

Deepening Economic Integration





East Asian Integration (First Edition)

By Lili Yan Ing

300 pages

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The Regional Comprehensive Economic Partnership (RCEP) presents a historic opportunity for East Asia to deepen cooperative commitment to the reforms needed to secure its future as a dynamic centre of higher-than-average global growth and regional prosperity in an open international economy. This ambition is important to all regional economies. RCEP policy leaders can move boldly and expeditiously to form an agreement that entrenches and substantially deepens the openness of their economies, which has historically underpinned economic growth in the region. This is a time for leadership at all levels and strategies that are focused on the potential of economic cooperation to lift growth, not from defensive negotiating positions seeking to maintain the status quo that will serve only to undermine the welfare of future generations.



Framing the ASEAN Socio-Cultural Community Post-2015

**By Ponciano Intal, Jr., Venkatachalam Anbumozhi, Fauziah Zen,
Hidetoshi Nishimura, Rully Prasetya**

319 pages

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An inclusive, sustainable, resilient, and dynamic community that engages and benefits the people is what ASEAN aspires to in the post-2015 period. This vision reflects ASEAN's drive towards the building of an ASEAN Community that is people oriented and people centred. This book outlines the framework and key recommendations for achieving the vision. The key recommendations presented are necessarily context specific; nonetheless, the factors for their successful implementation would be similar.

It is hoped that the combination of the proposed framework and specific policy recommendations as well as key success factors outlined in this publication will result in the ASCC Blueprint 2016-2025 that is transformative and successfully implemented with broad support from the whole ASEAN Community.



The Use of FTAs in ASEAN: Survey-based Analysis

By Lili Yan Ing and Shujiro Urata

300 pages

ISBN: 978-602-8660-79-2

The study, entitled 'The Use of FTAs in ASEAN: Survey-based Analysis' is one of the flagship reports of ERIA. Based on a study of firms conducted between April 2013 and August 2013, this report provides insights on the use of free trade agreements (FTAs) across ASEAN countries, the constraints on the use of FTAs, and how to overcome these constraints to improve the use of FTAs in ASEAN.

AEC Blueprint Implementation Performance and Challenges: Non-Tariff Measures and Non-Tariff Barriers

By Dionisius Narjoko

ERIA Discussion Paper 2015-36

ASEAN has successfully reduced tariffs but not non-tariff measures (NTMs). Efforts to reduce NTMs always hit the debate surrounding justification of applying the measures; their efficient implementation also adds to another issue in the agenda to reduce NTMs. This paper addresses this issue. It examines whether the extent of NTMs affects the operation of firms in ASEAN member states (AMS) in doing business. Results show that (i) significant costs are borne by implementing NTMs in practice—the higher the cost of NTM implementation, the higher the production cost, and this is added to the price of output; (ii) procedures and transparency in acquiring licences, permits, and certificates to export/import are the critical factors, thus calling for the need for regulatory reform; (iii) there is need to improve the availability and the quality of testing facilities, found to be lacking in many AMS. These policy recommendations are critical in increasing the participation of small and medium enterprises in regional trade, utilising many preferential measures offered by the ASEAN Economic Community.

AEC Blueprint Implementation Performance and Challenges: Investment Liberalisation

By Ponciano S. Intal, Jr.

ERIA Discussion Paper 2015-32

This paper focuses on measuring and examining the progress and challenges in implementing investment liberalisation initiatives in the ASEAN Economic Community (AEC) Blueprint 2009–2015. It also draws on country reports produced as part of the AEC Scorecard Project regarding other constraints on creating much better investment regimes in ASEAN countries. Results show that the foreign investment liberalisation rate, based on the ASEAN Comprehensive Investment Agreement, is high in manufacturing, with challenges to further liberalisation to be found primarily in Indonesia and Viet Nam. The main challenges for further investment liberalisation in the region include complex cultural, political, and security sensitivities regarding foreign equity majority control in some sectors. Strategic industrial, nationalist, and/or developmental gap considerations may also be working against foreign majority ownership in some manufacturing sectors in ASEAN member states. The paper ends with some recommendations for ASEAN investment liberalisation initiatives post 2015.

AEC Blueprint Implementation Performance and Challenges: Service Liberalization

By Dionisius Narjoko

ERIA Discussion Paper 2015-39

This paper examines the progress of liberalization of the ASEAN Framework Agreement in Services (AFAS). It measures the changes in the liberalization rate of AFAS commitments from the 7th to the 8th package negotiations. The comparisons show only marginal improvement in the depth of services liberalization rate between the two packages, albeit significant increase in the number of subsectors covered in the 8th package. Deeper examination of the commitments suggests that many ASEAN member states utilized a facility under AFAS (flexibility rule) to put a number of sensitive subsectors not subject to liberalization commitments. Mode 3 liberalization rate of package 8 increases significantly when the flexibility rule is considered. This suggests that many subsectors do not pass the threshold set by package 8.

