measures**



Source: ERIA (2015).

Phase II of the study, undertaken in 2010–2011, was more comprehensive in terms of coverage, and drew on private sector inputs to identify the core AEC areas to be analysed. Again, questionnaires were developed for the scoring systems, and administered to concerned government officials, private sector firms, and professional associations in the AMSs.

ERIA and the RIN subsequently undertook a comprehensive Mid-Term Review of the Implementation of the AEC Blueprint in the AMSs in 2012, as requested by the AEM. The review covered most of the key measures in the AEC Blueprint except those under the priority integration sectors, consumer protection, and taxation. It also updated the scorecard results from Phases I and II. Together with the country reports prepared by the RIN, additional studies were undertaken by consultant experts to come up with in-depth analyses on the implementation performance, outcomes, and impacts or contributions (actual or potential) to ASEAN economies, and specific recommendations to achieve the AEC 2015 targets.

Phase III, undertaken in 2012–2013, focused specifically on examining the regulatory regimes, constraints, and border and behind-the-border restrictions related to the logistics sector and trade facilitation in the AMSs. Phase IV, completed in 2014, then built on earlier reviews and assessments of the degree of implementation of AEC measures related to non-tariff measures, trade facilitation, standards and

conformance, investment liberalisation, services liberalisation, and Mutual Recognition Arrangements (MRAs) on professional services. Analytical studies were also undertaken to examine their outcomes and impacts or contributions (actual or potential) to ASEAN economies.

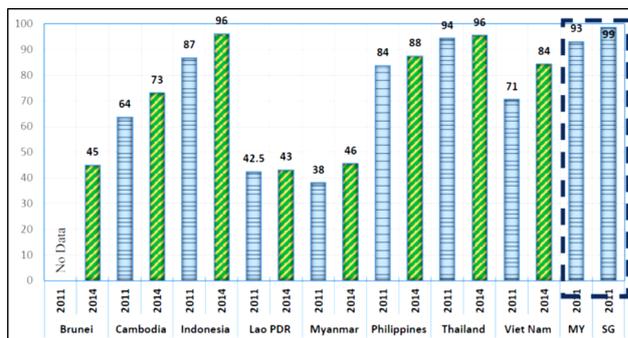
**ERIA Scoring System as a Complement/ Supplement to the AEC Scorecard: An Illustration**

The series of studies spearheaded by ERIA has been useful in establishing and documenting the progress of implementation and outcomes of key AEC measures on the ground, especially in presenting a more in-depth assessment of AMSs’ degree of implementation and capturing the direct impacts on the private sector. Thus, the ERIA Scoring System has served to effectively complement and supplement the AEC Scorecard reports by the ASEAN Secretariat.

An example is the monitoring of the outcomes of the AEC’s trade facilitation agenda. The National Single Windows (NSWs) and the ASEAN Single Window (ASW) form the centrepiece of this agenda. A well-performing NSW, in turn, rests on a modern customs.

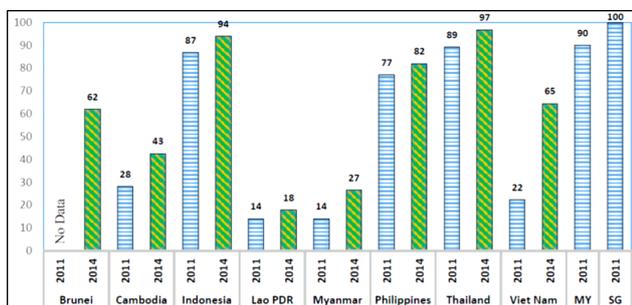
Figure 2 presents the scoring on customs modernisation for 2011 and 2014 from Phases II and IV, respectively. It shows that Singapore, Thailand, and Malaysia were the leaders in ASEAN in 2011, followed by Indonesia and the Philippines. The figure also shows significant improvements in 2011–2014 in Indonesia, Viet Nam, Cambodia, and, to some extent, Myanmar.

**Figure 2: Customs Modernisation in ASEAN<sup>a</sup>**



<sup>a</sup> Singapore and Malaysia were excluded from the scoring for 2014 because they are already deemed global leaders in this area. Source: ERIA (2015).

