Activities in FY2015 and FY2016 Work Plan Annex

Research Projects FY2015 and FY2016

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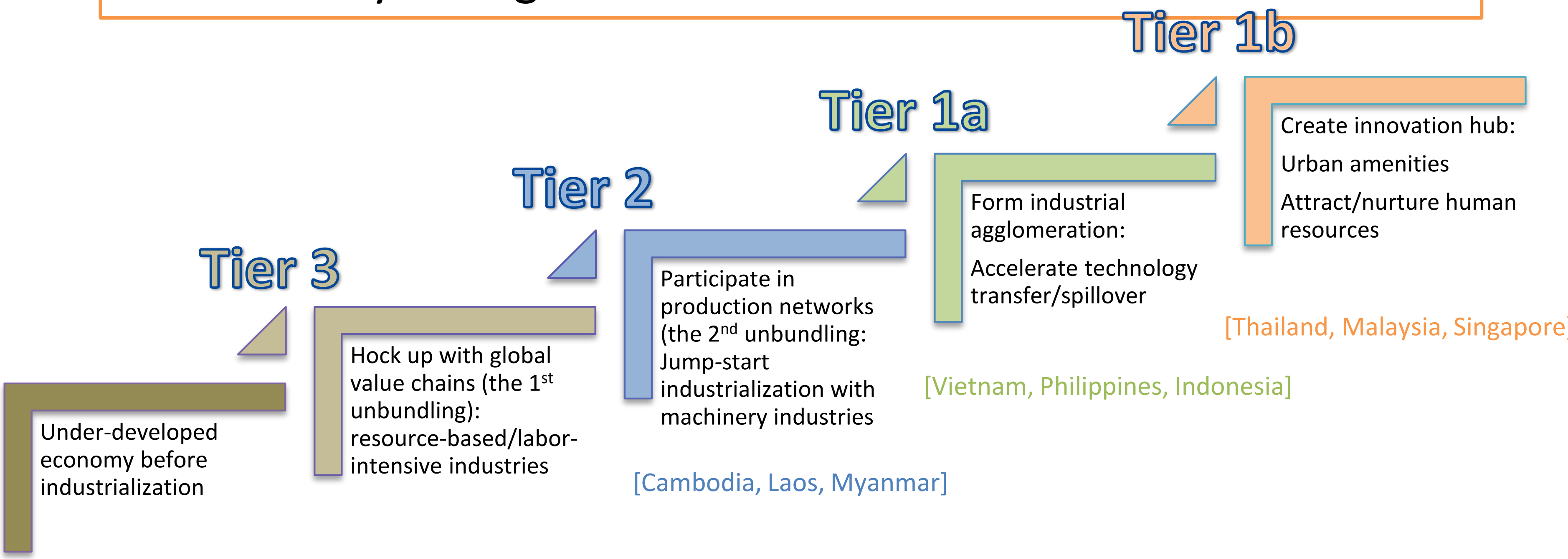
Economic Research Institute for ASEAN and East Asia

Comprehensive Asia Development Plan 2.0
and
Lao PDR at the Crossroads

Global/Regional Value Chains in the East Asian Way

The frontier of Lao PDR should go for Tier 2 and Tier 1a while continuously taking care of Tier 3.



Connectivity

Medium grades ➔ High grades ➔ Turnpike connectivity

Innovation

Process innov. ➔ Product innov.

