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# The ERIA Story

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Hidetoshi Nishimura

## The Beginning

The Economic Research Institute for ASEAN and East Asia (ERIA) is the result of a unanimous decision by East Asia Summit (EAS) Leaders who formally agreed in Cebu in 2007 to establish an economic think tank and research body for the region. Japan played a prominent role in the birth of ERIA; Japan's Minister of Economy, Trade and Industry Toshihiro Nikai had initially proposed such a think tank in August 2006.

ERIA's formal launch as a full-fledged international research organisation occurred on 3 June 2008 at its inaugural board meeting at the Secretariat of the Association of Southeast Asian Nations (ASEAN) in Jakarta. Two years of planning, discussion, and pilot research projects had gone into bringing ERIA to this point, to ensure that it would succeed and have the necessary expertise to contribute both to the ASEAN Economic Community (AEC) and to wider regional integration.

At ERIA's formal launch in 2008, top government and business officials and experts from the 16 EAS founding member nations – the ASEAN 10, plus six further members (Australia, China, India, Japan, the Republic of Korea, and New Zealand) – and Surin Pitsuwan, the then Secretary-General of ASEAN, took their seats as Governing Board members of an organisation intended to build a regional community via rigorous economic research and policy recommendations.

My role was to be executive director (with a second 5-year term beginning in 2013), a key leadership role with many outward-facing responsibilities. It requires a proactive attitude, dynamism, and energy to communicate ERIA's role and growing capabilities.

ERIA's goals were clearly set out. It was to be an open and independent research institute and a common asset for ASEAN and East Asian nations. It would maintain and develop strong ties with ASEAN policymakers and act as a driving force behind the AEC, and further integration.

ERIA was charged with undertaking policy analysis and research that would result in concrete and tangible action-oriented policy recommendations for leaders and ministers in the region. It was also required to provide a forum for dialogue among policymakers and to improve capacity building.

More specifically, ERIA was tasked with conducting research in three key areas: issues that would deepen economic integration, narrow development gaps and reduce poverty, and achieve sustainable development. These are also goals of the AEC.

## ERIA 9+ Years Hence

ERIA has now been in operation for nearly 10 years and remains based in Jakarta, with headquarters in the ASEAN Secretariat (ASEC) and an annex located in Senayan. It employs about more than a dozen permanent economists and researchers and has a global network that spans research institutes, universities, policymakers, and businesses.

Japan is the main financial contributor to ERIA's budget, while additional funding also comes from Australia, India, and New Zealand, as well as ASEAN Member States (AMSs).

Over the last 9 years, ERIA has conducted research and capacity building on a wide range of issues of regional strategic importance, including energy, non-tariff measures (NTMs), globalisation, social protection, disaster management, free trade agreements (FTAs), technology, infrastructure development, and small and medium-sized enterprises (SMEs) – all with the goal of deepening ASEAN and East Asian integration and equitable dynamic development.

In addition, ERIA also acts as a kind of sherpa for ASEAN and for the ASEAN Summit and EAS processes. ERIA supports the ASEAN chair country with symposia and seminars and special studies of interest to help them on their deliverables, as well as carrying out some specific capacity building for Cambodia, the Lao People's Democratic Republic (Lao PDR), and Myanmar, during their respective chairmanships.

Thus, for example, ERIA supported Indonesia as ASEAN chair in 2011 with a major symposium and report on moving ASEAN forward post 2015 that jumpstarted analytic preparations for the AEC Blueprint 2025. ERIA and Indonesia also hosted a major symposium on SMEs that jumpstarted the initiative on the ASEAN SME Policy Index by the ASEAN SME Agencies Working Group (SMEWG). More recently, ERIA helped Myanmar and the Lao PDR develop the Myanmar Comprehensive Development Vision and the Lao PDR at the Crossroads: Industrial Development Strategies 2016–2030, respectively, during their ASEAN chairmanships.

And in 2017, as part of the 50th anniversary celebrations of ASEAN, the Government of the Philippines and ERIA have undertaken to publish a five-volume project on the making, substance, and future of ASEAN, together with a series of outreach activities on the three ASEAN communities. ERIA is also helping the Philippine chair and the ASEAN Trade Facilitation Joint Consultative Committee (ATF-JCC) develop the ASEAN Seamless Trade Facilitation Indicators (ASTFI) as one of the deliverables of the Philippine chairmanship.

Further, ERIA has also contributed to ASEAN during global discussions, having, for example, made policy recommendations prior to the World Trade Organization ministerial conference in Bali in December 2013, emphasising the importance of factors beyond trade tariffs in regional integration.

ERIA has now become a leading economic think tank in the region; it was ranked number 32 out of 85 top international economics think tanks in the '2016 Global Go To Think Tank Index' and has been repeatedly encouraged by ASEAN and EAS Leaders to continue its important work. Leaders have said they value ERIA's expertise on regional issues, its intellectual and analytical support, and the backing ERIA gives to the ASEAN chair in the form of research and other activities as exemplified by the activities and initiatives discussed above.

Leaders have also cited the significant role ERIA plays in supporting the realisation of the AEC, Regional Comprehensive Economic Partnership (RCEP) negotiations, institutional and physical and people-to-people connectivity, energy and food security, SME empowerment, and the strengthening of regulatory management systems and business environments in the region.

