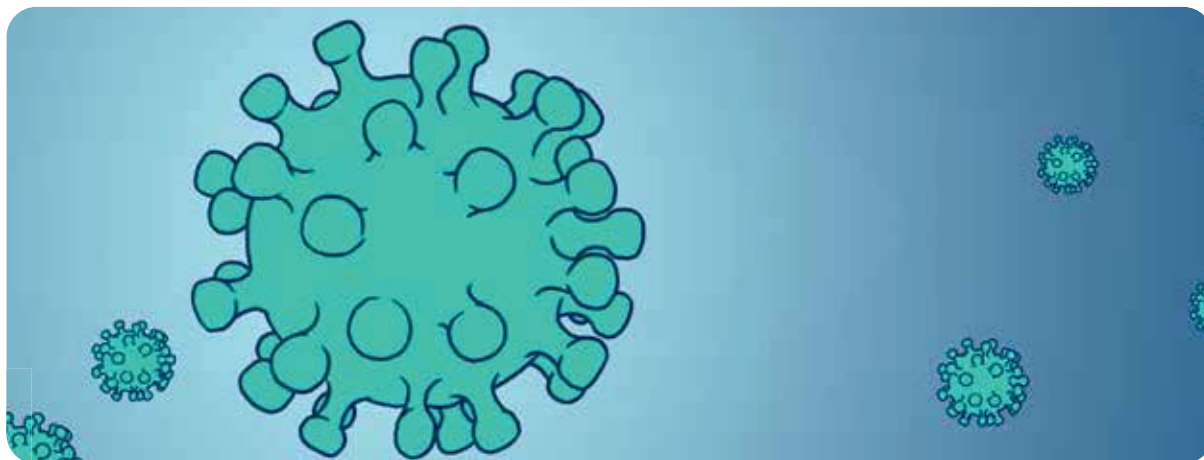


Research



COVID-19 Related Projects



1. COVID-19 in Indonesia

The main long-term effect of the coronavirus disease (COVID-19) in developing and least developed countries is rising poverty and unemployment. Governments around the world have launched major fiscal and monetary stimuli to overcome the pandemic. Still, implementation needs to be improved. The most important issue is how to revive trade and investment to maintain levels of employment. The Economic Research Institute for ASEAN and East Asia (ERIA) carried out a study on COVID-19 in Indonesia. The study will address the impacts of COVID-19 on the economy, how to mitigate the economic impacts of the pandemic, and the kind of fiscal and monetary stimuli that can revive trade and investment and maintain pre-pandemic levels of employment. The Routledge co-publication, titled

COVID-19 in Indonesia: Impacts on the Economy and Ways to Recovery, was published in early April 2022. This book assesses the impacts of COVID-19 on the Indonesian economy, particularly on employment, education, poverty, trade, and the macro economy.

The study explains how fiscal and monetary stimuli work and the roles of local governments in managing such stimulus. It also presents paths to recovery and lessons learnt from countries that have found success in mitigating the economic impacts of the pandemic (China, Germany, Singapore, and Viet Nam). It will be a useful reference for policymakers, scholars, students, and the public audience working or having an interest in the fields of development economics, trade, health economics, economics, and East Asia.

2. A New Challenge of Urban Structural Change in the Post COVID-19 Era

COVID-19 has led many people, companies, and governments to recognise that it is becoming increasingly difficult to continue living and working the way we used to. The widespread use of telework and various measures to avoid crowding are giving people room to reconsider where they live and where their companies operate. This trend could continue even if vaccines are widely available and the impact of COVID-19 is reduced.

The widespread use of telework adds to the debate on the concentration of cities. Will these changes in the economic environment lead to a reduction in urban concentration? Or, conversely, will they accelerate it? If policymakers do not like the concentration of cities, especially the largest economic centres, what policies can be adopted to make them less concentrated? The dramatic changes in the economic environment brought about by COVID-19 may also change the tone of the long-running debate on the economy of agglomeration and the development of information and

communication technologies (ICTs). Indeed, in parallel with the development of ICTs, a debate has ensued about whether urban agglomeration will proceed or be moderated. In Asia, the problem of concentration in the largest economic centres is common and is part of the vulnerability of large cities, as evidenced through COVID-19, where infections were spread by the movement of people. This is why sharing best practices and developing appropriate policies in response to changes in the economic environment are essential for economic development and the improvement of people's lives in the medium to long term. As COVID-19 will semi-compulsorily promote telework in many countries and have a major impact on industrial structures, it makes sense to study and analyse the changes and the latest policies at this time.