To track the progress of implementation, the AEC Scorecard only counts measures that are considered fully implemented. In terms of the NSW, the AEC Scorecard indicated that the ASEAN-6 have operationalised the measure (Rillo, 2012). However, the degree of implementation is also relevant especially for complex or difficult measures involving many processes before the measure is fully implemented. The scoring on NSW for 2011 and 2014 under Phases II and IV, respectively, provides additional information on the degree of implementation or actual progress. Figure 3 indicates that four AMSs have virtually fully implemented the NSW. An additional three AMSs are very much advanced in their implementation of the NSW, with Viet Nam showing dramatic improvement in 2011–2014. Three newer Member States are in the early stages of NSW implementation in 2014, with significant improvement in Cambodia and Myanmar. Thus, in contrast to the AEC Scorecard, the ERIA studies show that only four AMSs have virtually fully implemented the NSW. But the studies also show the substantial progress in many AMSs, an information not captured in the AEC Scorecard.



**Figure 3: Implementation of National Single Window<sup>a</sup>**

<sup>a</sup> Singapore and Malaysia were excluded from the scoring for 2014 because they are already deemed global leaders in this area. Source: ERIA (2015).

In terms of potential contributions to the ASEAN economies, the analytical studies indicated that:

- (i) **Improved trade facilitation leads to higher intra-ASEAN trade.** Dee, Narjoko, and Fukunaga (2013) showed that a 1 percent improvement in customs and logistics competence of exporting and importing AMSs would raise intra-ASEAN trade by 1.5 percent. Okabe and Urata (2013) indicated that a 1 percent reduction in time to export or import within ASEAN would lead to 1.1

percent increase in intra-ASEAN agricultural trade; a similar percentage reduction in cost to export and import would lead to an even bigger 2 percent increase in intra-ASEAN total agricultural trade.

- (ii) **Improved trade facilitation also contributes to higher economic growth.** Simulation results from Itakura (2013), using a dynamic GTAP model, indicated that reducing by 20 percent the time to export and import (proxy for improved trade facilitation) amongst AMSs would lead to additional average growth rate of GDP over the baseline growth rate in all AMSs.

Thus, the high priority on trade facilitation is warranted. Overall, the ERIA studies show the progress in trade facilitation in the region, which merits continuous deep monitoring to ensure full implementation of the agenda.

### Ways Forward

The AEC Scorecard represents ASEAN's first attempt to develop a systematic monitoring and review of the implementation of the AEC Blueprint. Its existence proved ASEAN's commitment to the regional economic integration agenda; it has also served AMSs well in terms of informing them of their progress towards AEC 2015, and identifying implementation bottlenecks and challenges. ASEAN has also undertaken other initiatives to strengthen its internal monitoring system, including the establishment of the ASEAN Integration Monitoring Office in 2010 and its related initiatives.

That ASEAN economic officials supported ERIA's assessment of the implementation of AEC measures over the years again indicates their commitment, as well as their openness to an independent third party assessment to complement and supplement the AEC Scorecard.

Moving forward, the AEC's post-2015 vision and agenda (AEC 2025) represents a deeper regional economic integration agenda for ASEAN. Thus, putting in place a more comprehensive, integrated, and systematic monitoring and review mechanism would be critical to achieving AEC 2025 and the overall ASEAN Community 2025 vision and agenda. Drawing on the experience and lessons from the AEC Scorecard and the efforts to improve on it internally and externally, some points to consider in developing a post-2015 monitoring and review mechanism include:

- (i) The need for national monitoring and review

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mechanisms to complement the regional mechanism. Developing national monitoring and review systems, considering capacity and resources, will help ensure consistent progress of implementation across all relevant agencies, proper coordination of cross-cutting measures, management of the overall ASEAN Community agenda, effective provision and allocation of resources, and streamlined communication.

- (ii) At the regional level:
- a. The need for both implementation-focused monitoring system (compliance tool) to capture the progress and degree of implementation, and a results- or outcome-based monitoring system (impact assessment tool) to capture the progress of integration and its outcomes and impacts.
  - b. The need for better coordination or some consolidation of the monitoring and review of the three Communities. Given significant overlaps in critical areas, particularly between the AEC and the ASEAN Socio-Cultural Community's post-2015 agendas, and to capitalise on the synergies amongst the three Communities, a more integrated approach to monitoring the ASEAN Community 2025 is worth undertaking.
- (iii) The need to develop an explicit feedback mechanism, both nationally and regionally, to ensure that the results and recommendations of the monitoring process are candidly discussed by officials and key stakeholders, and incorporated in the further development or recalibration of integration policies and processes to make these more effective. Specifically, there has to be a stronger and clearer mechanism to incorporate private sector inputs into the overall monitoring process in the AMSs and ASEAN.
- (iv) Transparency of the monitoring process is critical for its credibility, and to build awareness, understanding, and ultimately participation and legitimacy of the regional integration agenda amongst ASEAN citizens, businesses, and other stakeholders.

All of the above indicates important roles for both internal and external monitoring. AMSs and ASEAN will have to invest more in strengthening their monitoring and review mechanisms, whilst tapping external monitoring mechanisms including engaging the private sector.