AEC Blueprint Implementation Performance and Challenges: Standards and Conformance

By Rully Prasetya and Ponciano S. Intal, Jr.

ERIA Discussion Paper 2015-42

ASEAN aims to reduce, if not eliminate, technical barriers to trade through standards and conformance (S&C) initiatives towards a highly integrated economy, the so-called single market and production base. This paper evaluates the implementation progress and challenges of S&C initiatives in three ASEAN priority integration sectors—automotive, electrical and electronic equipment, and health. Through questionnaires and interviews with government officials and the private sector in 10 ASEAN member states, this paper reveals that, in general, there have been many improvements in reducing technical barriers to trade through the S&C initiatives in ASEAN compared to the 2011 mid-term review though progress varied across sectors and across member states. The main challenges include technical capacity, physical infrastructure, governance, and some country- and sector-specific ones. The paper concludes with recommendations for ASEAN S&C initiatives post 2015.

AEC Blueprint Implementation Performance and Challenges: Trade Facilitation

By Ponciano Intal, Jr.

ERIA Discussion Paper 2015-41

As intra-ASEAN tariffs are virtually eliminated, non-tariff measures and trade costs associated with moving goods and services across borders hinder intra-ASEAN trade. This paper focuses on reviewing the state of trade facilitation initiatives in ASEAN, especially on customs modernisation, the National Single Window, and the National Trade Repository. The study uses questionnaires and interviews with government officials of ASEAN member states, except Malaysia and Singapore. Despite significant progress in trade facilitation, a huge gap between the frontrunners and the tail-enders remains. The main challenges include inadequacy of funds, availability of technical talent, the long process of development of the technical infrastructure of the system, and coordination issues among agencies. For initiatives after 2015, the paper recommends amplification of the World Trade Organization Trade Facilitation Agreement at the regional level. The paper also notes that political will, human capital, and persistence are the key determinants for successful trade facilitation initiatives in the region.

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

ERIA Discussion Paper 2015-47

Singapore is an open economy that is critically dependent on leveraging external resources to achieve its economic growth. Thus, the government is strongly committed to maintaining a free and competitive economy. On services liberalisation, Singapore is ready to integrate fully into the ASEAN Economic Community with most of its service sectors meeting or exceeding the requirements set forth by ASEAN member states (AMSs). On standards and conformance (S&C), its approach is to adopt and directly use international and technical standards for most sectors, which puts it in a good position to align itself with the agreed ASEAN standards. It has also transposed most ASEAN guidelines on S&C into national legislation. On the architectural and engineering services sector, Singapore has generally maintained a liberal immigration policy on professional mobility until recent years and there is still room to accelerate efforts towards regional integration and facilitation of movement of professionals by prioritising and establishing a template for other designated professions. On non-tariff measures (NTMs), Singapore is ranked highly as a liberalised trading economy. The agreed regulations on NTMs and their actual practice do not diverge, nor is there any bottleneck in implementing these. Finally, it has not experienced any problems in implementing the ASEAN Comprehensive Investment Agreement as its Reservation List is one of the shortest among those submitted by AMSs.

ASEAN: Regional Integration and Reforms

By Mari Pangestu and Lili Yan Ing

ERIA Discussion Paper 2015-69

Over recent decades, ASEAN has advanced a policy of regional integration, starting with the ASEAN Free Trade Area, then the ASEAN+1 free trade agreements with its six main trading partners, and now with ASEAN+6. To further advance regional integration in East Asia, ASEAN should continue to focus on trade in goods, investment, and services to smoothen out the process of trade creation and investment realisation. East Asian integration is designed to be an 'extensive regional trade agreement' and a 'responsive vehicle' that consists of trade and investment commitments combined with facilitation, to make more effective the implementation of trade and investment agreements and the liberalisation agenda for all members. To keep regional integration viable, ASEAN should adopt an open regionalism policy.

Challenges of Indonesian Competition Law and Some Suggestions for Improvement

By Manaek SM Pasaribu

ERIA Discussion Paper 2016-04

This paper discusses the problems in the implementation of Law No. 5 of 1999, the Indonesian Competition Law, explains its substance, and provides recommendations for its amendment. Existing loopholes in the enforcement of said law, both in substantive and procedural terms, have created difficulties in practice. One way to solve this problem would be to amend the competition law. The authors' suggestions for its amendment relate to institutional status, dawn raid authority, indirect evidence, leniency programme, procedural law, private litigation, legal aspects of cross-border enforcement, and merger notification. They expect that amending said law will result in a balance between procedural and substantive laws and that implementing the competition law will finally create legal certainty regarding its enforcement in Indonesia.