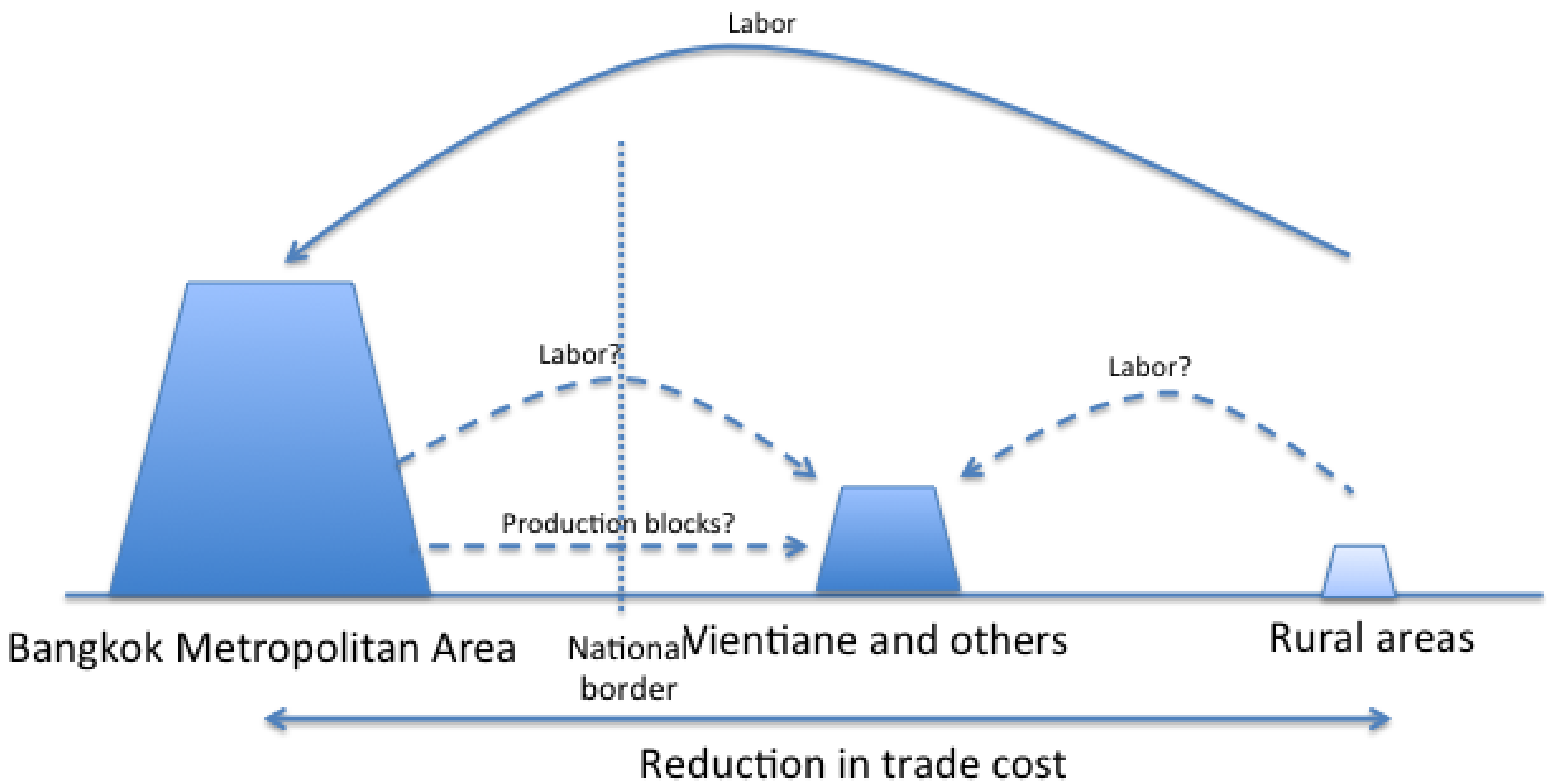
Source: ERIA (2015), *The Comprehensive Asia Development Plan 2.0 (CADP 2.0): Infrastructure for Connectivity and Innovation.*

Lao PDR at the Crossroads

- The basic concept: geography and connectivity
- "Crossroads" has two meanings:
  (1) specific situation currently Lao PDR is facing where alternative policies and strategies are required.
  [Industrial development]
  (2) the geographic location of a "landlocked" country and the potential of becoming a "land-linked" country.
  [Advanced ways of taking advantage of global/regional value chains]

