



| Policy Design
| Department



In 2019, the Policy Design Department (PDD) continued to be very busy with policy research and advice as well as support for medium- and longer-term development and economic integration of the Association of Southeast Asian Nations (ASEAN) and the East Asia region, and for greater connectivity of Asia, Europe, and beyond. Extensive engagements were held between PDD and senior economic officials on related economic matters in line with PDD's objectives and goals. PDD also continued spearheading policy research on intra-regional and inter-regional connectivity and supported policy consensus on treating connectivity as a driver of sustainable and strategic engagement between ASEAN and East Asia, Europe, the United States, and Canada.

PDD also contributed to capacity building activities for middle-level trade ministry officials in ASEAN Member States (AMS) to enable them to participate more effectively in ASEAN+ FTA negotiations and equip them with a greater understanding on trade and investment matters, e.g. ASEAN Trade in Services, Non-Tariff Measures (NTMs), and Regulatory Management System (RMS).

Given the wide-ranging work conducted by PDD and in further strengthening its direct engagement with leading regional researchers and policymakers in the development of regional economic integration (REI) related policies, the Australia-funded programme on Strategy and Partnership (SP) was established in May

2019. The Programme was set up to support the overall agenda of PDD and further strengthen ERIA's linkages with the ASEAN and EAS economic policy stream including the ASEAN Chair, ASEAN economic officials, EAS Senior Economic Officials, and the ASEAN Secretariat. Additional priorities for this newly established programme include strengthened support for APEC Malaysia 2020 and the Indonesian Presidency of the G20 in 2023.

A. Regional Comprehensive Economic Partnership

Supporting the task of RCEP negotiations for the early conclusion of the RCEP remained a high priority in 2019. 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 tariff differentials) and rules of origin (ROO), as well as some key working groups, to address some of the key issues in the negotiations.

In 2019–2020, PDD supported four rounds of RCEP negotiations until the conclusion of the text-based negotiations for all 20 chapters in November 2019. The legal scrubbing of the RCEP Agreement commenced for its expected signing in 2020. PDD will continue to provide policy and research support for the RCEP in its work to finalise the technical and operational details for its implementation.

B. Non-Tariff Measures

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 NTMs was uploaded to the global NTM database of the United Nations Conference on Trade and Development (UNCTAD) in June 2019. As requested by the ASEAN Trade Facilitation Joint Consultative Committee (ATF–JCC), the raw or more detailed ASEAN data of the NTMs database was shared with AMS to assist in developing their respective national trade repositories, and as input for the ASEAN Trade Repository (ATR).

The full report of the NTMs in ASEAN, based on the updated NTM database, was published in August 2019. It highlights pattern of NTMs usage in ASEAN, as well as trends of NTM application at the regional and country level. An official handover ceremony of the NTM database took place on 10 September 2019 at the sidelines of the 51st ASEAN Economic Ministers Meeting and Related Meetings attended by the Secretary General of ASEAN and the Ministers of the East Asia Summit.

Following the request from ATF–JCC, PDD also collaborated with the Research Department and with support from UNCTAD, conducted an In-Country Training on NTMs for nine AMS from August 2019 to February 2020. The training was conducted to enhance the capacity of AMS in the collection and classification of NTMs, improve analytical skills of AMS on the impact of NTMs, and to deepen understanding about good regulatory practices.

In addition, 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. In January 2020, this methodology and approach in the form of an NTM Tool Kit was presented to the ATF–JCC, with the goal of having it eventually endorsed by ASEAN. UNCTAD also cooperates on devising the NTM Tool Kit.

C. Regulatory Management System

PDD, with its mandate from and in collaboration with ASEAN Secretariat, successfully completed the Baseline Study on Regulatory Management System (RMS) and the recommendations for the way forward towards the institutionalisation of GRP in the AMS has been submitted to the High-Level Task Force on Economic Integration (HLTF–EI) for its consideration in August 2019. A joint initiative of ERIA and the ASEAN Secretariat for HLTF–EI, the Baseline Study was an important Good Regulatory Practice (GRP) deliverable in the strategic priority area, ‘Strengthen Strategic Efforts to Implement GRP’ in the ASEAN Work Plan on GRP 2016–2025. The ASEAN Work Plan on GRP was adopted at the 23rd ASEAN Economic Ministers Retreat (March 2017) and endorsed by the ASEAN Economic Community (AEC) Council Ministers in April 2017. The Study mapped the development of RMS in AMS and its initiatives in streamlining regulations and administrative processes and practices, and identified the challenges facing the AMS in the implementation of the GRP Core Principles. PDD subsequently conducted socialisation and validation workshops to assist relevant officials in charge of regulating

economic activities in all AMS except Singapore. The study’s related survey was administered through the ASEAN process (i.e. through High-Level Task Force on Economic Integration (HLTF–EI) focal points and the ASEAN Secretariat).