In 2014, in a Governing Board statement, ERIA's Governors stressed their desire to have an even deeper presence and provide greater support and value for member states in its dual roles as sherpa and think tank. They outlined their intention to build on their existing expertise, while expanding into new research areas and maximising collaboration with existing partners. In 2016, ERIA's Governing Board strengthened markedly ERIA's policy support function to ASEAN and the EAS with the establishment of a full-blown policy design department, in addition to the institute's research department.

In sum, ERIA's years into its first decade show a marked expansion in internal research capacity and its research networks, an explosion of research studies on a widening range of areas, deepening links with ASEAN, and robust support to the AMSs during their ASEAN chairmanships.

## ERIA's Research Projects

To explain ERIA's role in more detail, it is useful to use as examples some major studies that ERIA has worked on. They demonstrate how ERIA works in practice – how research projects begin and evolve, how and where they are published, and how they go on to inform debate, policy, and policy documents. We will see how ERIA's additional activities – media contacts, seminars, symposia, and high-level meetings – feed into the research and ERIA's ever-growing knowledge base, deepening intellectual debate across the region.

### Connectivity

The first major work of ERIA, and indeed its first major official mandate, was the Comprehensive Asia Development Plan (CADP). In view of the September 2008 collapse of US investment bank Lehman Brothers, and fearing it and the ensuing recession would devastate the region, particularly ASEAN, the EAS Leaders requested ERIA, the Asian Development Bank (ADB), and ASEC to

develop a response. They were tasked with jointly and speedily preparing a master plan to coordinate, expedite, upgrade, and evaluate subregional initiatives to develop industry and infrastructure, such as the Greater Mekong Subregion initiative, and boost the role of the private sector. The master plan reflects the region's decision to redouble efforts towards economic integration and expansion of the regional market.

The CADP was ERIA's response to the EAS Leaders' call. The CADP is noteworthy for three important reasons. First, it provides a cohesive framework for marrying infrastructure development and industrial growth across East Asia using a spatial application of production networks. This framework presents a new integrated and stage-by-stage view of the development process in East Asia. Second, the CADP used the novel Institute of Developing Economies–ERIA Geographic Simulation Model (GSM) to quantify the possible economic effects of investments in selected infrastructure projects or of improvements in trade facilitation (or reduction in trade barriers) on the region's economies at the subnational level. And third, the CADP collected data on around 700 major infrastructure projects of countries in the region and provided some prioritisation of those projects based on the analytic framework of the CADP.

The CADP helped in popularising and embedding the cross-country corridors, such as the East–West corridor, in the physical development planning of East Asia. The ERIA team also helped prepare the prefeasibility studies of several infrastructure projects listed in the CADP. The CADP arguably also influenced to some extent Japan's infrastructure support in ASEAN.

The GSM methodology is equally important as the CADP itself, and it provided important support to Indonesia's drawing up of its national development plan, the Masterplan for Acceleration and Expansion of Indonesia's Economic Development, or MP3EI. Indonesia's economic coordination ministry asked ERIA to advise on implementing economic and social development in six corridors, or six geographic swathes of Indonesia, otherwise known as the Indonesian economic development corridors. Essentially, this was to be achieved by enhancing connectivity between leading and lagging regions, via work on ports, power generation, a new project development fund, and regional master plans. This research was wrapped into Indonesia's national development plan.

It is best to view the CADP as a proposed framework for regional cooperation on infrastructure development and connectivity, because no regional body has overall responsibility or authority to implement it. Nonetheless, the CADP provides a very good example of the ERIA value-added: the CADP was based on a solid analytical framework, used a novel approach and appropriate methodology, and enabled ERIA to advise a key AMS on its development planning. The framework and methodology have become almost mainstream and have been used in other initiatives and analyses.

The other related and equally important connectivity-related project of ERIA is the Master Plan on ASEAN Connectivity (MPAC). ERIA worked with ASEC in the preparation of the first MPAC, including the development of the concept of three pillars of connectivity: physical connectivity, institutional connectivity, and people-to-people connectivity. Perhaps more importantly, ERIA has been providing support to the annual ASEAN Connectivity Symposium to help propagate and operationalise MPAC. ASEAN's Dialogue Partners have also stated their support for the implementation of the MPAC.

The strong interest and continuing support of ERIA to connectivity in ASEAN and East Asia is well-placed, as the following statements indicate:

‘...(T)he more the region is connected, the more inclusive growth can be achieved with appropriate and effective regional cooperation. Institutional connectivity through cooperation in education, human resources, regulatory policies, etc., can be a pivotal tool for regional unity.’<sup>1</sup>

‘To establish a competitive and resilient ASEAN Community, we underscored the importance of implementing the Master Plan on ASEAN Connectivity (MPAC). The MPAC will promote economic growth, narrow development gaps, and contribute to deeper social and cultural understanding and greater people mobility.’<sup>2</sup>

ASEAN had seen how China's domestic connectivity and the transformation of its production networks had completely turned around its economy. It had

<sup>1</sup> Statement of the 7th ERIA Governing Board Meeting, 30 May 2014, Jakarta, Indonesia.

<sup>2</sup> Chairman's Statement of the 25th ASEAN Summit, 2014, Nay Pyi Taw, Myanmar.

also learned lessons from the financial crisis of the late 1990s, during which joint regional action was taken to fight the problems. Thus, it understands how connectivity underpins the stability and resilience of the region.

