
Policy Design Department





In 2018, the Policy Design Department (PDD) had a fruitful year in terms of policy research and support for medium- and longer-term development and economic integration of ASEAN and the East Asia region, and for greater connectivity of Asia, Europe, and beyond. The PDD conducted several activities, both on traditional areas of trade and economic cooperation and on issues that are fast becoming new frontiers of growth and economic integration. PDD has been also spearheading policy research on intra-regional and inter-regional connectivity and supporting a policy consensus on treating connectivity as a driver of sustainable and strategic engagement between ASEAN and East Asia, Europe, the United States, and Canada.

A. Regional Comprehensive Economic Partnership

Supporting the task of RCEP negotiations for the early conclusion of the RCEP was given high priority in 2018. PDD supported the RCEP negotiations through committed policy and research inputs for the Chair of the RCEP Trade Negotiating Committee (TNC Chair), especially in the areas of trade in goods (tariff modality) and rules of origin (ROO), to address some of the key issues in the negotiations.

In 2018–2019 (until the time of reporting), PDD supported eight rounds of RCEP negotiations. The RCEP will be intensifying the negotiations and convening intersessional meetings in 2019 to comply with the mandate from the Ministerial meeting in Singapore in 2018, and the PDD will continue to

provide policy and research support for the RCEP negotiations.

ERIA made a presentation on 'Regional Comprehensive Economic Partnership (RCEP), Changing International Order and the Future of East Asian cooperation, East Asian Summit and East Asian Cooperation' in an International Forum in Beijing.

B. ASEAN Vision 2040: Support to ASEAN Chair Thailand

The PDD collaborated with the Research Department and external academic and policy resource persons to write a base document on ASEAN Vision 2040 for Thailand's chairmanship of ASEAN. The economic, geopolitical, and technological landscape has changed tremendously since the adoption of ASEAN community Vision 2025. To support ASEAN in developing the ASEAN Vision 2040, the study assesses the challenges ASEAN faces and sets out a vision for the next 2 decades and the strategies to achieve it. The study addresses the importance and necessity of the ASEAN community preparing itself for the fast changing economics and geopolitics in the wider region as well as the fast-developing digital revolution and new industrial revolution. It recommends strategies for adjusting to and benefiting from economic and technological transformations that are under way or emerging worldwide. The preliminary version of the study document was shared with AMS at the ASEAN Foreign Ministers Meeting in January 2019.

C. Non-Tariff Measures and Regulatory Management Studies

The PDD collaborated with the Research Department to update the ASEAN NTM database in consultation with the NTM Focal Points of the governments. The updated version of the ASEAN non-tariff measures (NTMs) will be uploaded in March 2019. The results of the NTM database were presented to the ATF JCC in January 2019 and the full report will be presented in April 2019.

As part of the request from the ATFJCC, PDD will also be collaborating with the Research Department in devising a methodology and approach to manage existing NTMs in ASEAN. This methodology will complement the Guidelines for the Implementation of ASEAN Commitment on Non-Tariff Measures on Goods endorsed by ASEAN Ministers.

On NTMs, the PDD also engaged with ASEAN Business Advisory Council (ABAC) and is currently working on a template for just a few tariff lines and NTMs by AMS to support ABAC to understand what kind of further analysis needs to be undertaken to make the best use of the ERIA NTM database.

The PDD has undertaken a baseline Study on Regulatory Management System (RMS) to provide a mapping exercise of the development of RMS in AMS and its initiatives in streamlining regulations and administrative processes and practices, and identify the challenges facing the AMS in the implementation of the Good Regulatory Practices (GRP) Core Principles. The study's related survey will be administered through the ASEAN process (i.e. through HLTF-EI focal points and the ASEAN Secretariat). The study is a work in progress and will

provide suggestions for the way forward towards the institutionalisation of GRP in the country.

D. ASEAN Summit Meetings

PDD presented a paper to the East Asia Summit Economic Ministers Meeting (EAS EMM) on the current economic and strategic challenges facing the region, entitled '**Regional Economic Integration: Managing the Challenges of Emerging Trade and Investment Issues**'. The presentation emphasised that ASEAN and East Asia could continue to grow provided the trade momentum holds and domestic reforms continue. This entails keeping markets open, especially in the area of services where there are great opportunities for collaboration, innovation, and value-adding across a wide swathe of ASEAN and East Asian industries and economies. In addition, economic performance in the region would be boosted by greater regulatory and policy transparency, predictability, and coherence, as well as cooperative and collaborative management of the challenges and opportunities of the new and emerging technologies.