ERIA has played a useful role as external monitor of AEC 2015. ERIA's contribution to the development of a post-2015 agenda for both AEC and ASCC (Intal et al., 2014, 2015) also augurs well for its capacity to develop appropriate methodologies and indicators and undertake a more consolidated monitoring approach post-2015. ERIA can further contribute to the monitoring process by also examining more deeply the state and progress of regional integration in ASEAN, and the impacts of regional integration on achieving the ultimate goals of the ASEAN Community. The integration process is complex, and progress can only be demonstrated if ongoing in-depth analysis is undertaken.

Ultimately, the goal for systematic monitoring of ASEAN integration is to make integration policies and processes more transparent, hence, generating greater awareness, understanding, and ultimately higher levels of participation and legitimacy amongst the key stakeholders. These will then make integration more effective and sustainable.

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## ERIA's Governing Board Affirms Continued Efforts to Strengthen Regional Economic Integration

In the 8th meeting of the Governing Board (GB) of the Economic Research Institute for ASEAN and East Asia (ERIA) held on 5 June 2015 in Jakarta, GB members issued a statement outlining continued efforts to strengthen the economic integration in ASEAN and East Asia. They also reaffirmed the 'Sherpa role' of ERIA for the economic development and planning in East Asia.

The 8th ERIA GB Statement identified three key points that ERIA must focus on and the corresponding tasks it must undertake:

1. Institutional support and research.
  - a. Enhance collaboration with, and strengthen intellectual support to, the ASEAN Secretariat in the regional integration process.
  - b. Enhance ERIA's recently established EAS Policy Support Unit, and urge East Asia Summit Leaders and Senior Officials to task the Unit to take socio-economic support activities.
  - c. Exert its best effort to conduct studies described in its Work Programme 2015 to the maximum extent possible, and to respond to requests by member states. Deepen understanding of the economic benefits of integration (including of small and medium enterprises), and better understanding of narrowing development gaps.
2. Public engagement and capacity building.
  - a. Support ASEAN in developing its Vision 2025, especially for the ASEAN Economic Community and the ASEAN Socio-Cultural Community; help ASEAN implement the Vision; and assist in enhancing public awareness and

understanding of the Vision, both within and outside the region.

- b. Deepen capacity-building efforts for officials, academics, business associations in Cambodia, Lao PDR, Myanmar, and Viet Nam on issues related to structural reforms and regional economic integration
  - c. Deepen engagement and communicate more with stakeholders and the general public
  - d. Help in the dissemination of regional development and integration efforts to the larger global community by collaborating with academic and government institutions in other parts of the world. Consider the diversification of funding resources to ensure the stability and sustainability of ERIA's activities and operations.
3. Partnerships and collaboration.
    - a. Strengthen collaboration with partner research institutions in East Asia, such as member institutions of the Research Institutes Network and Energy Research Institute Network, and globally to deepen analysis on important issues concerning East Asia and its future and role in the global economy
    - b. Expand partnerships with ASEAN centres in ASEAN+1 countries
    - c. Although cooperation now has been better than expected, work more closely with relevant multilateral agencies and knowledge institutions, such as the Asian Development Bank, World Bank, Organisation for Economic Co-operation and Development, etc.

## ERIA GB Meets with ASEAN and East Asia Ambassadors and Representatives

ERIA's Governing Board (GB) members, in their 8th meeting, discussed wide-ranging issues on regional economic development with ambassadors and representatives from ASEAN and the East Asia Summit.

GB members met with the Permanent Representatives from ASEAN and ambassadors from the East Asia Summit (EAS). The EAS is composed of 10-member ASEAN, Australia, China, India, Japan, Republic of Korea, New Zealand, the Russian Federation, and the United States (US).

After giving a comprehensive report of ERIA's work over the past year, Prof Hidetoshi Nishimura, President of ERIA, affirmed that ERIA will continue to promote ASEAN economic integration and expressed the hope that the ASEAN chair, Malaysia, would be able to use the outcomes of ERIA's numerous research projects. He also committed that ERIA would assist Lao PDR to prepare for the ASEAN chairmanship next year.

During the meeting with the Permanent Representatives from Lao PDR, Malaysia, the Philippines, and Singapore, the envoys took turns to comment and recommend new activities and research that ERIA should include in its work programme.

The GB members also held a series of bilateral meetings with the representatives of Mongolia, the Russian Federation, and the US to explore areas of cooperation.

H.E. Lundeg Purevsuren, Foreign Minister of Mongolia, outlined his country's economic development policy and diplomacy, stressing that Mongolia would like to integrate with the East Asian economy and engage in connectivity projects.

