

Policy Design Department





The COVID-19 Pandemic in 2020 has impacted the economic growth of many countries in the world, including ASEAN. ASEAN Member States (AMS) responded rapidly, with numerous measures and restrictions, well before the outbreak was declared a global pandemic by the World Health Organization (WHO) on 11 March 2020. We saw COVID-19 measures and protocols implemented, including movement restrictions throughout the world, economies slow down, domestic consumption and investment decline, and global and regional supply chains disrupted.

The Policy Design Department (PDD) managed to rise to those challenges by increasing its efforts to

contribute to policy research to support AMS and the ASEAN Secretariat. Numerous engagements were conducted with senior officials and middle-level ministry officials in ASEAN and East Asia on related economic issues and policies, such as trade and investment matters; evaluation of the impact of the ASEAN Economic Community (AEC) and ASEAN Trade in Goods Agreement (ATIGA); the Joint Study on 10+3 Cooperation for Improvement of Supply Chain Connectivity (SCC); involvement in the finalisation of the Regional Comprehensive Economic Partnership by providing advice in the negotiations; supporting the work of the ASEAN Trade Facilitation Joint Consultative Committee (ATFJCC) and the Coordinating Committee on

the Implementation of ATIGA (CCA); providing policy advice to the Government of Viet Nam for its ASEAN Chairmanship and the Government of Malaysia for its Asia–Pacific Economic Council (APEC) Chairmanship; and participating in other ad-hoc meetings and discussions in line with PDD’s objectives and goals of ensuring greater regional economic integration of ASEAN. PDD had also actively supported and collaborated with multilateral organisations and other stakeholders, such as the ASEAN Secretariat, Organisation of Economic Cooperation and Development (OECD), APEC, and United Nations Conference on Trade and Development (UNCTAD).

At the end of 2020, PDD was able to shift its policy agenda to meet the demands in dealing with and adjusting to the impacts of the COVID-19 pandemic, by putting greater focus on policy-based research in making trade and global value chains more resilient to future shocks and promoting a greater connectivity, i.e. digital economy in ASEAN.

A. The Government of Viet Nam’s chairmanship of ASEAN and related meetings for 2020

PDD, together with the Research Department, provided a set of recommendations to support the Government of Viet Nam to strengthen the AEC 2025 Blueprint in four selected areas: (1) Global Value Chains (GVCs); (2) Trade Facilitation; (3) Services Liberalisation; and (4) Internationalisation of Small and Medium-sized Enterprises (SMEs).

These recommendations were drawn from various studies conducted by ERIA, particularly the Study on Impact of ASEAN Economic Integration as

the base document. ERIA also undertook a series of stakeholder consultations, which involved focus group discussions (FGDs) and expert group meetings, to discuss critical issues faced during the AEC process, such as changes in global business practices due to the digital revolution and the increased importance of services, and changes in the global economic environment such as the emergence of US protectionism and the tensions in relations between the US and China.

The set of recommendations was provided to the Government of Viet Nam for consideration in its ASEAN Chairmanship 2020.

B. The Government of Brunei Darussalam’s Chairmanship of ASEAN and related meetings for 2021

As part of strengthening ASEAN’s economic integration efforts, PDD has commenced discussions for the preparation of Brunei Darussalam’s Chairmanship of ASEAN. To date, the Government of Brunei Darussalam, through its Ministry of Finance and Economy, has requested PDD to provide research and support on possible initiatives that Brunei Darussalam has envisioned for its ASEAN Chairmanship in 2021. One of the Priority Economic Deliverables for Brunei’s Chairmanship this year is the development of a Framework for ASEAN Circular Economy. This is in line with Brunei’s vision i.e. ‘We Care, We Prepare, We Prosper.’ Another deliverable, also supported by ERIA, is the development of the Non-Tariff Measures Cost-Effectiveness Toolkit for ASEAN. With the growing demand for sustainability by consumers and investors, it becomes imperative for ASEAN

to take account of circular economy initiatives in its AEC work stream and take into consideration discussions and work in the ASCC to avoid overlaps and maximise resources.