Competition Law and Policy in Singapore

By Burton Ong

ERIA Discussion Paper 2015-53

This paper provides a bird's-eye view of developments in the field of competition law and policy in Singapore over the past 10 years, highlighting the progress made in the areas of enforcement, regulatory policy, and advocacy.

Competition Law Enforcement of Viet Nam and the Necessity of a Transparent Regional Competition Policy

By Phan Cong Thanh

ERIA Discussion Paper 2015-86

Competition is becoming an important issue among ASEAN countries. However, having a transparent and positive competition policy is much more difficult than enacting a competition law. Competition policy strongly depends on the enforcement of competition law and the way government positions the law in its general policy for developing the national economy. This paper discusses the enforcement of Viet Nam's competition law and argues for the need to have a regional competition policy for the ASEAN and the East Asia area that would enhance an individual country's competition policy and prevents conflicts among countries.

Convergence of Opportunities: Resilience and the ASEAN Community

By Venkatachalam Anbumozhi

ERIA Discussion Paper 2016-02

The year 2015 is a defining one for ASEAN. As it journeys forward in forging the ASEAN Community, disaster management continues to face challenges and opportunities brought about by increasingly complex disasters and the evolving humanitarian landscape. The year also ushers in global conversations that impact national and regional initiatives in disaster management and, conversely, provide opportunities for ASEAN to inform and influence these discussions. These conversations include, among others, the development of the successor framework to the Hyogo Framework for Action, the review and subsequent development of the post-2015 sustainable development goals, and the ongoing debates on climate change. At the regional level, the role of regional organisations in disaster management is deepening and becoming more pronounced and relevant to

the member states and the international community, particularly after large-scale disasters such as Cyclone Nargis and Typhoon Haiyan. As regional and global forces converge, ASEAN communities must become more resilient. Attaining a shared analysis and understanding of existing and emerging issues in disaster management would better equip ASEAN member states, ASEAN as a regional organisation including its ministerial and sectoral bodies, and the communities to continue building resilient communities post 2015.

This paper identifies key thematic areas arising from ongoing and emerging regional and global discussions on disaster risk reduction, climate change adaptation, development of the post-2015 sustainable development goals, and protection issues arising from natural disasters, under the larger framework of resilience. It scans and analyses regional and global trends in disaster management, underscoring the emerging imperative of cross-sectoral and multistakeholder approaches, with a growing focus on issues of vulnerable groups and protection.

Deepening and Widening of Production Networks in ASEAN

By Ayako Obashi and Fukunari Kimura

ERIA Discussion Paper 2016-09

This paper assesses the recent widening and deepening of machinery production networks in ASEAN and surrounding East Asia by employing highly disaggregated product-level international trade data over the period 2007-2013. Based on both traditional trade value data analysis and a novel approach to the diversification of exported products and destination markets, the authors confirm the steady development of back-and-forth trade links, notably with East Asian partners, centring on Singapore and Thailand. In addition to the five ASEAN forerunners, Viet Nam is an increasingly active player in such networking. Although their degree of participation is still limited, Cambodia, Lao PDR, and Myanmar also show signs of joining production networks.

Defining Regulatory Management Systems

by Derek Gill

ERIA Discussion Paper 2016-13

This paper explores what is meant by a regulatory management system (RMS) and what its elements are. It distinguishes between the formal system (what is in place) from the requisite regulatory management system (what is required for an ideal or high-performing RMS). Formal RMS means the set of special measures that apply to the development of new, or the review of existing, regulations but do not apply to other policy interventions. Requisite RMS means the full set of functionality that is needed in a high-performing or ideal system. This distinction was important in developing the case studies used in the project that discuss both how the formal RMS affected the outcomes of the case studies and how a requisite system might have changed those outcomes.

Development of Competition Laws in Korea

By Hwang Lee

ERIA Discussion Paper 2015-78

Economic development policies that were focused on export and biased towards unbalanced growth were initially implemented through government-led initiatives in Korea since the 1960s. These resulted in many problems as well as a big success. Korean competition policies were born and developed to correct and complement economic development policies. Today competition policies have become a major force in Korea's economic policy. Many parts of industrial policies were replaced by sectoral competition policy in substance. After the 2008 global financial crisis, Korea has been faced with new challenges. Recent economic difficulties seem to ask for a bigger role to protect small and medium enterprises and fairness in society to address the so-called bipolarisation. The economic policy to improve productivity in the name of 'creative economy', designed to overcome limits of existing growth strategy, requires proper regulations against abuse and for stronger protection of intellectual property rights. All in all, Korea's antitrust policy remains generally very active in building sound market competition.