D. ASEAN Summit Meetings

PDD presented a paper at the East Asia Summit Economic Ministers Meeting (EAS EMM) in July 2019, setting out the current economic and strategic challenges facing the region, entitled ‘**Harnessing the Digital Revolution for Enhanced Trade Facilitation, MSME and Skills Development, and Inclusive Growth in the EAS Member Countries**’. The presentation focused on three thrusts:

- Enhancing Trade Facilitation Nationally and Regionally Through Digital Technology;
- Engendering Inclusive Growth: Harnessing Digital Technology for MSME and Skills Development; and
- Strengthening Two Key Foundations: Digital Connectivity and Data Transaction Governance.

During the EAS Meeting, the EAS Ministers exchanged views on how to harness the digital revolution to facilitate trade and investment and agreed on the need to promote inclusive growth through policies aimed at delivering new opportunities for micro, small, and medium-sized enterprises (MSMEs) and building new skills. In this context, the need for improved digital connectivity was highlighted and the importance of ensuring interoperability across systems in the online environment underscored. They also discussed the opportunities of the digital economy and noted that dialogue and cooperation on digital connectivity

would support regional integration and promote competitiveness and inclusiveness for small, and medium-sized enterprises (SMEs). The EAS Ministers were also updated on ERIA's research and policy support activities.

E. General Review of the ASEAN Trade in Goods Agreement (ATIGA)

PDD accepted the request of the Coordinating Committee on the Implementation of ATIGA (CCA) to undertake an assessment of the impact of ATIGA to the region, including its contribution towards intra-regional trade amongst AMS since its entry into force in 2010, a component of the General Review of the ATIGA. An Inception Report which contains the final version of the Terms of Reference (TOR), timelines, activities, and an elaboration of the study approach, including team composition was presented at the 32nd Meeting of the CCA. The study is expected to be completed by the end of 2020, when findings and recommendations will be submitted to the CCA for its consideration.

F. ASEAN Trade in Services Agreement

PDD, in collaboration with the Coordinating Committee in Trade in Services and the Ministry of Economy Trade & Industry of Japan, provided expertise and support in organising Advanced Workshops on ASEAN Trade in Services Agreement (Negative List Approach) in Cambodia, Lao PDR, Indonesia, Myanmar, Philippines, Thailand, and Viet Nam, and the Department of Foreign Trade, Australia also contributed for CLMs. Practical exercises done in those workshops are designed in part to encourage participants to apply the content presented in the workshop – in particular to identify

the relevant domestic regulation in each of the focus sectors, to transpose the current positive list in ASEAN Framework Agreement on Trade in Services (AFAS) to a negative list for ATISA where relevant for the focus sectors, and to identify other non-conforming measures in each focus sector.



G. Industrialisation and SMEs

ERIA was requested by the Ministry of National Development Planning Indonesia (BAPPENAS) to undertake a 'Manufacturing Sector Review' for Indonesia as part of the input for the drafting of the National Medium-term Development Plan of Indonesia for the period 2020–2024 (RPJMN 2020–2024) for the manufacturing sector. The review was utilised in various aspect of the RPJMN 2020–2024 for the development of Indonesian manufacturing sector. The review will also be utilised as input for the government in drafting the government workplan (*Rencana Kerja Pemerintah, RKP*) for the year of 2022 and 2023. The government will focus on revitalising the country's manufacturing sector in these two years.

The study produced a 10-chapter report and a policy paper covering all these. Focus group discussions on various related topics were also conducted with the paper authors as well as other experts as additional resource persons. A High-Level Policy Forum on Indonesia Manufacturing was organised on the 5th of December 2018. H.E. Prof. Dr Bambang Brodjonegoro (Ministry of National Development Planning) presenting on the role of the manufacturing sector in Indonesia's overall development with a focus on policy directions and strategies for revitalising the Indonesian manufacturing sector. H.E. Airlangga Hartarto presented on the model of 'Industry 4.0' for the future development of Indonesian manufacturing. The presentations by the ministers were followed by discussions amongst a number of respected international and local academia, including Professor Hal Hill and Professor Premachandra Athukorala of Australian National University, Professor Hidetoshi Nishimura of ERIA, Professor Chin Hee Hahn of Gachon University, Professor Shandre Thangavelu of University of Adelaide, and Professor Ari Kuncoro of the University of Indonesia. Private sector representatives such as Mr. Warih Tjahjono of PT Toyota Motor Manufacturing Indonesia gave comments. The High-Level Policy Forum provided important input for the revitalisation of Indonesian manufacturing and sent the following message: 'that it is high time for Indonesia to take bold actions to improve productivity of its manufacturing sector. One critical route is through significant technology upgrading, including efforts to effectively improve the quality of human capital for the sector. Productivity improvement is a prerequisite for reorienting to export-led manufacturing growth and for sustaining the value creation of the sector.' The study also provided a framework for revitalising