The Government of Brunei Darussalam, also through its Ministry of Finance and Economy, has also requested ERIA to undertake a study in developing Strategic Masterplan of the Temburong District since December 2020. PDD immediately commenced discussion with the Temburong District Authority (AKDT) in Brunei Darussalam with regard to preparing the Masterplan. The Strategic Masterplan is to be designed to include identification of compatible industries/sectors that can be globally competitive, while remaining compatible and complementary to existing economic activities in the country. The study on 'urban amenities' will also be included into the Strategic Masterplan to further assess the 'trickle-down' effect that the development of Temburong will bring to the people and the local economy. Business Feasibility Studies for eco-tourism, education, a research centre, an international biodiversity laboratory, as well as the agriculture and fisheries sectors will be conducted to further strengthen the Masterplan.

C. Regional Comprehensive Economic Partnership (RCEP)

Since 2017, PDD has provided support to the RCEP negotiations through committed policy and research inputs for the Chair of the RCEP Trade Negotiating Committee (TNC Chair), Mr Iman Pambagyo, 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 outstanding key issues in the negotiations.

In 2017–2020, PDD supported several rounds of RCEP negotiations until the conclusion of the text-based negotiations and its signature by the Ministers of the RCEP Participating Countries in November 2020. PDD also participated in RCEP 'Speed-Dating' in January 2021, to share information with interested stakeholders on the potential benefits and possible challenges in the implementation of RCEP. PDD will also contribute to possible publication on the understanding of RCEP with the World Trade Institute, Switzerland, and other relevant institutions. PDD will continue to provide policy and research support for the RCEP.

D. Impact of ASEAN Economic Integration

ERIA conducted a study to assess the impact of ASEAN economic integration, which served as an independent input and complement to the mid-term review (MTR) of AEC 2025 conducted by the ASEAN Secretariat. The study's scope encompassed six areas: (1) Trade in Goods (including tariffs and NTMs, ROO, Production Networks, and FDI); (2) Trade Facilitation; (3) Trade in Services; (4) Impact of Welfare; (5) Impact of Employment; and (6) Impact on SMEs. The initial findings of the study were presented at the 38th High Level Taskforce Meeting in July 2020 for update and consideration. The findings of the study are currently being finalised and will be shared with the ASEAN Secretariat.

PDD also participated in the Focus Group Discussion (FGD) on the ASEAN Economic

Community Blueprint 2025 Mid-Term Review on the topic of FGD Session 2: ‘Good Regulatory Practice for the 21st Century and Regulatory Cooperation in ASEAN including on Competition Policy, Intellectual Property (IP), and Consumer Protection’ virtually on 15 October 2020 organised by the ASEAN Secretariat.

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

PDD undertook an assessment of the impact of ATIGA on the region since its entry into force in 2010, part of a component of the General Review of the ATIGA, at the request of the Coordinating Committee on the Implementation of ATIGA (CCA). Throughout 2020, PDD presented the progress of the Study (Inception, Interim and Preliminary Reports) to various CCA Meetings and concluded the year with the presentation of the Draft Final Report of the Study at the 34th CCA Meeting on 15 December 2020, containing the findings and recommendations. The Study was completed in February 2021 and submitted to the CCA intersessionally.

F. Public Version of General Review of ASEAN Trade in Goods Agreement (ATIGA)

PDD is preparing a draft public version of the ATIGA report for publication, with the initial draft to be presented to the 35th CCA Meeting in March 2021 for its consideration. The public version of the ATIGA Report will be important in terms of letting the private sector know about ATIGA’s impact on

and valuable contribution to ASEAN economic integration.

G. The Government of Malaysia’s Chairmanship of the Asia–Pacific Economic Cooperation (APEC) in 2020

PDD actively contributed to APEC Malaysia 2020, particularly in developing a vision document for three priority areas: (1) Priority Area I: Changing the Narrative of Trade and Investment; (2) Priority Area II: Inclusive Economic Participation; and (3) Priority Area III: Harnessing Innovative Sustainability.

PDD also participated in various meetings and dialogues with APEC officials and other APEC-supporting bodies, such as developing the concept note and paper for the 45th APEC Human Resource Development Working Group (HRDWG), joining the Multi-Stakeholder Dialogue on Post-2020 Vision (MSD), and attending a Roundtable Discussion with Institute of Malaysian and International Studies (IKMAS) to support the Malaysian Government to develop its APEC Post 2020 Vision.