Empowering Communities and Countries to Conserve Biodiversity at the National and ASEAN Levels: Status, Challenges, and Ways Forward

By Percy E. Sajise

ERIA Discussion Paper 2015-81

The importance of biodiversity conservation and its sustainable use to realise the ASEAN vision of promoting sustainable development and a green economy is well recognised. However, the current state of biodiversity in general, and agro-biodiversity in particular, is a matter of serious concern. There has been significant progress in the expansion of protected areas in the region and the setting up of both in situ and ex situ biodiversity conservation programmes. Nonetheless, urgent steps still need to be taken at the community, national, and regional levels to ensure biodiversity conservation and its sustainable use. This paper analyses the opportunities and constraints of biodiversity conservation in natural and agricultural ecosystems. Such analysis has been used to identify important strategies and initiatives to promote community empowerment, as well as to promote and strengthen national and regional collaboration on biodiversity conservation and its sustainable use to realise the ASEAN vision.

Engendering ASEAN Identity: The Role of Film

By Jose Miguel R. de la Rosa

ERIA Discussion Paper 2015-75

The role of film, used here in generic terms to include audiovisual images and animation, is a necessary ingredient in the general framework of development leading to the realisation of the ASEAN Community. Film is an economic tool as it brings unquantifiable benefits to sectors participating in the industry. It is an effective information mechanism translating messages in more meaningful ways that appeal to the emotions. Film mirrors the cultural lives of people and reflects their heritage, values, and traditions. With the advancement in technology, film now comes in different platforms and formats, and is not confined to cinema or theatre. Thus, the reach and influence of films are vital in the people-oriented and people-centred agenda of an identity search and ensure that stakeholders down to the community level in all ASEAN member states (AMS) benefit from this approach.

The ASEAN Socio-Cultural Community Blueprint clearly identifies the goals and strategies that the AMS should support through multilevel mechanisms. These goals and strategies can be facilitated and implemented by collectively engaging government agencies in charge of film development in the AMS under the management of a technical expert group, referred to as Film ASEAN.

Engendering Concerted National Efforts towards Improved Health Outcomes in the ASEAN: Status, Challenges, Targets, and Ways Forward

By Oscar F. Picazo

ERIA Discussion Paper 2015-83

This paper reviews ASEAN's efforts to improve health outcomes in the region and describes the prospects for health post 2015. It reviews ASEAN performance on the blueprint for health and describes the regional vision for the three clusters of promoting a healthy lifestyle, strengthening health systems and access to care, and ensuring food safety. It then provides the indicators and targets in 16 specific areas. The paper focuses on the status, targets, and challenges in each of these 16 areas.

FDI Restrictiveness Index for ASEAN: Implementation of AEC Blueprint Measures

By Shandre Mugan Thangavelu

ERIA Discussion Paper 2015-43

This paper is an extension of the FDI (foreign direct investment) restrictiveness index created for the ASEAN Free Trade Agreement (AFTA) in Thangavelu and Lim (2011). It provides more detailed and updated information for the index for AFTA; a new FDI restrictiveness index is also created for the ASEAN Framework Agreement on Services Eighth Package (AFAS 8) and the ASEAN Comprehensive Investment Agreement (ACIA). The study highlights the differences between the 2010 and 2014 FDI restrictiveness indices.

Firm-level Impact of Free Trade Agreements on Import Prices

By Kazunobu Hayakawa, Nuttawut Laksanapanyakul, and Shujiro Urata

ERIA Discussion Paper 2015-33

This paper examines the impact of the use of free trade agreement (FTA) schemes on import prices by employing firm-level import data. These data would help identify the use of different tariff schemes, such as FTA and most-favoured nation (MFN) schemes. Unlike previous studies, the paper estimates the firm-level effects of FTA use on import prices by controlling firm characteristics. The study found that, on average, the use of FTA schemes raises (tariff-exclusive) import prices by three percent in total. Interestingly, the use of FTA schemes raises import prices even if FTA rates are the same as MFN rates. The study also found that large firms reduce the positive effects of the use of FTA schemes on import prices.

Framing the ASEAN Socio-Cultural Community (ASCC) Post 2015: Quality and Equity Issues in Investing in Basic Education in ASEAN

By Tereso S. Tullao, Jr., Miguel Roberto Borromeo, and Christopher James Cabuay

ERIA Discussion Paper 2015-65

Basic education promotes social cohesion, cultural appreciation, and civic consciousness, and bestows economic benefits to individuals and society. Although basic education does not fit into the strict conditions of public goods, governments are willing to finance and even directly operate schools because of its extensive spillover effects. The paper reviews the quality and equity considerations in the provision of basic education in ASEAN as well as the regional and national initiatives in addressing universal access and improving quality of basic education. The paper also discusses the major issues confronting basic education and recommends the improvement of participation rates and survival rates by using developments in information and communication technology and alternative mechanisms of financing and delivery.