In another bilateral meeting, US Ambassador to ASEAN, Ms Nina Hachigian, expressed appreciation for ERIA's huge volume of research and briefings on economic integration in ASEAN and East Asia. She added that the US, as a member of the EAS, would continue to engage with ERIA and strengthen the economic integration with the region.

The final bilateral meeting was with the Ambassador of the Russian Federation to ASEAN, Mikhail Galuzin. He said that the Russian Federation would commemorate the 20th anniversary of ASEAN–Russia relations next year in a Russian city. He expressed his country's readiness to cooperate with ERIA.

## ERIA–OECD Symposium on Good Practices and Economic Integration in East Asia; H.E. Nikai Graces Event



Promoting good practices and economic integration in ASEAN and East Asia was the focus of the half-day symposium conducted by the Economic Research Institute for ASEAN and East Asia (ERIA) and the Organisation for Economic Co-operation and Development (OECD). The symposium, held in 4 May, was titled 'Inspiring the ASEAN Community Towards 2025'.

Secretary-General of the OECD, H.E. Angel Gurría, in his video message from Paris, acknowledged the importance of Asia and the ASEAN countries. He said, 'Asia and the ASEAN countries are a growing target and of growing importance in our programmes and our projects. We have just launched a Southeast Asia Programme and precisely in support of that programme is where we are going to accelerate our cooperation with ERIA.'

In opening the session, H.E. William Danvers, Deputy Secretary-General of the OECD, affirmed that the OECD views Southeast Asian engagement as a strategic priority. He said, 'Since its foundation in 2008, ERIA has provided research to support the ASEAN economic integration process and structural reforms in ASEAN member countries. With two decades of activity in the region and with the expertise in economic policymaking,' the OECD 'offers the collected and accumulated experience of its 34-member countries as well as many partners that participate in its work across the world.' As the OECD has a broad mandate and develops global standards, OECD instruments could be of interest to partner countries.

Since 2014, the OECD and ERIA have conducted a series of workshops on relevant issues such as on small and medium enterprises, connectivity, public–private partnership, and trade in value added.

H.E. Toshihiro Nikai, Chairman of the Parliamentary League for ERIA, graced the event and expressed strong appreciation for the ERIA–OECD cooperation, saying that

it has further strengthened the resilience of regional economies, especially amidst many natural disasters.

In the session on 'East Asian Integration and the Role of ERIA and the OECD' moderated by Dr Surin Pitsuwan, former Secretary-General of ASEAN, panellists focused on ways and means to promote cooperation. H.E. Mr Danvers said that one way to do this is to bring global standards and perspectives to the region to promote economic integration. Panel discussant Prof Mari Elka Pangestu, former Minister of Trade as well as Minister of Tourism and the Creative Economy of Indonesia, said that ASEAN, in order to move ahead, would benefit from peer reviews and transparency. It is important, she added, that each member knows what the other is doing, especially on implementing action plans relating to the ASEAN Economic Community.

In the session 'Towards an ASEAN Community 2025', moderated by H.E. Ambassador Stephanie Lee of New Zealand, issues related to economic development in ASEAN post-2015, focusing on elements that must be added to the ASEAN vision for 2025, were discussed. Panellists included H.E. Ambassador Dato' Hasnudin Hamzah, the Permanent Representative of Malaysia to ASEAN, and Dr Alexander C. Chandra, Executive Director of the ASEAN Business Advisory Council.

Prof Hidetoshi Nishimura, President (then Executive Director) of ERIA, in his keynote address, 'Towards a Resilient ASEAN and East Asia', provided an overview of economic development in East Asia, including the rise of ASEAN. He reiterated that the successful implementation of the ASEAN Economic Community would also depend on fulfilling the sociocultural pillar of ASEAN. 'As we advance towards an ASEAN Community, there must be a stronger sense of an ASEAN conscience—a common ASEAN identity', he concluded.

Other speakers were H.E. Dr A.K.P. Mochtan, Deputy Secretary-General of ASEAN for Community and Corporate Affairs, Mr Larry Maramis, Director for Cross-Sectoral Cooperation Directorate, ASEAN Secretariat, and ERIA Senior Economist, Dr Ponciano S. Intal, Jr. About 140 participants from governments, international organisations, and the private sector attended the symposium.

## Policy Research Institute Conference on Globalisation and Equitable Development



Three prominent policy research institutes in Asia—the Institute of Developing Economies, JETRO (IDE-JETRO), Centre for Strategic and International Studies (CSIS) Indonesia, and Economic Research Institute for ASEAN and East Asia (ERIA)—organised a conference on Globalisation and Equitable Development on 20 April 2015 at CSIS Indonesia.