Scenario for the Development of Vientiane

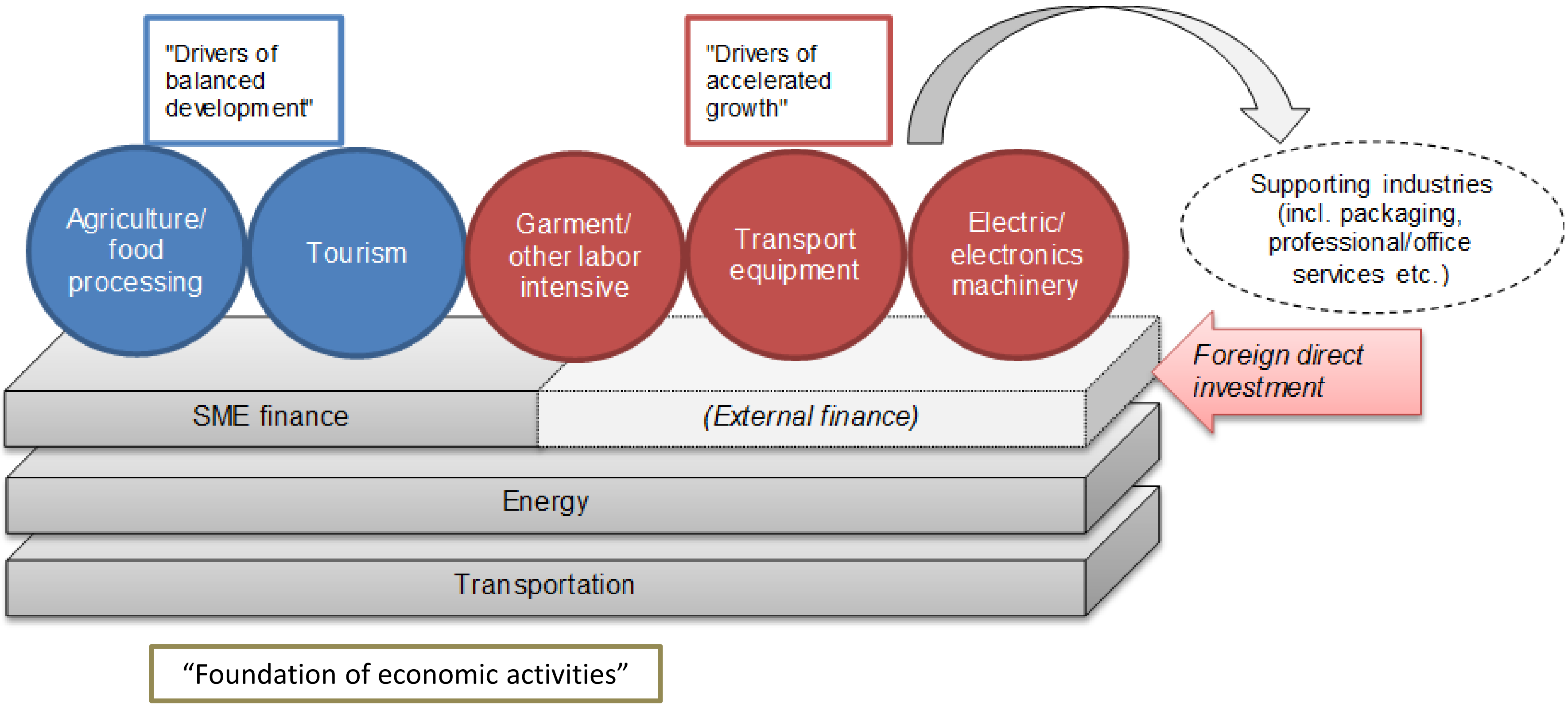
- Both production blocks and people move across borders: betterment of location advantages is crucial.