Government Strategy and Support for Regional Trade Agreements: The Case of Thailand

By Kazunobu Hayakawa, Nuttawut Laksanapanyakul, Pisit Puapan, and Sasatra Sudsawasd

ERIA Discussion Paper 2015-37

Academic literature has theoretically discussed government strategy on regional trade agreements (RTAs) and has empirically identified some elements that play significant roles for that. This study aims to check the validity of these elements through a questionnaire survey of government officials in Thailand. For example, it asks how officials choose RTA partners, the products to be excluded from liberalisation, and the liberalisation patterns. Furthermore, to clarify who influences the decision of officials, the survey asks the order of priority among several kinds of stakeholders. The findings provide valuable insight on understanding the formulation process of trade negotiation strategy and the motivation for different liberalisation patterns from the perspective of policymakers.

How Do Exports and Imports Affect the Use of Free Trade Agreements?

Firm-level Survey Evidence from Southeast Asia

By Lili Yan Ing, Shujiro Urata, and Yoshifumi Fukunaga

ERIA Discussion Paper 2016-01

Based on profit estimations, findings from a 2013 firm-level survey of 630 manufacturing firms across ASEAN countries showed that a 1 percent increase in the share of exports in total sales will increase the probability of using free trade agreements (FTAs) by 0.2 percent; whereas a 1 percent increase in the share of imports in total inputs will reduce the probability of FTA use by 0.4 percent. Results from locally weighted scatter plot smoothing show that the use of FTAs is tilde- and negative-shaped as a function of exports and imports, respectively.

Intensive and Extensive Margins of South-South-North Trade: Firm-Level Evidence

By Lili Yan Ing and Miaojie Yu

ERIA Discussion Paper 2015-70

The main value added of this paper is twofold: the construction of a theoretical framework on how South-South trade will affect productivity cut-offs and the presentation of empirical exercises using highly disaggregated data, both based on the South-South-North trade framework. Using vertical integration between Indonesia and China and testing it by employing merged Chinese firms and customs trade data, the authors find that foreign tariff reductions, home output tariff reductions, and home input tariff reductions significantly increase home country firm productivity and exports via extensive and intensive margins. The findings are robust using ex ante and ex post productivity.

Linking Climate Change Adaptation and Food Security in ASEAN

By Mely Caballero-Anthony, Paul Teng, Goh Tian, Maxim Shrestha, and Jonatan Lassa

ERIA Discussion Paper 2015-74

ASEAN food security can be comprehensively governed by the ASEAN Economic Community (AEC) and the ASEAN Social and Cultural Community (ASCC). This paper reviews the ASCC Blueprint and argues that, within the ASEAN framework, the ASCC should address food security in relation to climate change and disaster risks. There are three main reasons for this: (i) the larger scope of environment security, climate change, and disaster risks under the ASCC; (ii) food security from beyond an economic standpoint under the flagship of the AEC; and (iii) climate change that alters regional food systems, agriculture, and fisheries, which contribute significantly to the livelihoods and well-being of all people in the region. Although the distribution of impacts and risks of climate change will be different from place to place and household to household, marginal farmers, fisherfolk, and poor urban consumers are likely to be impacted disproportionately; thus, the need for a shared governance of food security and climate change under the ASCC and AEC to comprehensively consider the availability, accessibility, utility, and stability of food for populations from both an economic and socio-cultural perspective.

Managing Labour Adjustments in an Integrating ASEAN

By Rene Ofreneo and Kun Wardana Abyoto

ERIA Discussion Paper 2015-80

The integration processes of ASEAN are ushering changes in the labour market across the region. Unions complain that jobs are increasingly becoming precarious. Human resource managers find it difficult to retain talents which have become mobile under the ASEAN Economic Community Blueprint allowing the free flow of skilled labour. And labour administrators are faced with three major policy issues: (i) how to promote human resource development in a labour market that has become regional, (ii) how to balance the demand of workers for more protection and the demand of industry for more labour flexibility, and (iii) how to maintain industrial peace in an integrating ASEAN. To address the foregoing, the paper argues for increased bipartite and tripartite social dialogue in accordance with the 'ASEAN Guidelines on Good Industrial Relations Practices' adopted by the ASEAN Labour Ministers in 2010.

Measuring the Costs of FTA Utilization: From Transaction-level Import Data of Thailand

By Kazunobu Hayakawa, Nuttawut Laksanapanyakul, and Shujiro Urata

ERIA Discussion Paper 2015-38

This study measures the costs of the use of free trade agreement (FTA) tariff schemes. It uses shipment-level customs data on Thai imports which identify not only the firms, source country, and commodity but also the tariff schemes. The study proposes several measures as a proxy for FTA utilization costs. It also found that FTA utilization costs differ by rules of origin and industry.