PDD has been requested by ERIA’s Governing Board Member, Dr Allan Bollard, to support New Zealand’s Chairmanship of APEC in 2021. The APEC Secretariat has also requested PDD to begin identifying possible policy research such as on the future-of-work, WTO reforms and circular economy, for APEC 2021, which is to be organised virtually in 2021.

H. The Government of Indonesia's chairmanship of the G20 and chairmanship of ASEAN and related meetings in 2023

PDD together with SPD initiated several talks with the Centre for Strategic and International Studies (CSIS) to develop their joint work to meet the requests of relevant ministries in charge of the Government of Indonesia's chairmanship of the G20. Discussions are at a very preliminary stage at this time.

I. ASTFI Baseline Study (Public Version)

Back in 2017, upon a request from the ATF–JCC, PDD developed an ASEAN-specific trade facilitation indicator called the ASEAN Seamless Trade Facilitation Indicators (ASTFI), which surveyed major government agencies in each ASEAN Member State (AMS) to take stock of the implementation status of regional and global trade facilitation initiatives. The Baseline ASTFI report was submitted to ATF–JCC in July 2018 with recommendations for further improvement in the trading environment and reduction in trade transactions cost in the region.

As a follow up and taking into consideration the interest of the private sector in understanding the trade facilitation initiatives in the AMS, ERIA is tasked by the ATF–JCC to create a public version of ASTFI baseline study report with the objective to inform the public about the key trade facilitation initiatives in ASEAN and monitor the trade facilitation progress as reported in ASTFI Baseline study. The public version of the baseline study will be presented to the 20th ATF–JCC meeting, which will take place in May 2021.

J. ASEAN Trade Facilitation Indicators & Trade Transaction Cost (ASTFI–TTC) II

PDD together with Research Department commenced the conduct of the ASTFI–TTC II, a follow-up study of the baseline study (Baseline ASTFI–TTC), which was conducted in 2018. The primary objective of this second phase of the Study was to understand the trade facilitation environment and trade transactions cost in ASEAN in 2020. This study also included the calculation of the updated TTC to measure the reduction in Trade Transaction Cost in ASEAN between 2018 and 2020. Throughout 2020, technical workshop between ERIA, country researchers and AMS's focal points were held to provide an overview of the ASTFI–TTC II project methodology, activities, and timeline, as well as to discuss the questionnaires and the data collection process. With support of the focal points of the ASEAN Trade Facilitation Joint Consultative Committee (ATF–JCC), ASTFI II survey questionnaires were circulated and filled out by government agencies of AMS as part of this undertaking. Socialisation workshops were likewise conducted to assist the AMS in completing the survey questionnaires and other activities of the ASTFI II.

The results of ASTFI–TTC II, along with the results of the Baseline ASTFI–TTC, will be used to keep track of progress in trade facilitation environment in the ASEAN region and measure the change in trade transactions cost in the region.

PDD is on track to completing the final report of ASTFI–TTC II in early 2021 to be submitted to ATF–JCC Meeting in August 2021.

K. Non-confirming measures list under the ASEAN Trade in Services Agreement (ATISA)

PDD, with the support of the CCS–Japan Co-operation Programme, had continued its assistance in providing support to AMS to build the capacity of related government officials to further strengthen their understanding and knowledge in preparing their list of non-confirming measures for their related services sectors. To date, interested AMS that have requested PDD for this capacity building programme are Lao PDR, Indonesia, Malaysia, and Viet Nam. However, due to the COVID-19, this capacity programme (in the form of FGDs) had to be postponed until such a date that AMS is comfortable for virtual training. PDD has also been requested to analyse possible Non-Conforming Measures (NCMs) templates to be considered by ASEAN Member States in developing their own schedules of reservations under the ATISA.

L. Study on ‘the Potential Utilisation of MRAs in ASEAN and the Regulatory Barriers’

PDD accepted the request of the Coordinating Committee on Services (CCS) during its 95th CCS Meeting in Ho Chi Minh City, Viet Nam held on 5 March 2020, to undertake research on Enhancing the Utilisation of ASEAN Mutual Recognition Arrangements (MRAs) in Facilitating Mobility of Professionals in ASEAN, which identified existing regulatory barriers to mobility of professionals in AMS.