This project summarises the economics and diseconomies of agglomeration, and analyses the policies of remote work, industrial policy, and the new capital initiative to ease the concentration of power in different countries. The study combines a review of theories with case studies of specific cities. Using available data, we analyse data on post-2020 changes in specific cities.

Deepening Economic Integration



1. Regional Comprehensive Economic Partnership: Implications, Challenges, and Future Growth of East Asia and ASEAN

The Regional Comprehensive Economic Partnership (RCEP), completed on 15 November 2020, is the largest free trade agreement (FTA) in the world. It comprises the 10 Member States of ASEAN (Brunei, Cambodia, Indonesia, the Lao People's Democratic Republic (Lao PDR), Malaysia, Myanmar, Philippines, Singapore, Thailand, and Viet Nam) and five other countries in the region with which ASEAN has FTAs – Australia, China, Japan, the Republic of Korea (henceforth, Korea), and New Zealand. It is the largest trading bloc in the world, with a combined population of 2.2 billion people (30% of the world population), total regional gross domestic product (GDP) of around \$38,813 billion (30% of global GDP in 2019), and nearly 28% of global trade.

The RCEP sets an important agenda for trade and investment in global trade in terms of opening large domestic market (demand), releasing huge resources for trade and investment, and creating dynamic regional and global value chain activities. It is a critical and important framework for global trade and regionalism, especially given the current context of uncertainty and inward-looking policies caused by the COVID-19 pandemic. It provides the impetus for global trade and investment and supports open regionalism and global trade and investment.

Trade and openness are key strategies to create investment and employment, reduce poverty and income inequality, and generate structural transformation in the domestic economy and the region. Trade and global value chains (GVCs) are critical for a sustainable and

inclusive post-pandemic recovery in terms of poverty reduction and for creating a stable and resilient recovery process in terms of a digital and green transformation of regional trade.

Key features of the RCEP could strengthen the integration of the East Asian region. The RCEP is based on the following key elements of regional integration: (i) rules-based trade and investment, (ii) market access, (iii) economic cooperation, (iv) ASEAN centrality, and (v) the flexibility and responsiveness offered by its status as a 'living' agreement. These elements are important for the recovery of East Asia and ASEAN in the post-pandemic period and for moving the region to the next stage of inclusive and sustainable growth in regionalism and GVCs.

To assess the status of the RCEP at the beginning of 2022, the Trade, Training and Research Institute of Cambodia's Ministry of Commerce, in collaboration with ERIA, held a hybrid workshop and launched a book titled *Regional Comprehensive Economic Partnership (RCEP): Implications, Challenges, and Future Growth of East Asia and ASEAN* as part of a side-event during Cambodia's term as chair of ASEAN. The workshop discussed the structure of the RCEP in terms of the complexity of the RCEP commitments, modalities, and mechanisms. The book underlines key features of the agreement and analyses how these could strengthen regional integration.

The monograph (launched on 14 March 2022), edited by Fukunari Kimura, Shandre Thangavelu, and Dionisius Narjoko, shares critical insights on the various elements of the RCEP agreement and discusses the key potential implications to the integration process in the region. It

carefully examines the commitments and compares them with those of other agreements, including the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). The impact of businesses, behind-the-border issues, and the domestic capacity of the respective RCEP member countries is discussed, in addition to a formal assessment of the potential benefits of the RCEP. Finally, it attempts to address emerging issues – especially with respect to the COVID-19 pandemic recovery.