The Ministers were updated on ERIA's research and policy support activities. ERIA also celebrated its 10th anniversary with the Economic Ministers and their representatives.

E. Connectivity

PDD has been working on physical and institutional aspects of connectivity in ASEAN and East Asia, as well as between Asia and Africa, and Asia and Europe. 2018 was the Asia–Europe Summit meeting year with EU as the chair. To support the ASEM Summit and the European External Action Service (EEAS) of the

European Commission, ERIA prepared the 'Brussels Report on Strengthening Asia–Europe Connectivity: Drawing Synergy from Global Development and Governance Programmes.' ERIA also supported the ASEM Pathfinders Group on Connectivity (APGC) in developing an Inventory of ASEM Connectivity activities. The inventory was presented to the Senior Officials' Meeting to draw up the plans for tangible areas of cooperation in connectivity (TACC) in ASEM. ERIA also supported the Joint Research Center (JRC) of the European Commission in developing the ASEM Sustainable Connectivity Monitor 2018, which was launched at the ASEM Summit.

ERIA continued working on connecting the connectivities in the Indo–Pacific region jointly with stakeholders such as Indonesia, India, Organisation for Economic Co-operation and Development (OECD), European Union (EU), and ASEAN, setting out the connectivity mapping in the Indo–Pacific. In particular, ERIA has supported the task of the Ministry of Foreign Affairs of Indonesia in developing the Report on 'Indo–Pacific Cooperation: Towards a Peaceful, Prosperous, and Inclusive Region', which was presented to the Ministerial meeting in Jakarta on 20 March 2019.

F. Blue Economy

The Blue Economy concept is viewed as an alternative economic model for sustainable development that puts the oceans at the centre of this approach. This is in line with Goal 14 of the 2030 Agenda for Sustainable Development which focuses on the conservation and sustainable use of oceans, seas, and marine resources. In Southeast Asia, the maritime sector is very important for logistics and transportation, economic resources, environmental



sustainability, and sovereignty. Connectivity between AMS with India is essential in many ways, given their potential in the blue economy, their economic size, geographical location, sea-land connectedness, and trade relations.

ERIA presented the findings of the Second ASEAN-India Blue Economy Workshop to H.E. Mrs Sushma Swaraj, Minister of External Affairs, India in New Delhi on 22 July 2018. The workshop was held the day before the Delhi Dialogue X in New Delhi. This workshop was of particular significance for the Delhi Dialogue's theme of maritime cooperation, as the workshop presented specific recommendations on how to strengthen the links between India and ASEAN on maritime issues, such as security, commerce, and port development.



G. Industrialisation and SMEs

ERIA was invited by the Bappenas, Indonesia to conduct intensive research and public consultations to review the performance of the Indonesian manufacturing sector, and come up with future action plans for Indonesia. The project produced a number of comprehensive updates on issues affecting Indonesia's manufacturing, such as energy supply for industry, mapping of technology adoption by industries, export determinants, Indonesia's participation in international production networks, etc. These updates are being used as material for an academic paper on a medium-term development plan for Indonesia. Ministry of Planning/Bappenas has adapted the proposed framework for a revitalisation of Indonesian manufacturing. ERIA researchers were also invited by Bank of Indonesia and Fiscal Policy Agency to present the project's model for 'export modelling'. Two reports, a policy paper version (for Bappenas), as reference for the official medium-term development plan, and the 'Indonesia Manufacturing Review' will follow.