It is worth noting that the Asia-Pacific Economic Cooperation (APEC) forum has adopted MPAC's triple pillars of physical, institutional, and people-to-people connectivity. It is also worth noting that China's Belt and Road Initiative and India-Japan's Asia-Africa Growth Corridor, together with the CADP and MPAC, represent connectivity writ large, almost like the full flowering of the connectivity concept as a key anchor of international economic cooperation.

## **Monitoring Progress towards the AEC and the Development of the AEC and the ASEAN Socio-Cultural Community Blueprints 2025**

The second major set of research and policy support work ERIA has undertaken involves the monitoring and review of and recommendations for the AEC, as well as the implementation of the blueprint measures. This is not surprising given that the *raison d'être* of ERIA is to support ASEAN in its integration efforts.

The AEC Blueprint 2015 was signed at the 13th ASEAN Summit on 20 November 2007 and set out the basis for regional economic integration by 2015. The document stated that progress towards implementation of the blueprint should be monitored through the development of an AEC scorecard mechanism.

The ERIA AEC Scorecard project was undertaken largely in response to the request of ASEAN Economic Ministers (AEM). In 2010, ERIA began work on this and planned to carry it out in four annual phases between 2010 and 2014, with improvements made along the way.

As a complement to the official AEC Scorecard, which is essentially a compliance monitoring mechanism, ERIA took an analytical approach to this project, focusing on a few critical AEC measures related to liberalisation and facilitation. ERIA developed scoring methodologies and applied them uniformly in the studies and analyses of the 10 AMSs. The scorecard allowed policymakers to grasp the real on-the-ground achievements of

progress towards the AEC, monitor compliance in implementing measures stipulated in the AEC blueprint and assess implementation gaps. Thus, to a large extent, the ERIA Scorecard was complementary to the official AEC Scorecard.

These four phases of the scorecard would prove useful to the Mid-Term Review of the Implementation of the AEC Blueprint, a project the AEM requested in 2012 that ERIA undertake.

As requested by the AEM, the Mid-Term Review expanded the list of sectors reviewed and analysed. The Mid-Term Review and the AEC Scorecard's four phases then became important foundations for the next project. This project concerned moving ASEAN forward from 2015 and it is better known by its major output, a publication entitled *ASEAN Rising: ASEAN and AEC Beyond 2015*.

ASEAN used the outputs of the ASEAN Rising project to develop the AEC Blueprint 2025. Additionally, the project became an input into the implementation of the joint ERIA–ASEC project on Framing the ASEAN Socio-Cultural Community (ASCC) Post-2015. The outputs of the ERIA–ASEC project on ASCC were used to develop the ASCC Blueprint 2025.

The recitation of the evolution of the AEC and ASCC projects above is meant to show one significant characteristic of ERIA's major studies: continuity and progression linked to the ongoing integration efforts of ASEAN. The results of the early projects became building blocks for the later and bigger projects. The cumulation of knowledge from the series of studies and wider range of issues addressed in the bigger projects provide credibility to ERIA and proved useful to the significant clients of ERIA studies – that is, ASEAN bodies themselves in the development of their major 2025 AEC and ASCC blueprints.

The series of AEC-related studies and the ASCC project exemplify another major characteristic of the ERIA research approach. The studies relied on the continuing engagement with the ASEAN country research institutions that are members of the Research Institutes Network (RIN), a network of regional research bodies working with ERIA. In the case of the Mid-Term Review as well as the ASEAN Rising and ASCC projects, ERIA engaged with a large group of individual experts and specialists mainly from the region,

and a few from further afield. This network approach is extensively and intensively used in ERIA research studies and its outreach activities.

Most RIN members are leading research institutions in the AMSs, with many of them having strong links with government policymakers; hence, their research outputs are well regarded by the officials of the AMSs involved in ASEAN affairs. One positive by-product of the AEC-related studies is that all country research institutions have a common understanding of the extent of progress and the challenges of implementation of the AEC measures. This helps in the dissemination of information to policymakers and the public in the AMSs, especially when it is the AMSs' turn to chair ASEAN.

Translating ERIA research outputs and reports into inputs for the ASEAN blueprints and work plans has involved regular engagement with key ASEAN bodies, such as the High Level Task Force on ASEAN Economic Integration (HLTF-EI), and ASEC's ASCC department. ERIA has been fortunate to be given regular opportunities by such key ASEAN bodies to present the results of studies and to provide input where needed in the development and review of these blueprints and work plans. Among AEC Blueprint 2025 measures to have ERIA input are responsive regulations and good regulatory practice, greater emphasis on productivity improvement, value chains or production networks, innovation, and the inclusion and articulation of resiliency and inclusiveness in the blueprint.

Turning to the ASCC Blueprint 2025, many of the insights of the Framing ASCC post-2015 project have been incorporated into the document. This has been facilitated by the deep involvement of the ASEC ASCC department and some key ASCC officials in the technical workshops of the project. The Framing ASCC post-2015 report includes proposals for ASEAN to develop a number of indicators with targets, together with indicators based on the Sustainable Development Goals of the United Nations (UN). Thus, for example, ERIA stressed the importance of driving towards a greater sense of ASEAN identity – moving from an institutional identity to a community identity – and therefore proposed that ASEAN develop an ASEAN Awareness, Affinity, and Participation Index. The blueprint itself does not include indicators, but the follow-on implementation and monitoring programme for the ASCC discussed by the Coordinating Conference on the ASEAN Socio-Cultural Community (SOCCOM) includes the indicators and targets proposed by ERIA.