Industrial Studies: 8 Economic Sectors

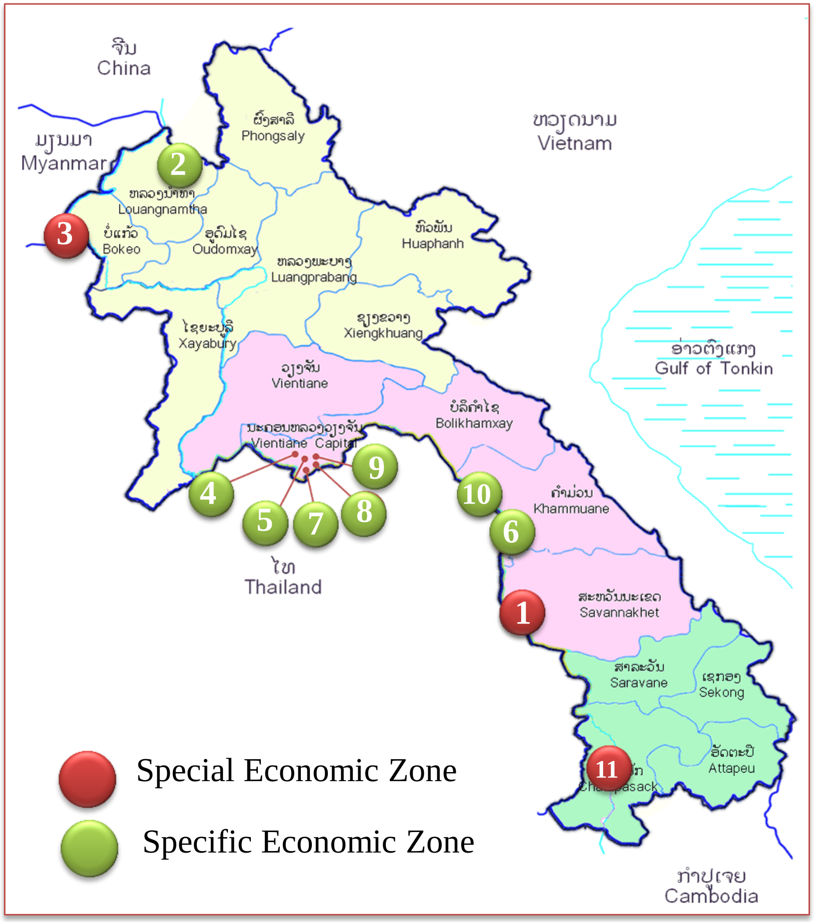
1. **Transportation, energy, and finance (SME)**: the foundation of other sectors
2. **Agriculture/food processing and tourism**: drivers of balanced (=rural) development
3. **Garment, transport equipment, E&Es**: drivers of accelerated economic growth by exports

➔ The foundation such as transportation, along with SEZ development, should be prioritized so that other sectors can grow.



Industrial Estate Development

- Key IEs in 4 locations: Savan-Seno SEZ, Vientiane Industrial and Trade Area (VITA Park), Saysetha Development Zone, and Champasak (Pakse-Japan SME SEZ).
- Links with neighboring countries, particularly Thailand, should be prioritized.

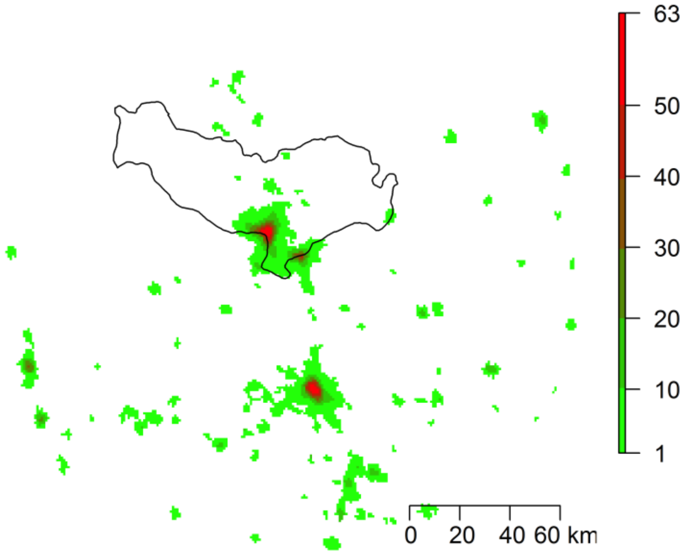


No.	Name	Year	Area(ha)
1	Savan-Seno Special Economic Zone	2002	1,010
2	Boten Beautiful Land Specific Economic Zone	2003	1,640
3	Golden Triangle Special Economic Zone	2007	827
4	Vientiane Industrial and Trade Area	2011	110
5	Saysetha Development Zone	2010	1,000
6	Phoukhyo Specific Economic Zone	2010	4,850
7	Thatluang Lake Specific Economic Zone	2012	365
8	Longthanh- Vientiane Specific Economic Zone	2012	558
9	Dongposy Specific Economic Zone	2012	54
10	Thakhek Specific Economic Zone	2012	1,035
11	Champasak Specific Economic Zone	2015	995