The Lao PDR at the Crossroads: Industrial Development Strategies 2016-2030 was produced by ERIA and the Ministry of Industry and Trade (MOIC) of Lao PDR. The study stressed that transformation of Lao PDR is crucial not only for its industrial development, but also for accelerating the economic growth of the whole Mekong region. In this context, Lao PDR and Viet Nam concluded a memorandum on the Hanoi-Vientiane Expressway (HVE). The Lao PDR government has approved the creation of a working group by ERIA and the Ministry of Public Works and Transport (MPWT) to study the HVE with a view to its early completion. This working group aims to: (i) explore the possibility of designating the route between Hanoi and

Vientiane as a 'corridor' in the Greater Mekong Subregion (GMS) to obtain finance from the Asian Development Bank (ADB), the World Bank, and other international public financial institutions; (ii) illustrate impacts on economies and industries of Lao PDR and surrounding countries such as China, Japan, Thailand, and Viet Nam, through the formation of a 'Hanoi–Vientiane–Bangkok Industrial Corridor'; and (iii) suggest appropriate sharing of construction costs of the expressway amongst stakeholders. The ERIA–MPWT working group complements the study by the Japan International Cooperation Agency (JICA) of the HVE by focusing on how the Lao PDR and neighbouring countries can benefit from the expressway by leveraging industrial networks. ERIA's study on the Hanoi–Vientiane Expressway will analyse the economic and industrial impacts from the perspective of global value chains and production networks developed in the Mekong region.

As a follow up to the implementation of *The Lao PDR at the Crossroads: Industrial Development Strategies 2016–2030*, ERIA, Ministry of Industry and Commerce (MOIC) of Lao PDR and National Institute of Economic Research (NERI) are part of the follow-up mechanism managed by both ERIA and MOIC in support of JICA, the Japan External Trade Organization (JETRO), AEM–METI Economic and Industrial Cooperation Committee (AMEICC), and other relevant agencies such as the ADB. For this, for working groups on (i) agriculture and food processing, (ii) labour-intensive industries (especially garment), (iii) SMEs, and (iv) industrial estates have been set up. ERIA is supporting the tasks of the working groups as they prepare reports on the progress of the national development plan and tasks delegated to the working groups.

ERIA supported the ASEAN connectivity programme by conducting a study on Micro, Small, and Medium Enterprise Participation in the Digital Economy. The results were submitted to the ASTF SME in December 2018.

ERIA and OECD jointly produced the ASEAN SME Policy Index ASPI 2018, which was published jointly by OECD and ERIA and launched on 1 September 2018 at the 50th AEM meeting in Singapore. The policy index was acknowledged by the 51st ASEAN Foreign Ministers' Meeting in Singapore on 2 August 2018. The survey of policies supporting SMEs in their export of services remains to be completed and is expected to be ready by July 2019.

H. ASEAN Seamless Trade Facilitation Indicators (ASTFI) and ASEAN Trade Transactions Cost

ERIA completed the ASFTI Baseline Study and submitted it to ASEAN Secretariat in early August 2018. The completion of ASEAN Seamless Trade Facilitation Indicators (ASTFI) Baseline Study was welcomed by the Ministers during the 50th ASEAN Economic Minister meeting in August 2018. Following the results of the ASTFI work, the PDD is preparing questionnaires on Time Release Study (TRS), time to permit approval, and dwell time as a basis to proceed to the ASEAN Trade Transactions Cost (TTC) baseline study. Seven AMS have completed their TRS and results from three AMS are awaited. The report is expected to be finished by June 2019 after which the TRS questionnaire used by AMS will be refined as part of the TTC baseline study.



I. Support of EAS Members and their Dialogue Partners

The PDD of ERIA has been supporting several policy and research initiatives of EAS member countries and the Dialogue Partners of EAS. In this regard, ERIA was requested by the ASEAN–Russia meeting to develop a policy paper on deepening of ASEAN–Russia economic relations. The PDD and Russia Foreign Trade Academy (RFTA) jointly developed the report for the ASEAN–Russia SEOM meeting. The report suggests several avenues of trade and economic cooperation between the two partners, and lays out the scope for deepening their economic relations. The report has been accepted by the economic officials meeting.

PDD completed the research to establish the feasibility of a Canada–ASEAN FTA and Eurasian Economic Union (EAEU)–Cambodia FTA. Following these two studies, other prospective partners such as the EU have shown an interest in similar policy research.

ERIA is working with MOFA of Vietnam on policy research on ‘Enhancing Productivity of Domestic Private Firms – Boosting Linkages and Digitalization’. This research aims to analyse the current status of the Vietnamese economy and recommend a conceptual framework for future development with a focus on the performance of domestic private firms and their connection with the foreign direct investment sector.