## Celebrating ASEAN – ASEAN@50

As discussed earlier, ERIA supports the ASEAN chair with activities or initiatives that both parties agree should be undertaken that year. For 2017, with the Philippines as ASEAN chair, ERIA and the Philippine government (through the Permanent Mission of the Philippines to ASEAN) agreed on a major publication-cum-outreach project on ASEAN@50 to commemorate the 50th anniversary of ASEAN. The preparations for this project in fact started with the Philippine Mission in the latter part of 2015, and the concept was presented during the first government-wide planning workshop for the 2017 ASEAN chairmanship in October 2015.

The publication component comprises five volumes on the making, substance, and future of ASEAN. The volumes consist of reflections and experiences of ASEAN Leaders, Ministers and Senior Officials on ASEAN (Volume 1), survey results on what ASEAN means to ASEAN peoples (Volume 2), transformation and integration in ASEAN and AMSs (Volume 3), experts' essays and papers on building the ASEAN political-security and socio-cultural communities (Volume 4), and papers on AEC into 2025 and beyond (Volume 5). Thus, the volumes cover the whole gamut of ASEAN.

As a primarily commemorative publication, the volumes are not meant to break new ground. Instead, the volumes are expected to provide readers, especially readers in the future, insights and a better understanding of the development, importance, and future of ASEAN. The volumes are expected to be important reference materials on ASEAN for future students and researchers. This essay forms part of Volume 1, which also includes essays of former and current ASEAN heads of government (i.e. Presidents and Prime Ministers), and senior officials (e.g., Ministers, ASEAN Secretaries-General).

The outreach component of the project involves three public symposia to be held in three cities of the Philippines and a high-level forum to be held on 19 October 2017. This forum consists of a panel discussion among several former ASEAN heads of government and a panel discussion of senior government officials and experts. The five volumes are to be officially launched during the forum.

## Energy

Energy has become one of ERIA's top research priorities, given the many and varied challenges faced by the region's growing economy, their diverse energy needs, supply profiles and vulnerability to commodity price movements. Demand and supply in Southeast Asia have rocketed in recent years given high economic growth and social development. In a joint report in 2015, ERIA and the Paris-based International Energy Agency (IEA) forecast regional demand would grow 80% between 2015 and 2040.

ERIA's emphasis on the energy sector is also a response to the growing mandates for ERIA by the region's energy policy makers. Indeed, arguably, it is in the energy sector that ERIA has been the most deeply embedded in the regional policy process under the mandate of the EAS Energy Cooperation Task Force – a working group that consists of senior officials of ministries of energy.

ERIA has been active in energy- and environment-related research and policy support on a very wide range of issues. ERIA established a dedicated energy unit in 2012 – although energy research had been undertaken prior to that – aiming to strengthen cooperation in the energy sector and enhance regional energy security. The unit now has nine full-time professional and support staff, and research in energy grows every year. In 2017, energy accounted for about 40% of ERIA's research, or 21 of its 52 research projects. These 52 research projects can be grouped under the thematic areas of (i) preparing regional energy supply and demand outlook, (ii) enhancing energy security, (iii) mitigating climate change and protecting the environment, and (iv) building up basic information and knowledge.

The energy unit was set up not long after the ASEAN Summit in 2011. The EAS had tasked ERIA with specific research topics of interest to all members. Notwithstanding the diversity within the region's energy markets, they do share further common goals: (i) developing supply in a secure and sustainable manner; (ii) providing electricity to those who still lack access to it; (iii) encouraging renewable energy uptake and energy efficiency improvement; (iv) limiting greenhouse gas emissions, with particular note to the ongoing reliance on coal in the energy mix; and (v) providing electricity to the many people who still lack access to it.

ERIA has responded to specific country needs on statistical capacity building, improving regulations on emissions for coal-fired power plants, energy-efficient towns, and cross-border electricity trade and the move to market-oriented pricing.

In 2015, ERIA's energy unit published a report on the impact of removing energy subsidies, as a direct response to the 2013 joint IEA/ERIA finding that fossil fuel subsidies amounted to US\$51 billion in Southeast Asia. This example is a clear demonstration of the importance of ERIA's international partnerships and its ability to respond to and build on its research findings.

Among other recommendations, the 2015 report highlighted grid interconnection as an opportunity to enhance energy security. Following this, the ERIA energy unit focused on the feasibility of multiple dimensions of power grid interconnection systems at the subregional level and the integration of renewables into the grid connection, among other subjects.

ERIA has both organised and participated in energy policy dialogues and high-level policy forums; drafted documents for the EAS Energy Ministers meetings, including the EAS Roadmap for Mid- and Long-term Energy Policy Research; and planned to undertake further research in line with this road map. The EAS Ministers appreciated ERIA's contributions to the three main work streams of the EAS Energy Cooperation Task Force, namely, energy efficiency, renewable energy, and biofuels for transport.