The study investigated the level and method of utilisation of MRAs, which is an important tool to facilitate cross-border trade in professional services

in ASEAN. The selected Professional Services on the MRA for this study are: (1) Engineering; (2) Architecture; (3) Surveying; (4) Accountancy; (5) Nursing; (6) Doctors; and (7) Dentists. Part of this study involved direct consultation with the stakeholders of the related professional associations as well as with regulators to discuss issues surrounding the implementation of the MRAs in AMS.

The Interim Report of this Study was completed for the 96th CCS Meeting, which included a comprehensive discussion of the barriers and issues relating to MRAs in AMS and concluded with seven practical recommendations to enhance the flow of professional services in the ASEAN. To date, there have been some challenges in receiving responses and support for the initiatives from the professional bodies of certain services sectors in AMS due to the COVID-19 pandemic. This study has been completed by the end of March 2021.

M. Study on ‘the Impact of Fourth Industrial Revolution (4IR) on Services Supply in ASEAN’

Also a result of the CCS request from the 95th CCS Meeting to ERIA, PDD conducted a study on the Impact of Fourth Industrial Revolution (4IR) on the Evolving Services Trade Landscape and Mobility of Professionals in ASEAN. Its objective was to investigate the impact of IR4.0 on professional service providers in ASEAN and the potential impact on their mobility. This study also undertook a review of the uptake of the IR4.0 in the seven professional services – (1) Engineering; (2) Architecture; (3) Surveying; (4) Accountancy; (5) Nursing; (6) Doctors; and (7) Dentists – at the international level, such

as in Australia, China, the European Union, and the United States.

PDD submitted the Interim Report for this study for the 96th CCS Report, which included the extensive results of the surveys with professional bodies in AMS on the impact of IR4.0. The Interim Report also provided recommendations on adjustment of policies to respond to the evolving services trade landscape in ASEAN. To date, there have been some challenges in receiving responses and support for the initiatives from the professional bodies of certain services sectors in AMS due to the COVID-19 pandemic. This study was completed at the end of March 2021.

N. Follow-up work on the Development of Regulatory Management System (RMS) in ASEAN Member States

On 15 July 2020, PDD and the ASEAN Secretariat held a 'Virtual Forum on Fostering Regulatory Cooperation Through Implementation of Good Regulatory Practices (GRP) Principles in ASEAN: Sharing of Experiences and Best Practices.' This virtual forum was a follow-up work of the Baseline Study Regulatory Management System (RMS) in ASEAN, which was a joint initiative of ERIA and the ASEAN Secretariat undertaken in 2018–2019 for the High Level Taskforce for Economic Integration (HLTF–EI).

The Virtual Forum on RMS was attended by the Focal Points of the Baseline Study on RMS, officials from the ASEAN Secretariat, and as well as six external experts relating to RMS and GRP. While its primary objective was to further utilise the findings

and insights on the implementation of RMS in AMS, the virtual forum was also held to share experiences and best practices in the implementation of RMS of selected countries such as Malaysia, Singapore, and New Zealand, and showcase the use of regulatory tools in the RMS framework, such as the Philippines' experience of reducing of red tape and Viet Nam's with its regulatory guillotine. The Virtual Forum concluded with identifying possible next steps and suggest programme and activities for AMS to improve their regulatory practices and contribute to the development of initiatives to foster ASEAN-wide regulatory cooperation. The findings of this study were presented at the 38th High Level Taskforce Meeting in July 2020 for updating and consideration. PDD will continue to support the ASEAN Secretariat with the work of Good Regulatory Practice.

O. Develop 'the Cost-Effectiveness Toolkit for Non-Tariff Measures', in collaboration with UNCTAD

With the support and cooperation of the United Nations Conference on Trade and Development (UNCTAD), PDD, together with the Research Department, developed a framework to review the cost and effectiveness of existing Non-Tariff Measures (NTMs) in ASEAN, through a NTM Toolkit.