J. Collaboration with Multilateral Organisations

The PDD has worked with and contributed to the proceedings of the G20 in Buenos Aires in 2018. ERIA’s contribution to the policy brief on ‘World

of Work in the 4th Industrial Revolution: Inclusive and Structural Transformation for a Better Africa’ was mentioned in the T20’s recommendation to the Chair of the G20. For the 2019 G20, the PDD is preparing policy briefs for the chair of the G20 through two task forces of T20 on the sub-theme of Industrialization and ICT in Africa and *Industrialization and Employment Led Growth in Digital Economy*.

The PDD of ERIA was invited to the annual meeting of the Asian Infrastructure Investment Bank (AIIB), held in Mumbai in June 2018. ERIA moderated a high-level panel workshop on ‘**Advancing Together: ASEAN Infrastructure Development**’. The high-level panel consisted of Mr. Carlos Dominguez, Secretary, Department of Finance, Philippines; Mr. Heng Swee Keat, Minister of Finance, Singapore; Mr. Bambang Brodjonegoro, Minister of National Development Planning, Indonesia; Ms. Preeti Saran, Secretary (East), Ministry of External Affairs, India; and Mr. Kevan Watts, Vice Chairman, Global Banking, HSBC. The workshop discussed the strategic directions of ASEAN in the new global environment; (ii) strategic and vital infrastructure required to advance the fast growth of ASEAN; (iii) a possible approach and roadmap for advancing ASEAN infrastructure development; and (iv) expectations of AIIB concerning ASEAN’s infrastructure development.

PDD has also supported the OECD in its preparatory work for the G20 in Trade and Agriculture matters. PDD contributed to the OECD reports through findings from ASEAN and East Asia, and ERIA’s research and policy support activities.

PDD participated in the Asia–Pacific Forum organised jointly by the Japan Economic Foundation and

RIS, New Delhi. The theme of APF was 'Protecting the Global Trading System and the Role for Multilateralism'. ERIA presented its findings in Session 2: 'Imperatives for Regional Integration: Growing Role of Services Sector'. ERIA also contributed to the roundtable discussions for the preparation of the report of the APF 2018.

K. Support to Stakeholders

PDD participated in several workshops and symposiums across Asia and the Pacific, and in Europe to bring in the stakeholders, and bring the partners of ASEAN and East Asia closer, through dissemination of East Asian economic cooperation experience and through demonstrating the value of free trade and economic cooperation. It is expected that the advocacy and research dissemination activities will support policymaking on trade and economic cooperation amongst the stakeholders. PDD provided support and expertise to the ASEAN Integration Monitoring Directorate (AIMD) as and when required, with a view to assessing the proposals for the World Trade Organisation (WTO) Reform. PDD also provided support and expertise for Technical Workshops on ASEAN Trade in Services Agreement (Negative List Approach) in Indonesia, Cambodia, Thailand, Philippines, Lao PDR, Myanmar, and Viet Nam as part of the CCS–Japan Co-operation Programme.

L. Capacity Building

PDD contributed its knowledge resources on trade, tariffs, and trade negotiations to capacity building activities for middle-level trade ministry officials in Cambodia and Myanmar to enable them to participate more effectively in RCEP negotiations and equip them with a greater understanding of NTMs and RMS. PDD addressed 50 Asia–Pacific Economic Cooperation (APEC) Member Economies' trade negotiators in APEC Capacity Building on Domestic Consultation in RTAs/FTAs negotiations in Hanoi, Viet Nam.

Conclusion

The PDD had a full and rich year of activities in 2018. Some of the themes such as inter-regional connectivity, trade, economic cooperation amongst the EAS Dialogue Partners, and institutional aspects of trade such as NTMs and RMS have become specialised areas of work in PDD. A greater number of requests for collaborative work from governments, multilateral organisations, partners, and stakeholders are testimony to the PDDs growing visibility and influence in Asia and outside Asia. This growth is likely to continue in 2019. The PDD has worked closely with the Research Department and the Communication, Publication, and Outreach Department, including the Capacity Building unit, to realise its current strength. Similar cooperation and collaboration will continue in 2019.