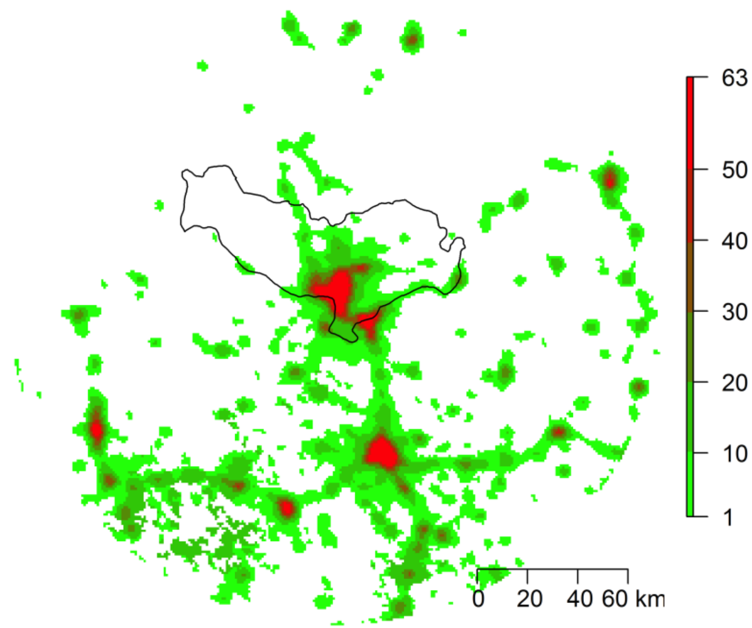
Note: IEs are limited to 5 that is highlighted in red color.

City Size with Nighttime Light from Satellite: Mid-sized Industrial Agglomeration across the National Border is about to form

Vientiane Capital 1992



Vientiane Capital 2012

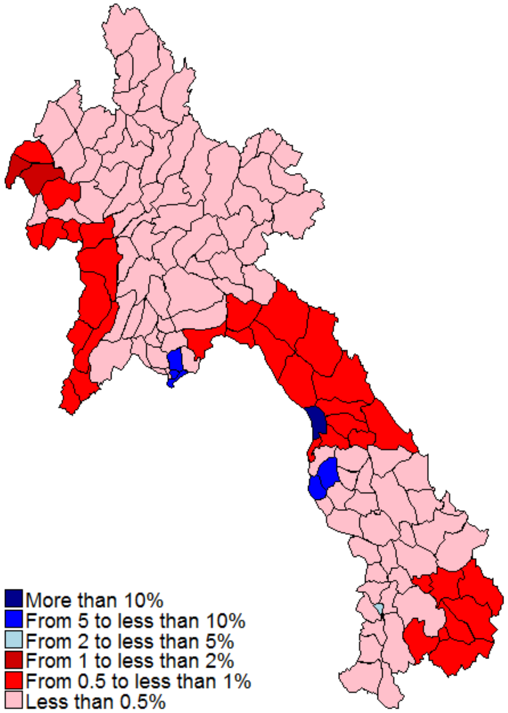


Source: ERIA-IDE GSM Team.

Geographical Simulation Analysis

- The economic impact of policy measures is evaluated by the difference in GRP per capita between the baseline and alternative scenarios in 2030.
- The alternative scenario assumes: (1) the development in Special Economic Zones (SEZs), (2) border facilitation, and (3) the reduction in non-tariff barriers (NTBs)

All Alternative Scenarios (2030)



Source: ERIA-IDE GSM Team.

1. SEZ development generates the highest impact on per capita GRP in the district, provincial, and national levels.
2. In the border areas with Thailand, per capita GRP is generally higher than the rest of the country.
3. The reduction of NTBs in the national level can also generate higher per capita GRP.
4. The economic impact can be amplified through combinations of many development projects, such as SEZ development, border facilitation measures, and the reduction of NTBs.