Given the criticality of the energy sector in the region and the wide range of issues that need to be addressed, the Energy Research Institute Network (ERIN) was established in 2014 as a support network for implementing ERIA's energy studies. This was welcomed by the EAS and Energy Ministers. ERIN's members are premier energy research institutions from 16 EAS countries and the ASEAN Centre for Energy (ACE), as well as the United States and Mongolia, which both joined in 2016. ERIN's objectives are to support ERIA's energy activities with country-specific data, outreach research findings, and suggestions for new research projects. It also makes its own policy recommendations under four key policy areas: energy efficiency, cheaper renewables, cleaner use of fossil fuels, and safer nuclear energy. By October 2017, eight collaborative studies were being implemented.

ERIA's collaborations in the energy sector also stretch far beyond Asia. ERIA has undertaken two collaborative ventures with the IEA. A well-received first regional report in 2013 was followed by a second in 2015, at the request of both the IEA and relevant ASEAN Ministers. ERIA also participates in peer review of global reports by the IEA, International Renewable Energy Agency, and ADB and has contributed to several global dialogues on sustainable energy use and regional capacity-building programmes. The collaboration and partnerships of ERIA with ERIN, ACE, and other global partners remain and are growing.

## Non-tariff Measures

ERIA's work in 2012 on the AEC Mid-Term Review highlighted the need for ASEAN to tackle NTMs as an urgent priority in the push towards the AEC 2015 and the goal of a single market and production base.

ASEAN nations had nearly eliminated tariffs but, because this had not boosted intra-ASEAN trade and integration sufficiently, attention shifted to the proliferation of NTMs and the need to understand their effects, whatever the intention behind them.

But data and analysis on NTMs and their impacts were exceedingly scarce. This meant that policymakers, trade negotiators, and development agencies did not have the necessary tools and analyses to target their efforts for maximum effect.

Consequently, late in 2014 ERIA partnered with the UN Conference on Trade and Development (UNCTAD) to carry out research into NTMs within all AMSs. The goal was to fill the data void with a comprehensive, public database.

UNCTAD leads a global effort on NTMs, the Transparency in Trade Initiative and works with regional partners, in this case ERIA, due to its regional expertise and connections. ERIA and UNCTAD were joint project coordinators, with ERIA acting as conduit to colleagues across ASEAN, and UNCTAD providing training and quality control of data. ERIA and UNCTAD produced a final collaborative analysis and recommendations.

The results show a marked increase in NTMs in ASEAN during the 2000s and 2010s. At the same time, the results of analysis show the absence of a one-to-one correspondence between the number of NTMs and the trade restrictiveness and performance of the AMSs. Nonetheless, given their opaqueness and potentials as tools for trade protection, the ERIA–UNCTAD study emphasises the importance of transparency. Moreover, the best way to deal with NTMs is not through trade negotiations (except for egregious trade protection non-tariff barriers) but through improvement of domestic regulatory environments.

In conclusion, ERIA and UNCTAD recommended that each country set up a regulatory supervision body or national economic council with strong in-house analytical capabilities and the power to review and screen all existing and proposed domestic regulations. This council would act as a quality control mechanism on regulations, which are usually drawn up by various agencies that do not coordinate with each other. A regulation imposed by one agency may have implications for another – for example, environmental protection spills over into competitiveness – but presently most countries have no mechanism to discuss and resolve these problems.

Such a body would be able to resolve questions and trade-offs correctly and for the common good, and should eventually be merged with national competition commissions, giving it more resources and clout to tackle both the public and the private sectors.

This is the direction that Cambodia, Myanmar, and the Lao PDR have been taking recently.

ERIA and UNCTAD also called for regional bodies, such as ASEC or the HLTF–EI, to encourage and coordinate the creation of national economic councils and provide common training to the staff of these new bodies. This would foster a climate of regional cooperation at the technical level. Such technical cooperation between nations would, in turn, facilitate the emergence of regulatory convergence, bolstering trade and ultimately integration.

1. The ERIA–UNCTAD team is now expanding the NTM database to include the Plus Six countries. It is worth noting that the NTM project shows another service of

ERIA to ASEAN; that is, working with an international organisation – in this case, UNCTAD – to develop a database of great policy importance to ASEAN. ERIA and UNCTAD are now undertaking analyses of the data to estimate ad valorem equivalents and determine so-called ‘regulatory distance’ or the degree of overlap among NTMs between the AMSs. The results of the analyses will have significant policy value to ASEAN because the AEC Blueprint 2025 prioritises addressing NTMs.

In the meanwhile, the ASTFI being developed by ASEAN includes among the indicators a requirement for ready, accessible and up-to-date information on NTMs in each AMS. ASEAN’s implementation of good regulatory practice can also be expected to help in addressing NTMs.

## **Reviews of ASEAN+1 Free Trade Agreements and Support to the RCEP Negotiations Process**

At the same time as striving towards intra-ASEAN integration and trade, ERIA also tackles trade with other partners in the Asia-Pacific region. ASEAN has respective FTAs with China, Japan, Australia, New Zealand, the Republic of Korea, and India, while wider regional FTAs, including RCEP, are being negotiated.