In his welcome remarks, Dr Yose Rizal Damuri, Head of the Department of Economics, CSIS Indonesia, said that he hoped the results of the conference would support new developments in Indonesia.

Dr Takashi Shiraishi, President of IDE-JETRO and a member of ERIA's Academic Advisory Council, and Prof Hidetoshi Nishimura, President of ERIA, delivered the opening remarks. Prof Nishimura said that 'the theme of the conference on how to achieve equitable development in globalisation is ERIA's fundamental mandate since ERIA is one of the institutions tasked to promote economic integration and the narrowing of development gaps in East Asia at the same time.'

In the session on 'Service Liberalisation and Non-tariff Barriers in Asia', participants discussed how much service industries are liberalised, highlighting that harmonising service sector commitments would contribute to a smoother supply chain. They likewise emphasised the importance of a sophisticated international database on non-tariff measures.

Discussions on the 'International and Domestic Development Gaps' focused on the economic impact of the Shanghai Pilot Trade Zone on China's neighbouring economies and the spillover of foreign direct investment to Indonesia, while those on 'Climb-up Value Chains in Globalisation' highlighted how developed countries could participate in higher value-added tasks and chains.

Finally, in the session on 'SME Participation in Supply Chains', the results of an ERIA study on the determinants of SME (small and medium enterprises) participation in production networks were presented. The study found that a number of firm-level characteristics—productivity, foreign ownership, financial access, activities related to innovation, and entrepreneurship matter—increase the participation of SMEs in production networks.

Around 30 experts and policymakers gathered and exchanged ideas on what policy measures are required for equal development as globalisation increases the development gaps among nations and regions.

## ERIA President Joins Delegation led by H.E. Mr Nikai to China

Professor Hidetoshi Nishimura, President of ERIA, joined the delegation led by H.E. Mr Tohishiro Nikai, Chairman of Japan's Liberal Democratic Party's General Council (Chairman of Parliamentary League for ERIA), on a visit to China on 21–23 May 2015.

Prof Nishimura met with the following officials in China: (i) Mr Hu Chunhua, Guangdong Provincial Party Secretary, with whom he exchanged views on ERIA's activities and the possibility of future cooperation; (ii) Mr Jinzao Li, Director of the China National Tourism Administration; and (iii) Prof Qiu Yong, President of Tsinghua University, with whom Prof Nishimura discussed

future collaboration between Tsinghua University and ERIA.



## ERIA Holds Second Seminar on Agriculture and Food Security



After the successful first seminar on food and agriculture last year, the Economic Research Institute for ASEAN and East Asia (ERIA), together with the Universitas Pelita Harapan, Jakarta, held its second seminar on the same topic titled 'Securing Food Security in ASEAN: What Can We Learn from the Viet Nam and Indonesia Cases?' on 11 June 2015 at the ERIA office in Jakarta.

Guest presenter was prominent researcher, Dr David Vanzetti, Visiting Fellow of the Crawford School of Public Policy at the Australian National University, Canberra, who has 30 years' experience in research, consulting, and teaching on agriculture, international trade policy, and commodity analysis.

Dr Ronnie S. Natawidjaja, Director of the Center for Agrifood Policy and Agribusiness Studies of Universitas Padjajaran Bandung, and Masanori Kawaguchi, Project Coordinator of Human Resources Development Project on Food-Related Areas in ASEAN countries, served as discussants while Dr Ponciano Intal, Jr., ERIA Senior Economist, moderated the session.

Dr Vanzetti raised a few concerns on food security, such as restrictions by exporters, rising incomes, and declining research and developments, amongst others. He said that Indonesia needs to focus on increasing productivity in order to reach self-sufficiency, while working more on providing social safety net.

Moreover, a 'self-sufficiency' policy is not necessarily the key to have food security. 'Instead of building its own stocks, Indonesia can join the trade,' he said. This theory was confirmed by Dr Intal that, 'A good agreement between exporters and importers is needed to be able to have a good system to have food security.'

Indonesia is seen to have poor policies on food security. Whilst the country focuses on self-sufficiency,

other countries in the region such as Viet Nam has adopted a rice area scheme, and Thailand has built up its stocks to raise export prices.

Dr Vanzetti mentioned a few policy recommendations to boost Indonesia's food security: (i) fund research and development on agriculture, (ii) remove trade barriers, and (iii) create financial instruments to help smooth prices.