Monitoring the Implementation of Services Trade Reform towards an ASEAN Economic Community

By Philippa Dee

ERIA Discussion Paper 2015-44

This paper assesses the extent to which the ASEAN Framework Agreement on Services is helping ASEAN member states achieve the ASEAN Economic Community's goal of free flow of services in the region. For the agreement to drive real reform, it needs to be more closely linked to the domestic policy development processes in each ASEAN member state.

Non-tariff Measures and Harmonisation: Issues for the RCEP

By Olivier Cadot and Lili Yan Ing

ERIA Discussion Paper 2015-61

The upcoming Regional Comprehensive Economic Partnership (RCEP) is a critical element of regional integration in East Asia and the Pacific. While tariffs are already low in this region, non-tariff measures (NTMs) remain a key issue in trade in goods. NTMs may bring consequences on sourcing and enforcement costs and may affect the structure of an industry. ASEAN countries have similar patterns of NTM imposition at the product level. International experience shows that regional trade agreements could reduce regulatory distance by 41 percent. RCEP could bring East Asian countries to improve transparency of their NTMs and encourage mutual recognition.

Promoting Rural Development, Employment, and Inclusive Growth in ASEAN

By Vo Tri Thanh and Nguyen Anh Duong

ERIA Discussion Paper 2016-03

This paper looks at ASEAN cooperation on rural development, employment creation, and inclusive growth beyond 2015. Rural development policy has been implemented in various ASEAN member states but as a priority by itself rather than as a complement to industrialisation. Such efforts contribute to higher growth and more jobs in rural areas. This in turn makes way for alleviating rural poverty. Although the poverty incidence is scattered, the rural poverty gap attracts attention. The visions for rural development, job creation, and inclusive growth beyond 2015 should thus cover (i) diversified and climate-resilient rural economy, (ii) employability of rural labour, (iii) rural democracy and de-concentration, (iv) sufficiently upgraded rural infrastructure, (v) material improvement of living conditions in rural areas, (vi) sufficient rural-urban links, and (vii) ensured social protection and substantial reduction in chronic poverty. The paper also presents several recommendations for ASEAN and for Cambodia, Lao PDR, Myanmar, and Viet Nam related to the three main aims.

Regulatory Coherence: The Case of Japan

by Naohiro Yashiro

ERIA Discussion Paper 2016-16

This paper reviews the coherence of the regulatory management system in Japan. It explores (i) the evolution of regulation in Japan from sector-based regulatory review through the adoption of a regulatory impact analysis and the current special zone approach, and (ii) how the regulatory management system was applied to two case studies of regulatory change: Agency Worker Law and Tax Revitalization Law.

Regulatory Coherence: The Case of New Zealand

By Derek Gill

ERIA Discussion Paper 2016-12

(ERIA-NZIER-MPC Technical Paper Series on Regulatory Management, RURB, and International Regulatory Cooperation)

Part 1 of this paper explores the evolution of regulation in New Zealand from a sector-based regulatory review, through the adoption of a regulatory impact analysis, to the current increased emphasis of stock management. It reviews the coherence of the regulatory management system in New Zealand. Parts 2 and 3 explore how the regulatory management system was applied to two case studies of regulatory change—one failure (building controls) and one success (reform of motor vehicle licensing).

Regulatory Coherence: The Case of the Republic of Korea

by SongJune Kim and DaeYong Choi

ERIA Discussion Paper 2016-15

(ERIA-NZIER-MPC Technical Paper Series on Regulatory Management, RURB, and International Regulatory Cooperation)

The Government of the Republic of Korea has made great efforts to improve its regulatory management system and to realise regulatory reform since the economic crisis of the late 1990s. This paper explores the evolution of regulatory reform and reviews the coherence of the regulatory management system in the Republic of Korea. It explores how this system was applied in two case studies of regulatory change: golf course regulation and the restriction of opening hours of food services businesses.

Services Productivity and Trade Openness: Case of ASEAN

By Shandre Mugan Thangavelu, Lili Yan Ing, and Shujiro Urata

ERIA Discussion Paper 2015-56

Using fixed effect and Generalised Method of Moments estimations, this paper analyses the impact of trade on the labour productivity of the services sector—(i) wholesale, retail, and hotel; (ii) transport, storage, and communications; (iii) finance, insurance, and real estate; and (iv) community, social, and personal sectors—of Indonesia, Malaysia, Philippines, Singapore, and Thailand in 1990–2005. The results show that more exposure to exports will improve labour productivity in the services sector in these countries. Based on input-output relationships, services play an important role as inputs in the manufacturing sector, notably in Indonesia, Malaysia, Singapore, and Thailand.

Shared Cultures and Shared Geography:

Can There Ever Be a Sense of Common ASEAN Identity and Awareness?