ERIA has conducted several pieces of research regarding the ASEAN+1 FTAs and has provided analytic and technical support to RCEP. ERIA’s studies on the FTAs included the estimation of the economic impact on AMSs of tariff elimination and the reduction in trade transactions costs in RCEP using a dynamic Global Trade Analysis Project model. Also, a major research study was undertaken to examine the various ASEAN+1 FTAs and the country commitments in each FTA. The study highlighted the commonalities, overlaps, and divergences among the FTAs and the country commitments. The study made important recommendations on several areas that are central to RCEP negotiations, for example the degree of ambition on tariff elimination, the trade-friendly rules of origin, and investment liberalisation. The ERIA study results were disseminated early in the RCEP negotiations. ERIA study team members were engaged with the RCEP negotiators from time to time.

ERIA has also provided technical support to the RCEP negotiations. In addition to the FTA study results, which have been acknowledged as useful to the negotiators, ERIA helped intensively in the preparation of the economic cooperation chapter of RCEP. The most recent technical support ERIA has provided to the RCEP negotiations include the holding of a Track 1.5 round-table discussion among selected prominent academics in the region and the RCEP negotiators on the sidelines of the Kobe RCEP negotiations. ERIA has also fielded a technical expert on rules of origin to help the RCEP chair move these particular negotiations forward to a conclusion. RCEP negotiations are still ongoing as of the third quarter of 2017 and are expected to continue into 2018, with significant outcomes hoped for in 2017 and a significant conclusion hoped for in 2018.

The FTA study and RCEP support highlight what could be called an ERIA template. ERIA carries out an anticipatory and strategic study that proves useful to ASEAN, thereby encouraging ASEAN and Dialogue Partners to engage ERIA through the provision of critical analytic and technical input and advice during negotiations. This is how ERIA has proved its usefulness to ASEAN and its Dialogue Partners.

## Developing Small and Medium-Sized Enterprises

‘The success of SMEs and their development are critical for the long-term sustainable growth of the region.’<sup>3</sup>

SMEs comprise around 9 out of 10 enterprises in ASEAN and are therefore a highly significant engine for growth. They stand front and centre as channels through which ASEAN integration can benefit the largest number of people in the region. It is based on this understanding that ERIA moves forward with its work on SME development.

ERIA has been involved in arranging many discussions and symposia on SME empowerment, development, policymaking, and competitiveness across the region, and how SMEs can be supported in their role as builders of the AEC. Its body of research now covers technology transfers, access to finance, and constraints and determinants of SME innovation, among other subjects.

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<sup>3</sup> Author’s speech at the symposium on ‘SME Development and Innovation Towards a People-Centered ASEAN Community’, 11 September 2013.

Additionally, ERIA has a major undertaking with the ASEAN SMEWG to develop an ASEAN SME Policy Index. The joint undertaking has its genesis in a 2011 symposium on SMEs co-hosted by ERIA and the Indonesian ministry in charge of SMEs. ERIA invited the Organisation for Economic Co-operation and Development (OECD) expert on the development of the SME Policy Index as a special speaker. Discussions between the Indonesian chair of the SMEWG, ERIA, and the OECD led to the initiation of the ERIA project on the development of the ASEAN SME Policy Index, jointly with the OECD and the ASEAN SMEWG.

Published in June 2014, the report evaluates and rates SME development policies and implementation by the AMSs of several important areas for SME development. These include access to finance, technology, and education on entrepreneurship and starting up a business. The ASEAN SMEWG, ERIA, and the OECD are currently updating and refining the SME Policy Index, and intend it to fit more closely with the revised strategic action plan for SMEs under the AEC Blueprint 2025.

In conclusion, the report stresses the need for a more comprehensive approach to SME development in the ASEAN region and calls for ongoing general reforms to be combined with targeted interventions in specific segments sectors. It makes recommendations on regulatory reform and simplification, and suggests investment in human resources, provision of business development services, better access to finance, and the fostering of technological transfer.

Following this report, in November 2014, the EAS chair commended ERIA for its resolve to continue to work for the realisation of the AEC, including through its work on SME empowerment.

## **ASEAN Seamless Trade Facilitation Indicators**

This project was initiated in response to discussions with the Philippine government, which aims to make this one of the country's deliverables in 2017. It has morphed into a significant joint initiative of ERIA with the ATF-JCC, which is chaired by the Philippines in 2017.

This is an ASEAN-specific set of indicators designed to measure the extent to which trade is being facilitated in the region. They have been primarily

built to assist the AMSs to design and implement policies, regulations, and procedures that smooth imports and exports.

The indicators have been developed and finalised by ERIA, the ATF-JCC, and ASEC, with the support of the Indonesian customs and trade ministry and the Philippine Department of Trade and Industry. The development of the indicators included an intense mini-workshop and a full-blown ATF-JCC workshop.

The ASTFI was approved by the AEM on 7 September 2017. ERIA will undertake, together with the ATF-JCC, a baseline study to populate the ASTFI and analyse links of ASTFI variables with trade transactions costs, in view of AEM's target of a 10% reduction in trade transaction costs by 2020.

## Social Protection and Disaster Resilience

The economic crises of the late 1990s and 2008 highlighted the lack of social protection, meaning pensions, healthcare, work injury protection and social assistance, in East Asian nations. ERIA has responded with research and publications.

ERIA has published several papers and books addressing social protection issues in East Asia. Major publications are two books published by Routledge: *Strengthening Social Protection in East Asia* (2015), which provides a comprehensive review of the state of social protection in East Asia from a wider perspective, and *Age Related Pension Expenditure and Fiscal Space: Modelling Techniques and Case Studies from East Asia* (2016), which addresses the linkages between age-related pension expenditures and the fiscal space needed to fund them, as well as to organise the mix of financing methods with different risk-sharing arrangements.