Dr Natawidjaja, one of the discussants, showed that in terms of productivity, Indonesia has been quite good and is at par with Viet Nam though still below China. He pointed out that 55 percent of Indonesia's national production comes from Java. He said the challenge in Indonesia is policy. 'We don't have trustable data. The Ministry of Trade, Ministry of Agriculture, and Bulog (State Logistics Agency) give different numbers. Rice is too politicized,' said Dr Natawidjaja. He added that food security should no longer be seen as a macro problem but a micro one, and that it is caused partly by the lack of transport and infrastructure, and the capability to produce food.

On the disharmony between agricultural ministries in Indonesia, Dr Natawidjaja stressed: 'No single ministry would be able to decide on food security, we need an agency for this. For example, the Philippines has the National Food Authority; I think Indonesia needs to have one like that.'

Dr Intal closed the seminar by noting that better policy is needed for better food security. Countries can learn from Singapore's use of its private sector to secure food, with a proper agreement, either long term or short term. Such kind of policy does not require a special government agency; yet it can effectively secure food for the country.



## Integrating Climate Change Adaption and Disaster Risk Management

The research working group of the Economic Research Institute for ASEAN and East Asia (ERIA) held its second meeting on 'Mitigating Supply Chain Risks Due to Natural Disasters' on 29–30 June 2015 in Singapore.

Natural disasters not only affect the lives of people but also affect the economy and global food and industrial production. The 2011 Thailand floods, for example, disrupted both domestic food production and regional supply chains. Thus, not only government but also economists and business people would need to find ways of mitigating the threat caused by natural disasters to the international economy.

The ERIA study examines the framework for integrating climate change adaption and disaster risk management for East Asian countries. It aims to (i) identify the major factors that amplify the impact of global supply chain disruptions due to climate change and related natural disasters; (ii) determine how communities and companies can prepare for emergency situations, such as energy supply disruptions in the supply chain due to natural disasters; (iii) evaluate insurance tools, emergency plans, and adaptation measures that communities and governments can employ to prepare for supply chain disruptions; and (iv) model how ASEAN

disaster relief mechanisms could be made compliant to business continuity plans of major supply chains.

Twelve researchers from concerned institutes and related ministries in the region discussed the final draft of the paper and the key findings of the study. ERIA Chief Economist, Prof. Fukunari Kimura, and ERIA Senior Energy Economist Dr Venkatachalam Anbumozhi opened the meeting by elaborating the study's focus, study plans, and expected outcomes from the study.



*One case study was on food status in Mt. Sinabung in Sumatra Island of Indonesia*

## ERIA Participates in International Symposium on Nuclear Energy



The Economic Research Institute for ASEAN and East Asia (ERIA), National Graduate Institute for Policy Studies (GRIPS), The Institute of Energy Economics, Japan (IEEF), and the Breakthrough Institute jointly organised an International Nuclear Energy Symposium on 19 May 2015 at GRIPS in Tokyo, Japan. The symposium was titled 'Discussions on Nuclear Energy from the Female Point of View - Why is it necessary? Why is it safe enough? Why is it irreplaceable?'

Mr Masakazu Toyoda, President and CEO of IEEJ, opened the symposium while H.E. Mr Yosuke Takagi, State Minister of Economy, Trade and Industry, Japan, explained the status of the Fukushima nuclear accident clean-up. Prof Hidetoshi Nishimura, President of ERIA, and Ms Agneta Rising, Director General of the World Nuclear Association, gave keynote speeches.

In his keynote speech, Prof Nishimura introduced nuclear energy developments in the East Asian region and highlighted ERIA's research findings on the need to strengthen regional collaboration on nuclear safety and security, and ways to achieve it.

Seventeen female nuclear experts discussed a range of issues from the female point of view, including the role of nuclear energy, safety measures, global nuclear status, countermeasures against climate change, and how to promote dialogue with the public.

Speakers and nuclear experts then visited the Fukushima Daiichi Nuclear Power Plant.