Indonesian manufacturing adopted by BAPPENAS as its analytical framework for the manufacturing sector in the medium-term national development plan 2020–2024 (RPJMN 2020–2024).

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, the Lao PDR government approved ERIA's study on the Vientiane–Hanoi Expressway (VHE).

The study (i) explores the potentiality of the corridor between Hanoi and Vientiane as designated by the Greater Mekong Subregion Economic Development Program; (ii) illustrates impacts on economies and industries of Lao PDR and surrounding countries of the VHE; (iii) sets out industrial development strategies for Lao PDR, Viet Nam, and Thailand that take maximum advantage of the VHE; and (iv) suggests appropriate financial mechanisms to construct the VHE. The study outcomes resulted in the report, 'Vientiane–Hanoi Expressway Project', which was distributed to relevant government authorities such as the Ministry of Public Works and Transport of Lao PDR.

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 (NIER) are part of the follow-up mechanism managed by both ERIA and MOIC in support of JICA, the Japan External

Trade Organization (JETRO), and ASEAN Economic Ministers (AEM)–METI Economic and Industrial Cooperation Committee (AMEICC). For this purpose, four working groups on (i) agriculture and food processing, (ii) labour-intensive industries (especially garment), (iii) SMEs, and (iv) industrial estates were set up. ERIA supported the tasks of the working groups as they prepared reports on the progress of the national development plan and tasks delegated to the working groups. During this process, ERIA and MOIC jointly submitted the report, 'Development Strategy of Five Selected Sectors in the Lao People's Democratic Republic (2020–2025)', to propose concrete policy recommendations and attract the attention of aid agencies. Moreover, ERIA provided support for formulating 'SME White Paper of Lao PDR' developed by local researchers and officials of the Department of Small and Medium Enterprise Promotion.

ERIA and the Organisation for Economic Co-operation and Development (OECD) also 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 was completed in July 2019. The OECD then invited ERIA to put up a short concept paper for the preparation of the next ASPI – 2022. It was presented before the ASEAN Coordinating Committee on Micro, Small and Medium Enterprises (ACCMSME) but the Committee decided that the work for the next ASPI will only be done after ASEAN has completed its Midterm Review.

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

Following ERIA's completion of the ASFTI Baseline Study, questionnaires on Time Release Study (TRS), time to permit approval, and dwell time were circulated to AMS as a basis for proceeding to the ASEAN Trade Transactions Cost (TTC) baseline study. Seven AMS have completed their TRS and results from three AMS are still pending. Five AMS have submitted their filled-out questionnaires on time to permit approval and awaiting the responses from the remaining AMS. The report is expected to be finished by June 2020 after which the TRS questionnaire used by AMS will be refined as part of the TTC baseline study.

In January 2020, ERIA presented to the ATF–JCC the Terms of Reference (TOR) for the Follow-up Study on ASEAN Seamless Trade Facilitation Indicators and Transaction Cost (ASTFI–TTC 2). The follow-up study will examine the extent to which trade facilitation measures have been implemented ASEAN-wide and at the AMS level since the baseline study conducted in 2018–2019. ERIA will also calculate the updated TTC to measure the reduction in Trade Transaction Cost in ASEAN between 2018 and 2020. Revised questionnaires were circulated to AMS through the ATF–JCC for their comments and input before conducting the survey.

1. Asia–Pacific Economic Cooperation (APEC) Malaysia 2020

ERIA has been actively contributing to APEC Malaysia 2020, particularly in developing themes such as the future of work, sustainable economic transition and inclusive growth, food security, and sustainable energy. Connecting ERIA to APEC Malaysia 2020 is also an important focus of the ERIA–Australia-funded Strategy and Partnership programme. Cooperation and support provided in developing vision document for three priority areas, i.e.