Both books were written by teams consisting of experts in social protection and fiscal policy from East Asia Member States. ERIA is now working on the third book focusing on the social protection floor (SPF) in developing East Asia that provides a critical review on existing estimation methods, explores non-conventional fiscal space generation initiatives, and country-specific suggestions to adopt the SPF as mandated by the Sustainable Development Goals. Those so far are untouched issues within the area of social security.

Disaster risk management and mitigation is also an area in which ERIA has been active, given the preponderance of national catastrophes in the region. On 20 November 2012 in Phnom Penh, EAS Summit Leaders issued the Phnom Penh Declaration on the East Asia Summit Development Initiative. In the declaration, the Leaders emphasised disaster mitigation as a priority area for regional cooperation and confirmed ERIA's role in developing and supporting initiatives.

Prior to this, ERIA had already begun research on the effects of disasters, writing papers for a report focusing on the economic and welfare impacts of disasters and governments' responses to them. The report also aimed to recommend policy improvements for national reforms and to explore the possibility for regional cooperation.

Since then, ERIA has been engaged in assisting the governments of Indonesia and Japan in organising a series of three symposia to raise awareness of issues surrounding national resilience to disasters. In particular, ERIA held the symposium on 'World Tsunami Awareness Day' on 5 November 2016 in Jakarta in collaboration with the governments of Japan and Indonesia, the UN Office for Disaster Risk Reduction (UNISDR), the OECD, and the Japan International Cooperation Agency (JICA) to share the outcomes of several events to commemorate the designation of World Tsunami Awareness Day by the UN General Assembly. Attendees shared experiences and best practices and came up with proposals for policymakers.

ERIA has also organised other events, such as dialogue between the ASEAN Inter-Parliamentary Assembly (AIPA) and members of the Japanese Parliament to discuss ASEAN–Japan cooperation in disaster management, among other issues, and the role of ERIA.

Further, ERIA has also conducted research on the impact of disasters on supply chain development in Southeast Asia, looking at business continuity plans, using space technology and a transborder information platform, and developing a policy index of natural disasters.

In my speech at the 7th Mekong–Japan Economic Ministers Meeting on 24 August 2015, I mentioned my hope that ERIA's studies would contribute to a better understanding of the Mekong Industrial Development Vision.

I was talking in the context of the significant progress in infrastructure development in the Greater Mekong Subregion and its further potential, while warning that clustered industrial activities are vulnerable to natural disasters.

And, as noted above, in our ASEAN Rising report, ERIA called for the development of new indicators and targets to measure resilience to, among other things, disasters, to which the poor are most vulnerable. ERIA is now developing indicators on natural disasters vulnerability and resiliency. The report will review current methods of developing the indicators and provide a measurable way to assess cities' resilience. The index is applied to the 50 biggest cities in Indonesia as an initial attempt.

## Globalisation and Technology Transfer

Even as it has been deeply engaged in policy support for ASEAN and East Asia to some extent, ERIA has also encouraged its in-house researchers with their regional research networks to undertake more basic research without regard for immediate policy support considerations. ERIA researchers have focused on the impact of and adjustment to globalisation and the role of firms in technology transfer. The research focus has been primarily at the micro level – at the plant, firm, or industry level; the research methodology is microeconomic or intensive case studies.

Many of the results of these more academic studies have been deeply insightful. They provide solid micro-level underpinnings to the macro-level approach of the more policy-oriented studies. They provide new and fresh insights on how firms respond to the challenges and opportunities of openness and globalisation. For example, an important factor enabling Korean SMEs to innovate is the easy access of inputs from anywhere in the world. The studies provide a deeper understanding of the nature of inter-firm technology transfer, such as the role of engineers or buyers in technology transfer.

Thus, even if the outputs are academic and the studies are published in academic journals, the results have been of deep policy relevance. They provide robust micro foundations to the macro recommendations of ERIA studies; they suggest new ways of engendering productivity growth and technology upgrading.

# ERIA's Partnerships, Engagements, Outreach, Publications, and Capacity Building

## Partnerships and Engagements

As we have seen, ERIA's strength lies not only in its own staff, but also in the local, regional, and global partnerships it has built since its launch. As discussed earlier, ERIN is a network of energy research bodies supporting the work of ERIA. ERIN was modelled on the RIN, also a partner network for ERIA, as noted above. RIN is composed of leading research institutes from 16 EAS countries. It provides country information, advises ERIA on research themes and policy recommendations, helps disseminate ERIA research, and supports ERIA's capacity-building work. RIN issues its own annual statement, with the latest – in March 2017 – being discussion of and recommendations for progress towards RCEP.

Other partnerships on landmark studies are with the IEA and UNCTAD, as discussed previously, and the OECD. In April 2017, ERIA and the OECD renewed a 2014 memorandum of understanding on cooperation in several policy areas, a development that ERIA feels augurs well for its involvement in new research areas, both regionally and globally. The two parties have also successfully collaborated on the ASEAN SME Policy Index, as discussed above. UNCTAD and ERIA have been successfully collaborating on updating and analysing the NTMs database for ASEAN and, at present – 2017 – the rest of East Asia. As indicated earlier, this joint endeavour is critically important to the regional integration agenda of ASEAN and the RCEP region.