### Discussion Papers

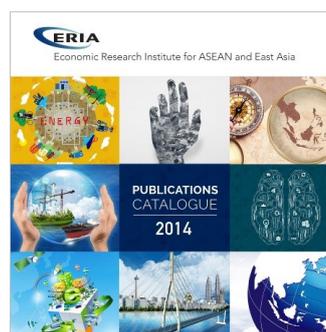
- *AEC Scorecard Phase IV: Furthering the Implementation of the AEC Blueprint Measures The Singapore Country Report* by Hank Lim, Bernard Aw, and Loke Hoe Yeong
- *Thailand Country Study ASEAN Economic Community Blueprint Mid-term Review Project* by Saowaruj Rattanakhmfu, Sumet Ongkittikul, Nutthawut Laksanapanyakul, Nichamon Thongpat, Natcha O-Charoen
- *Evolving Informal Remittance Methods of Myanmar Migrant Workers in Thailand* by Koji Kubo
- *Monitoring the Implementation of Services Trade Reform towards an ASEAN Economic Community* by Philippa Dee
- *FDI Restrictiveness Index for ASEAN: Implementation of AEC Blueprint Measures* by Shandre Mugan Thangavelu
- *AEC Blueprint Implementation Performance and Challenges: Standards and Conformance* by Rully Prassetya and Ponciano S. Intal, Jr.
- *AEC Blueprint Implementation Performance and Challenges: Trade Facilitation* by Ponciano Intal Jr.
- *Technology Transfer in ASEAN Countries: Some Evidence from Buyer-Provided Training Network Data* by Fukunari Kimura, Tomohiro Machikita and Yasushi Ueki
- *AEC Blueprint Implementation Performance and Challenges: Service Liberalization* by Dionisius Narjoko
- *Measuring the Costs of FTA Utilization: Evidence from Transaction-level Import Data of Thailand* by Kazunobu Hayakawa, Nuttawut Laksanapanyakul, Shujiro Urata
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- *AEC Blueprint Implementation Performance and Challenges: Non-Tariff Measures and Non-Tariff Barriers* by Dionisius Narjoko

### Annual Publications

#### ERIA Annual Report 2014



#### Publications Catalogue 2014



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## Future Challenges to Southeast Asian Education

Rizqy Anandhika, ERIA Research Associate

Southeast Asian education is on its pivotal period. First, the demographic composition foretells abundant productive workers in future decades in many countries—such as Indonesia, the Philippines, Malaysia, and Viet Nam—urging countries to prepare well for this labour boom. Second, the ASEAN Economic Community will be fully implemented by the end of this year. This will shift the competitiveness of some resources allocated in each ASEAN Member State (AMS), especially in terms of labour skills demanded by domestic firms. Third, the AEC regime will see the implementation of the Mutual Recognition Agreement that, while liberalising only skilled labour, will impact labour mobilisation across AMSs and potentially leave countries offering less competitive wages with inadequate skilled labour.

The serious commitment to develop human resource and education is expressed in the Cha-am Hua Hin Declaration on Strengthening Cooperation on Education to Achieve An ASEAN Caring and Sharing Community in 2009, signed by the AMSs. This is likewise incorporated in the ASEAN Community's three pillars: ASEAN Political-Security Community (APSC), ASEAN Economic Community (AEC), and ASEAN Socio-Cultural Community (ASCC). In both the ASEAN Charter and the Roadmap for an ASEAN Community (2009–2015), education is under the ASCC pillar, although the APSC and AEC contain overlapping education policies.

The ASCC aims to engage ASEAN citizens in a social and cultural cooperation within one ASEAN identity. As one of the key focus areas of the ASCC Blueprint (2009–2015), education is considered a crucial part of human development.

In its assessment of the ASCC, ERIA found 30 projects completed, 56 ongoing, and 3 pending. All of these projects aim to encourage universal access to primary education, promote early child care, and improve ASEAN awareness amongst the youth. Statistics show an overall net enrolment ratio in primary education of more than 90 percent in 2012, although the survival rate in some countries lagged by less than 70 percent. In secondary education's net enrolment, the results vary between 36–100 percent for girls and 40–100 percent for boys, using 2012 data.

In its report, ERIA recommended some post-2015 targets to be achieved in 2025: 100 percent net enrolment in primary education, and 85 percent minimum in net enrolment ratio in secondary education for both boys and girls.

Empirical studies have revealed that better education benefits not only the individual but also society in terms of 'social returns'. The most common argument states that

social returns surpass 'private returns' through the positive impact of education in reducing crimes, improving the health of children, and increasing civic participation. The other benefits come from the private returns from education, such as increasing labour productivity, expanding the innovative capacity of the economy as well as knowledge on new technology, and enabling the spread and transmission of knowledge thereby successfully utilising new technology.

An interesting research on the impact of cognitive skills on the economy contributes a new perspective on the development of education. Whereas education is usually measured in 'traditional' variables such as school enrolment and years of schooling of the workforce, there is debate to be more concerned about the quality of education, specifically on the development of cognitive skills.

In empirical research, quantitative measures such as years of schooling are positively and significantly related to the annual growth rate of GDP per capita. The inclusion of cognitive skills (proxied by test scores, e.g. PISA and TIMSS) in the model increased the variation from 33 percent to 73 percent (Hanushek and Kimko, 2000), and 21 percent to 45 percent in other studies (Gundlach et al., 2002). What is most striking is that this inclusion shows not only a positive and significant impact to growth rate; it also outperforms years of schooling, the variable which has been used in literatures for decades (Hanushek and Kimko, 2000; Lee and Lee, 1995; Barro, 2011; Bosworth and Collins, 2003; Ciccone and Papaioannou, 2009).