21st Century Regionalism, Mega FTAs, and Asian Regional Integration

Background - GVCs

- The 2nd unbundling is reshaping the world economic order.
- The increasingly complex network of GVCs asks for more sophisticated global trade governance.
- Problems:
  - the stalemate of multilateral trade negotiation
  - bilateral RTAs are relatively small compared to the wide coverage of GVCs
- Solution:
  - Mega FTAs, which are big in the scope and sophisticated in content. They contain WTO plus and WTO extra provisions.

Motivation & Objectives

- TPP covers Asia-Pacific region.
- There is urgency for ASEAN Member States to take proper actions in response to the changing global economic order.
- This ERIA study aims to provide policy suggestions based on solid economic analyses to help ASEAN formulate their trade policies in the new era.

Research Questions

- What sort of new rules and regulations does TPP (and other mega FTAs) look for?
- What are the “gaps” between ASEAN countries’ current legal system and the high standards that TPP asks for?
- For policymakers, what should they do, what can they do, and how?

Research Plan

- 3 issues:

  IPR protection, SOEs, Investment

- 4 countries:

  Thailand, Indonesia, Philippines, Viet Nam

- Timeline:
  - 1st workshop: 5 June 2016, Bangkok
  - 2nd workshop: September/October 2016

- Study report submission:

  End of 2016

Global Production Value Chain, Cities and Urban Amenities Implications for Services Trade Liberalization in East Asia and ASEAN

Motivation

- The current study focuses on
  - the development of cities in creating urban networks and urban amenities, attracting and development of skills and human capital, and
  - the development and liberalization of the services sectors in global value chains.

Industrial agglomeration and services [Tier 1a]

- Agglomeration for arm's-length transactions
- Local firms have opportunities to have business relationship with multinationals; technology transfer and process innovation
- Contribution of services
  - Urban/suburban transport, large-scale port/airport
  - Reduction in transaction costs
  - Harmonization/convergence of economic institutions

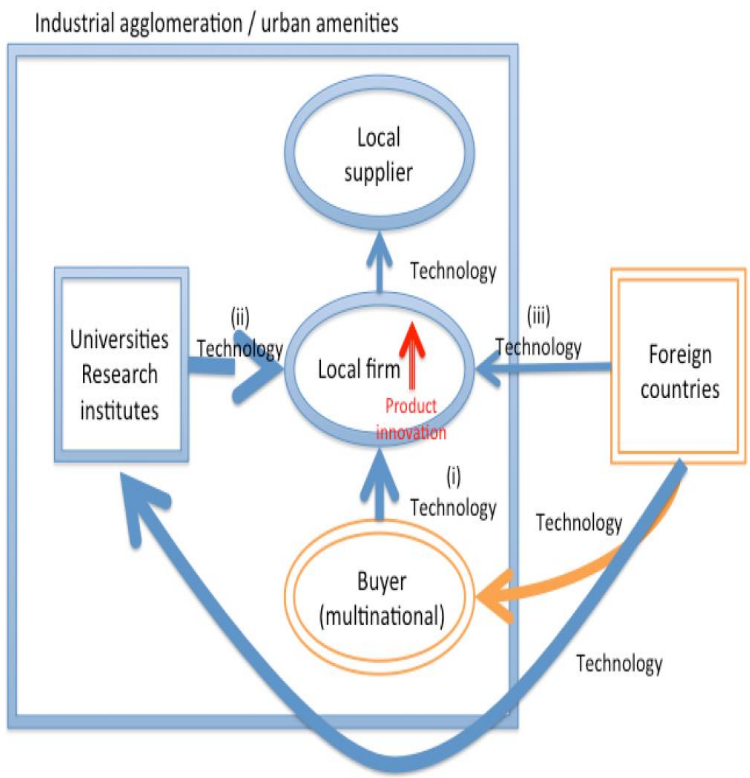
Urban Amenities and Services [Tier 1b]

- To be fully advanced economies, urban amenities are needed
  i. The presence of a rich variety and consumer goods
  ii. Aesthetics and physical setting
  iii. Good public services
  iv. Speed

  Glaeser, Kolko, and Saiz (2001)