By Farish A. Noor

ERIA Discussion Paper 2015-77

This paper looks at the state of identity politics in Southeast Asia today, and focuses on how the postcolonial nation-states of ASEAN have been trapped by the somewhat exclusive narratives of national history, as written by the first generation of postcolonial historians of the 1950s and 1960s. However, it is argued that such narrow national narratives overlook the fact that Southeast Asia has always been characterised by fluidity and movement, and where identities of individuals, communities, and nations were seldom fixed. For a deeper understanding and appreciation of Southeast Asian identity, a more comprehensive and less exclusive approach needs to be taken in the writing of history which takes off from the premise that the region has always been a fluid continuum and that societal development never takes on a linear trajectory. This paper calls for a different way of understanding Southeast Asian identity that accepts hybridity and complexity as the attendant realities of social life.

Spatial Patterns of Manufacturing Agglomeration in Cambodia, Lao People's Democratic Republic, and Thailand

By Toshitaka Gokan, Ikuo Kuroiwa, Nuttawut Laksanapanyakul, and Yasushi Ueki

ERIA Discussion Paper 2015-68

Due to lowering trade and transport costs, participation in global value chains (GVCs) is becoming one of the most effective development strategies for many developing countries. Participation in GVCs, however, is not sufficient; the formation of industrial linkages and clusters is critical for sustained economic growth. This paper identifies the manufacturing clusters in Cambodia, Lao PDR, and Thailand, using the method proposed by Mori and Smith (2013). The paper provides a map of industrial clusters by industry, which is tested against the hypothesis of spurious clusters. Moreover, the paper indicates the spatial structure of industrial agglomerations using the global extent and local density indices.

Tariff Pass-through of the Worldwide Trade: Empirical Evidence at Tariff-line Level

By Kazunobu Hayakawa and Tadashi Ito

ERIA Discussion Paper 2015-34

This paper presents empirical evidence on the tariff pass-through in worldwide trade. Specifically, it estimates the effects of reduced tariffs on import prices for the tariff line-level data of 46 importing countries in 2007–2011. The estimation results show that the average pass-through rate for tariff reduction by regional trade agreements (RTAs) is higher than most-favoured-nation rates. In multilateral trade liberalisation, most of the tariff rent goes to the importer whereas in trade liberalisation, the tariff rent goes to the exporter. The study also finds that product differentiation could substantially impact the tariff pass-through for RTAs, so does the difference in income level of each country. Bargaining over prices between the importer and exporter might explain these results because the use of RTAs requires exporters to incur some costs for certifying the origin of products.

Thailand Country Study: ASEAN Economic Community Blueprint Mid-term Review Project

**By Saowaruj Rattanakhomfu, Sumet Ongkittikul, Nutthawut Laksanapunyakul,
Nichamon Thongpat, and Natcha O-Charoen**

ERIA Discussion Paper 2015-46

This study aims to determine the progress in the implementation of the key measures of the ASEAN Economic Community (AEC) compared to the first monitoring effort in 2010-2011, and to compare the gap between the liberalisation rate in terms of commitments and actual policies. It also examines the bottlenecks in implementation and generates recommendations from stakeholders (in addressing such bottlenecks). Considering the importance of the private sector in successfully realising and deepening the AEC in 2015 and beyond, this study explores greater partnership with or engagement of the private sector through intensive consultations and interviews with key informants in the private sector.

The AEC measures of interest in this study are services liberalisation, non-tariff measures, trade facilitation, investment liberalisation, mutual recognition arrangements on professional services, and standards and conformance.

The Challenge of China and the Role of Deepening ASEAN Integration for the Philippine Semiconductor Industry Deepening Economic Integration

By Emily Christi A. Cabegin

ERIA Discussion Paper 2015-31

From a rising share in the global semiconductor market in the 1990s, the standing of the Philippines has since weakened. Heavy reliance of the Philippine semiconductor industry on foreign capital, specifically from the United States and Japan in the last 20 years, has made it vulnerable to the trade risks faced by these countries. Lacking technological capability, the industry was pushed farther down the lower tiers of back-end manufacturing as it struggled to compete in this market with China. Unlike the more developed Singapore and Malaysia, the Philippines has failed to optimise the huge opportunity to tap into China's large and growing semiconductor market and to attract Chinese capital inflow. This paper recommends policy reforms for the Philippines to facilitate its transition to more knowledge-intensive, higher-value operations.

The Competition Act 2010—Issues and Development since Coming into Force

By Vince Eng Teong See

ERIA Discussion Paper 2015-85

Competition law was almost unheard of in the first hundred years after the Sherman Act was passed. However, the number of jurisdictions with a competition law increased dramatically in the last 20 years. One country that joined the rank is Malaysia when it passed Competition Act 2010 and Competition Commission Act 2010. Competition Act 2010 represents an attempt to reduce the hitherto European competition jurisprudence to a concise piece of legislation supported by other guidelines. This paper will attempt to examine the two pieces of legislation and explore various issues, both normative and practical. It will also look into some developments that have taken place since the law came into force in January 2012, some cases, and initiatives of the Commission.