Education, as part of the human development strategy, will always be a serious concern for each ASEAN country—from the less-developed CLMV countries (Cambodia, Lao PDR, Myanmar, and Viet Nam) to middle-income Indonesia, the Philippines, and Malaysia, and even to developed Singapore. For poor countries, better education translates into instruments to combat prolonged poverty and to accelerate structural industrial reforms; for middle-income countries, it is a necessary long-term investment to escape the middle-income trap. Developed countries still need education to extend its technological frontier.

ASEAN's cooperation scheme on human development should be consistently monitored. Some well-established cooperation with UNESCO and UNICEF should be consistently maintained, whilst regional initiatives such as the educational development fund of the Senior Officials Meeting on Education might be developed further to gain more equal educational funding in the region and achieve policy recommendations. Finally, it is necessary to prioritise the quality of education whilst maintaining, if not increasing, its quantity.

## ERIA and OECD Commemorate MoU Signing



To mark the first anniversary of the signing of the memorandum of understanding between ERIA and the Organisation for Economic Co-operation and Development (OECD), the two organisations conducted a series of commemorative events on 3–4 May in Jakarta.

Delegates of Japan's Parliamentary League for ERIA and representatives of Japanese enterprises led by H.E. Mr Toshihiro Nikai, former Minister of Economy, Trade and Industry of Japan and Chairman of the League, participated in the events celebrating the first anniversary of ERIA–OECD cooperation.

On 3 May 2015, ERIA held a dinner reception attended by more than 100 invitees, including H.E. Mr William Danvers, Deputy Secretary-General of the OECD, Dr Surin Pitsuwan, former Secretary-General of ASEAN, and members of the diplomatic corps.

On 4 May, ERIA and OECD organised the symposium on 'Inspiring the ASEAN Community Towards 2025'. A memorial planting ceremony was likewise held in the vicinity of the ERIA Annex and OECD Jakarta offices, with the presence of the delegates, Ms. Yumiko Murakami, the head of OECD Tokyo Centre, and ERIA President, Prof Hidetoshi Nishimura.

The delegates—comprising H.E. Mr Motoo Hayashi, H.E. Mr Masayuki Naoshima, H.E. Mr Teruhiko Mashiko, H.E. Mr Kazuyohi Akaba, H.E. Mr Kazunori Tanaka, H.E. Dr Tsuyoshi Yamaguchi, H.E. Mr Tadahiko Ito, and H.E. Dr Kenzo Fujisue—also visited ERIA on 3 and 4 May 2015, and were welcomed by Prof Nishimura and ERIA staff.

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ERIA VISITORS (May–June 2015)

Name	Title/Affiliation	Date
H.E. Mr Toshihiro Nikai	<i>Chairman of the Parliamentary League for ERIA</i>	4 May 2015
H.E. Dr Kenzo Fujisue	<i>Member, House of Councilors</i>	4 May 2015
H.E. Mr Teruhiko Mashiko	<i>Member, House of Councilors</i>	4 May 2015
H.E. Mr Masayuki Naoshima	<i>Member, House of Councilors</i>	4 May 2015
H.E. Mr Motoo Hayashi	<i>Member, House of Representatives</i>	4 May 2015
H.E. Mr Kazuyohi Akaba	<i>Member, House of Representatives</i>	4 May 2015
H.E. Mr Tadahiko Ito	<i>Member, House of Representatives</i>	4 May 2015
H.E. Mr Kazunori Tanaka	<i>Member, House of Representatives</i>	4 May 2015
H.E. Dr Tsuyoshi Yamaguchi	<i>Member, House of Representatives</i>	4 May 2015
H.E. Suh Jeong-in	<i>Korean Ambassador to ASEAN</i>	7 May 2015
H.E. Xu Bu	<i>Chinese Ambassador to ASEAN</i>	29 June 2015

### ERIA Frames

It is a bimonthly newsletter issued by the Economic Research Institute for ASEAN and East Asia (ERIA).

It presents a picture of the Institute's various works and activities on ASEAN and East Asia issues.

It also describes recently completed and ongoing research as well as highlights of seminars, workshops, and feedback from capacity building workshops.

Thoughts and perspectives on regional issues as written by ERIA scholars and other stakeholders in the region are also presented.

ERIA Frames can be downloaded at [www.eria.org](http://www.eria.org).

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