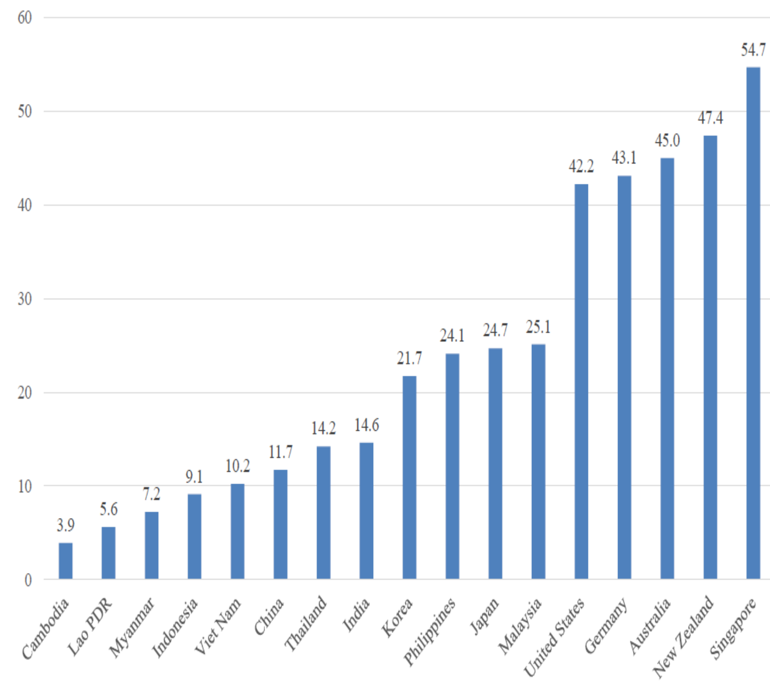
- By attracting/nurturing intellectuals, step up to product innovation
- Contribution of services
  - Everywhere
  - Possibly engine of growth

Product Innovation



Source: ERIA CADP research team.

High-Skilled Employment Share



Source: World Economic Forum (2015). Originally ILOSTAT data from 2014 or latest available as of March 2015.

Table 4.5.1. Function-Specific City Ranking

City	Total Score	Economy	R&D	Cultural Interaction	Livability	Environment	Accessibility
London	1	4	3	1	21	7	1
New York	2	2	1	2	29	25	7
Paris	3	12	7	3	1	16	2
Tokyo	4	1	2	6	17	9	10
Singapore	5	6	8	4	37	5	8
Seoul	6	11	6	12	23	11	5
Amsterdam	7	18	23	15	8	13	3
Berlin	8	19	16	5	3	10	17
Hong Kong	9	5	12	26	34	19	6
Vienna	10	27	25	8	4	6	20
Frankfurt	11	20	28	31	16	4	4
Zurich	12	8	22	34	7	3	23
Sydney	13	9	14	10	27	14	28
Beijing	14	3	21	7	24	40	27
Shanghai	15	7	15	19	19	37	11
Stockholm	16	15	20	27	10	2	30
Toronto	17	10	17	24	14	26	22
Copenhagen	18	17	31	29	13	8	21
Madrid	19	35	32	17	11	12	14
Los Angeles	20	30	4	11	35	20	36
Istanbul	21	21	30	9	26	35	9
Vancouver	22	14	24	32	2	23	32
Brussels	23	28	29	13	20	32	15
Washington, D.C.	24	13	13	23	30	17	33
Milan	25	37	36	22	9	18	13
Osaka	26	22	11	30	12	30	29
Barcelona	27	38	33	14	5	31	16
Geneva	28	16	27	38	6	1	39
Bangkok	29	32	34	16	28	21	12
Boston	30	26	5	28	38	27	26
Chicago	31	29	9	21	33	33	24
San Francisco	32	24	10	25	36	24	31
Taipei	33	23	18	39	18	28	19
Kuala Lumpur	34	25	35	35	22	29	25
Moscow	35	31	19	18	40	38	18
Fukuoka	36	34	26	40	15	22	37
Mexico City	37	36	38	20	31	36	35
Sao Paulo	38	33	37	33	32	15	40
Mumbai	39	39	39	37	25	34	38
Cairo	40	40	40	36	39	39	34

Source: Mori Memorial Foundation (2014) "Global Power City Index 2014".

Source: ERIA (2015, forthcoming).