The initial draft of the NTM Tool Kit was presented and submitted to the ATFJCC at the various ATFJCC meetings in 2020 and is currently awaiting comments. In December 2020, together with UNCTAD, ERIA held a focus group discussion with the objective of seeking views, inputs, and comments from experts and individuals who have

worked on NTMs, good regulatory practices, and related issues, to further develop and improve the draft NTM Cost-Effectiveness Toolkit. The participants included experts from ERIA, the ASEAN Secretariat, the ATF–JCC Chair, former government officials, think tank experts, and UNCTAD officials. Inputs and recommendations from the group were taken into account in the completion of the draft final version of the NTM Toolkit.

P. Joint Study on ASEAN+3 Connectivity

Based on the outcome of the 21st ASEAN Economic Ministers Plus Three Consultations, ERIA undertook a joint study on ASEAN+3 Connectivity in collaboration with the Chinese Academy of International Trade and Economic Cooperation (CAITEC), and Japanese External Trade Organization (JETRO), and Korea Institute for Foreign Economic Policy (KIEP). The joint study was intended to complement the ongoing trade facilitation initiatives in ASEAN, help improve trade amongst ASEAN Member States, and enhance supply chain connectivity between ASEAN and CJK countries (China, Japan, and Republic of Korea). The Chairman’s Statement of the 23rd ASEAN Plus Three Summit in November 2020 recognised the collaborative work of the four research institutes from APT members that would be beneficial to the region, as well as enhancing the ASEAN-Plus Three economic relations.

Q. Virtual Expert Brainstorming on the Fourth Industrial Revolution in ASEAN

PDD, in collaboration with the ASEAN Secretariat, held a two-session Virtual Expert Brainstorming on the Fourth Industrial Revolution in ASEAN on 18 and 20 May 2020. The Virtual Roundtable Discussion had the primary objective of assisting the ASEAN Secretariat in developing a consolidated strategy on the 4IR for ASEAN. The discussion also encompassed brainstorming sessions on current 4IR-related trends, developments, and global best practices related to the following issues: (1) 4IR in Global and ASEAN Context, (2) Cybersecurity and Governance in the age of the 4IR, (3) the Economy of the 4IR, and (4) 4IR for the Society. It was attended by officials from the ASEAN Secretariat, a select group of international 4IR experts, as well as ERIA economists, policy fellows, and other representatives.

R. Support to Stakeholders

ERIA also participated in several workshops and symposiums across Asia and the Pacific, to bring in the stakeholders such as UNCTAD (on NTMs) and UNESCAP (on Investment Facilitation), 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 has also contributed to the Senior Economic Official Meetings – East Asia Summit (SEOM–EAS) Consultations and the 8th East Asia Summit (EAS) Ministerial Meetings held during the Fifty-second ASEAN Economic Ministers’ Meeting (52nd AEM) and related meetings from 22 to 29 August 2020. ERIA presented a paper titled *‘Accelerating Restoration of Economic Growth, Maintaining Market Stability and Strengthening Resilience of the EAS Region Post COVID-19’* and there were requests and directions from the Ministers for ERIA to undertake policy-based research on improving EPCs trade and investment regimes policies including making value chains resilient to shocks, effectively address the impending recession, promote new technologies and develop a framework for EAS regional economic integration and development after overcoming the COVID-19 pandemic, taking into account existing initiatives.

S. Capacity Building

PDD also contributed to capacity building activities for middle-level trade ministry officials in AMS to enable them to participate more effectively in ASEAN+ FTA negotiations and equip them with a greater understanding of trade and investment matters, e.g. ASEAN Trade in Services, Non-Tariff Measures (NTMs), and Regulatory Management System (RMS). PDD is working closely with the Capacity Building unit in developing the necessary training for government officials.

Conclusion

The PDD accomplished substantively in 2020 and early 2021. PDD continued working on specialised areas such as trade facilitation, NTMs, RMS, and discussions with dialogue partners and multilateral organisations. New issues were also covered, including digital economy, human capital development, and sustainability. Numerous 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 2021. There have been requests for potential collaboration, and to ensure effective delivery PDD has worked together with the Research Department and Outreach Department, including the Capacity Building and Communications units, to meet the demands for providing support to governments and related agencies. Similar cooperation and collaboration will continue and there will be more to come in 2021.