The Objectives of Competition Law

By Cassey Lee

ERIA Discussion Paper 2015-54

This essay examines the nature of competition law objectives by visiting some of the theoretical and philosophical foundations underlying competition law. The key objectives of competition law are welfare, efficiency, and free and fair competition. There are distributive dimensions in competition law that are related to different notions of welfare (consumer surplus and producer surplus). The different types of efficiencies are subject to trade-offs within a given time (allocative versus productive) and inter-temporally (static versus dynamic). Theoretical, conceptual, and philosophical frameworks also influence competition law objectives.

The Role of China, Japan, and Korea in Machinery Production Networks

By Ayako Obashi and Fukunari Kimura

ERIA Discussion Paper 2016-10

China, Japan, and Korea have been the three largest players in the machinery production networks of East Asia. This paper employs a new method of analysing finely disaggregated international trade data that applies the concept of zero trade flows, least-traded goods, and intensive/extensive margins of trade growth. The paper also scrutinises changes in the role of China, Japan, and Korea in machinery production networks between 2007 and 2013. Findings reveal that (i) China became a dominant player in global machinery production networks in terms of both export values and the diversity and density of product-destination pairs; (ii) the growth of Korea as a machinery parts and components supplier was also salient, and Korea's dependency on China rose sharply; (iii) Japan continued to stagnate and machinery production links between Korea and Japan weakened substantially.

Towards Responsive Regulations and Regulatory Coherence in ASEAN and East Asia: The Case of Australia

by Peter Carroll, Gregory Bounds, and Rex Deighton-Smith

ERIA Discussion Paper 2016-14

(ERIA-NZIER-MPC Technical Paper Series on Regulatory Management, RURB, and International Regulatory Cooperation)

This paper aims to review the coherence of the regulatory management system in Australia and explore how the system was applied in two contrasting case studies of regulatory change. The paper explores the broad success of the National Competition Policy legislative review and the relatively disappointing outcome of the Seamless National Economy Agenda.

Trade Creation Effects of Regional Trade Agreements: Tariff Reduction versus Non-tariff Barrier Removal

By Kazunobu Hayakawa, Tadashi Ito, and Fukunari Kimura

ERIA Discussion Paper 2015-35

This paper empirically decomposes the trade creation effects of regional trade agreements into those due to tariff reduction and to removal of non-tariff barriers (NTBs) by using the most disaggregated tariff-line level trade data in a large number of countries. Major findings are as follows: (i) for the whole samples, positive trade creation effects due to tariff reduction are significant whereas weak effects are detected for NTB removal; (ii) the effects of tariff reduction and NTB removal are smaller for differentiated products than for non-differentiated products; (iii) trade creation effects of tariff reduction and NTB removal are substantially large in cases of trade between low-income countries but weak in cases of trade including high-income countries; and (iv) although larger tariff margins on average lead to larger trade creation effects, the relationship between tariff margins and trade creation effects is highly non-linear.

Transboundary Haze Pollution Problem in Southeast Asia: Reframing ASEAN's Response

By Apichai Sunchindah

ERIA Discussion Paper 2015-82

ASEAN has experienced periodic episodes of transboundary haze pollution resulting from land and forest fires caused by seasonal burning to clear vegetation on the ground for various purposes. Some of these incidents, as in mid-2013 and 2015, were severe for parts of Indonesia, Malaysia, Singapore, and Thailand as well as in early 2015 for portions of Lao PDR, Myanmar, and Thailand. Despite more than a decade since the ASEAN Haze Agreement has been enforced, the problem still recurs, sometimes with serious consequences to health, transportation, tourism, and other activities. What is urgently needed is a reframing of the way the issue is being currently addressed, i.e. mostly tackling the tail-end of the problem of putting out the fires after they have been lit rather than preventing or curbing the illegal burning practices at source. It also represents balancing economic development initiatives with environmental protection and international relations concerns.

Non-Tariff Measures: Not All that Bad

By Olivier Cadot and Lili Yan Ing

ERIA Policy Brief 2015-02

While tariffs have been reduced, the number of non-tariff measures (NTMs) is increasing, and is often blamed to be one source of the lack of integration in ASEAN. Yet, the discovery of Volkswagen's large-scale attempt to seemingly go around US emissions tests serves as a reminder of a stark truth: NTMs can play a role of check and balance for the quality of goods. To make NTMs work for the common good, ASEAN should break from the 'trade negotiation' approach and strive instead for three objectives: (i) a drive for transparency, (ii) cooperation in conformity assessment procedures, and (iii) dynamic disciplines. Such 'dynamic deep integration' would largely eliminate NTMs with highly visible political friction, are poorly designed, or are captured by special interests.