These partnerships are vital, and the Governing Board of ERIA has emphasised their importance. The Governors wish to see ERIA continue to cooperate with relevant agencies and knowledge institutions, both multilateral – such as ASEC, ADB, the World Bank, OECD, APEC, and UN agencies – as well as research bodies within ERIA member countries and increasingly outside the region.

On a personal note, I am honoured to be able to meet regularly with heads of government, ambassadors, officials, experts and academics, international organisations and the media to explain ERIA's work and capabilities and to

communicate and discuss our ideas. Such discussions take place across the region and globally, not only in ERIA's home city of Jakarta. Last year alone I had the privilege of conducting discussions on a very wide range of topics – from sustainable energy and technology to gas for growth, ongoing regional challenges, the Lao PDR's development vision, regional connectivity, and power grid interconnection. These took place with eminent persons in many countries within ASEAN, East Asia, and further afield.

## Outreach, Publications, and Capacity Building

ERIA has been bolstering its outreach work by beefing up its communications, capacity building, and publications unit. This reflects the fact that the success of regional integration rests on its acceptance and full use by the public. For a very diverse region such as ASEAN and East Asia, getting more of the people of the region to understand and appreciate regional integration and policy reform initiatives is a significant challenge indeed.

ERIA's Outreach Department produces publications, events, and communications materials. All publications, ranging from full books and research reports to policy briefs and discussion papers, are freely available on ERIA's website, as is the interactive database on NTMS, which was discussed above. ERIA also produces two monthly newsletters – *ERIA Frames* and *East Asia Updates*.

Further, ERIA also has an information centre in the Jakarta annex office, which researchers, policymakers, and other ERIA guests can use to access and retrieve all of ERIA's research publications. It has been designed to support ERIA's goal of making its research findings and policy recommendations available to a broad audience. In addition to housing all its publications, it also serves as an informal meeting room or lounge for small discussions and other events.

The outreach team also organises events and seminars in Jakarta as well as across the region. One key event, the Editors' Round Table, has been hosted annually since 2012. It takes place before the ASEAN Summit in partnership with the chair country and is usually attended by the Secretary-General of ASEAN. It is designed to be an informal gathering of the region's top editors to highlight key issues that they may wish to address in their ASEAN reporting.

ERIA's media links and exposure are now clearly increasing, and social media and mobile users are also targeted. ERIA saw a 37% increase in media exposure in fiscal year 2016–2017, due to closer links with a larger pool of journalists and an increase in published opinion pieces.

In addition, ERIA's capacity-building programme supports government officials' efforts to design better policy through greater awareness and understanding of relevant materials, emerging ideas, and the provision of technical assistance. This support is made available through opportunities for government officials to participate in ERIA research; workshops to understand ERIA's conceptual frameworks and approaches; dialogues with senior officials; and technical assistance. Government officials from Cambodia, the Lao PDR, Myanmar, and Viet Nam have participated in these activities, all of which are designed to support regional economic integration.

## ERIA's Future – ERIA 2.0

In March 2016, ERIA's Governors convened the Extraordinary Governing Board Meeting in Tokyo to assess the institute's work so far and to examine and reset its role for the future. Topics discussed included the need for ERIA to strengthen relations with its member nations and to have closer and deeper contacts with policymakers.

In research terms, the Governors requested ERIA to regularly review its policy focus, while continuing to cover a wide range of topics under its three main pillars of deepening economic integration, narrowing development gaps and reducing poverty, and achieving sustainable development.

The Governors also further suggested expanding research into development issues and the Development Goals, as well as into topics that ERIA has not yet tackled, expanding its capacity-building activities, engaging more deeply with the business sector, and better communicating its policy work to the Governors.

Following the Tokyo meeting, a new plan for ERIA was presented to the Board in June 2016. *ERIA 2.0: ERIA'S Medium-Term Work Plan* outlines a fresh direction for a revitalised ERIA and its work for the next 3–5 years.

The new work plan describes the multiple roles of the new ERIA and discusses the expansion of its role towards policy-related matters based on our rigorous research abilities.

ERIA is now moving from its expansion stage to a quality improvement stage, whereby it will look to strengthen its existing capabilities in research, capacity building, and outreach and communications.

ERIA will continue to cover a wide range of research briefs under the three main pillars of its mandate. Its research in the immediate future will, however, focus on service industries, NTMs, innovation, and energy.

As requested by the Board, ERIA has also set up new formal routes for conversations with policymakers, such as policy workshops. Closer contact with policymakers will help ERIA understand better the kind of research policymakers need, and enable ERIA to bring its own research results to them.

Critically, the new plan for ERIA also included the launch of the Policy Design Department – which happened in 2016 – which would take the organisation’s research results and develop concrete policies from them, while conversely looking at existing policy initiatives to help draw up a research agenda. The unit’s focus is on SMEs, innovation and industry, trade and investment including FTAs and economic partnership agreements, infrastructure – both public–private partnerships and public – and good regulatory practices (including NTMs).

In conclusion, ERIA is proud of its achievements so far and the contributions it has made to the intellectual debate and policymaking in the region. It will not rest on its laurels, however, and has set itself many challenges for the future. ERIA will continue to wrestle with these issues in the years ahead and work harder towards the common goals of deeper ASEAN economic integration and economic development in East Asia.