1. **Priority Area 1: Changing the Narrative of Trade and Investment;**
2. **Priority Area 2: Inclusive Economic Participation; and**
3. **Priority Area 3: Harnessing Innovative Sustainability**

As a follow-up, PDD participated in and contributed to the First Asia–Pacific Economic Cooperation (APEC) Member Economies' Symposium on 6 December 2019 in Langkawi, Malaysia, developed the concept note and paper for the 45th APEC Human Resource Development Working Group (HRDWG) Meeting on 9 February 2020, Le Meridien Hotel Putrajaya Malaysia and also participated in Multi-Stakeholder Dialogue on Post-2020 Vision (MSD) on 8–19 February 2020, Putrajaya, Malaysia.

The MSD aimed to initiate discussion between Senior Officials from APEC Member Economies, speakers and panellists, business sector representatives, and other stakeholders to develop a shared APEC Post-2020 Vision. The new post-Bogor Goals Vision beyond 2020 discussion includes a more robust monitoring of progress, innovation and technology readiness, skills and human resources for the digital economy in particular for MSMEs, participation

of women in the economy, climate change, food security, circular economy, and waste to energy. ERIA's delegation comprised of Dr Intan Ramli, Policy Fellow; Dr Venkatachalam Anbumozhi, Senior Energy Economist; Dr Han Phoumin, Energy Economist; Dr. Rashesh Shrestha, Economist; and Dr Giulia Ajmone Marsan, Director for Strategy and Partnership.

On the 18th of February, ERIA also participated in a Round Table Discussion organised by the Institute of Malaysian and International Studies (IKMAS) of Universiti Kebangsaan Malaysia (National University of Malaysia) which is supporting the Malaysian Government to develop its APEC Post-2020 Vision, under the theme 'Optimising Human Potential Towards a Future of Shared Prosperity.' ERIA will continue to support Malaysia's 2020 APEC Chairmanship towards the successful realisation of the MYAPEC2020 deliverables.



J. Collaboration with Multilateral Organisations

ERIA continued to strengthen its relationships with multilateral organisations, particularly, the World Bank (WB), International Finance Corporation (IFC), Asian Development Bank (ADB), World Economic Forum (WEF), Organisation for Economic Cooperation and Development (OECD), African Union (AU), European Union (EU), and Asia–Pacific Economic Co-operation (APEC). Amongst the initiative resulted from the engagements mentioned earlier is that ERIA was then invited to participate in the First Roundtable of the ‘OECD Digital for SMEs Global Initiative’ at the OECD Headquarters in November 2019 and also expert group meetings of the OECD–EU HEInnovate Initiative, to discuss issues related to skills, higher education, and the digital economy. ERIA, represented by Dr Giulia Ajmone Marsan, was invited to participate in the second OECD expert group on higher education institutions and innovation ecosystems on 13–14 February 2020 in Paris. The expert group discussion was organised under the OECD–EC HEInnovate Initiative (<https://www.oecd.org/industry/smes/heinnovate.htm>).

PDD also supported the UNESCAP in its 9th Meeting of Asia–Pacific Foreign Direct Investment (FDI) Network, held on 4 December 2019 in Bangkok, where current developments and challenges in FDI policymaking, promotion, and facilitation in the region were discussed. Dr. Intan Ramli was invited to present in a session on ASEAN Investment Dispute Settlement. The meeting also explored ways to improve the national legal frameworks and international investment agreements system to

ensure it better supports the achievement of the 2030 Agenda for Sustainable Development.

PDD also supported the preparatory work of related Least Developed Countries through the UNESCAP for the incoming Ministerial Consultation in its Regional Consultation in Preparation for the World Trade Organisation (WTO) MC12: Harnessing Trade for Sustainable Development with a focus on the Asia–Pacific Least Developed Countries held on 2–3 December 2019 in Bangkok. PDD moderated this session on the preparatory work for the Joint Statement Initiatives on E-Commerce, Investment and MSMEs, which are currently being discussed in the WTO.

K. Support to Stakeholders

ERIA also 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.

Conclusion

The PDD was extremely active in 2019. Some of the themes such as digital economy, future of work, and sustainability have been discussed with Dialogue Partners and Multilateral Organisations, and institutional aspects of trade such as NTMs and RMS have become specialised areas of work in the PDD. A greater number of requests for collaborative work from governments, multilateral organisations, partners, and stakeholders are testimony to the PDD's growing visibility and influence within and

outside Asia. This growth is likely to continue in 2020. There have been a number of requests for potential collaborations and to ensure effective delivery, PDD has worked together with the Research Department and the Communication, Publication, and Outreach Departments, including the Capacity Building unit, to meet the demands for support from governments and related agencies. Similar cooperation and collaboration will continue and there will be more to come in 2020.