2. ASEAN Seamless Trade Facilitation Indicators and Trade Transaction Costs

ERIA, together with the ASEAN Trade Facilitation Joint Consultative Committee, has developed an ASEAN-specific trade facilitation indicator called the ASEAN Seamless Trade Facilitation Indicators (ASTFI). The ASTFI is based on a survey of the major trade-related government agencies of each ASEAN Member State. It includes measures on transparency and engagement with the private sector; the core trade facilitation measures of clearance and release formalities, as well as export and import formalities and coordination; and measures for transit, transport, and e-commerce facilitations. A report on the ASTFI Baseline Study was submitted to the ASEAN Trade Facilitation Joint Consultative Committee in July 2018.

The public version of the report, published in July 2021, provides the status and progress of the trade facilitation environment in ASEAN and its Member States (AMS), highlighting the trade facilitation efforts and best practices in ASEAN as well as each AMS as of 2018. The finding is that, by 2018, AMS had done

well in terms of transparency and information on laws, regulations, and procedures, as well as components related to communication and engagement with the private sector. Under these components, AMS had established informative and user-friendly websites containing customs and trade-related laws and regulations. Best practices by leading AMS in the region with respect to engagement between the government and the private sector were also highlighted, and these serve as benchmarks for other AMS. Moderate progress was made in the release and clearance formalities component, cross-border coordination and transit facilitation, and transport facilitation where ASEAN transport-related protocols had yet to be implemented.

Much remained to be done in many of the AMS and in the region to move towards a seamless trade facilitation environment, but progress had been made. A follow-up ASTFI survey, conducted in 2020 and 2021, will assess the progress in trade facilitation since the 2018 baseline and the attendant improvement in the trading environment in ASEAN.

3. Global Market Entry, Survival, and Exit of Firms: Understanding the Process and the Effects

Firms play a central role in an economy's globalisation process. They make constant decisions on whether they will start being engaged in global activities through trade (exporting and importing, including participation in GVCs), foreign investment, or research and development, and whether they will continue or cease these activities if they are already globally engaged. It is of utmost importance, therefore, to have in-depth knowledge

of this process not only to better understand the causes and consequences of globalisation, but also to devise appropriate policies in a broader strategy of globalisation.

A large number of studies have been conducted on this issue but much remains to be learnt about this process. First, although standard monopolistic competition models of trade (possibly with heterogeneous firms) have clarified new channels of gains from trade (increased product varieties at lower prices and reallocation of resources amongst firms), these models may be too simplistic to explain the global market entry of firms because they focus exclusively on firm productivity or marginal cost as a determinant of global market entry. However, many other important factors may be determining firms' global market entry decisions. More importantly, the process of global market entry may be much longer and more varied. (For example, Korea's military aircraft industry had taken steps – such as maintenance of imported aircraft, domestic production of some parts and components, licenced production of existing models, international collaborative development of new aircraft models – before it began exporting made-in-Korea military aircraft.) Second, understanding the process and determinants of survival in the global market or continuation of global activities is at least as important as global market entry. Although there is a small but growing literature on this issue, there is room for further studies, particularly if the various pre-entry determinants and paths are related to post-entry survival and exit of firms.

This project aims to empirically (i) clarify the process and determinants of global market entry, survival, and exit of firms; and (ii) evaluate the effects of globalisation on firm behaviour, which go beyond the effects predicted by standard trade models.

This project resulted in the publication of five ERIA Discussion Papers in FY2021.

4. Economic Impact of Non-Tariff Measures on Firms and Competitiveness in Asia

With the progress of bilateral and multilateral trade agreements, the use of tariffs as a protectionist tool has declined while the number of non-tariff measures (NTMs) has increased. These opposite trends have triggered questions of whether NTMs are being used as a substitute for tariffs and how they affect economic and social objectives. NTMs are policy measures, other than ordinary customs tariffs, which can potentially affect trade by changing the price, quantity traded, or both. NTMs can impose heavy burdens on producers and consumers. For producers, compliance with NTMs raises production costs through the adjustment of production technology or sourcing for better-quality inputs. Producers need to bear the enforcement costs to conform with regulations. For consumers, NTMs can result in more expensive imports or narrower product choice.

NTMs can also serve legitimate purposes. Unlike tariffs, which clearly distort trade and welfare, NTMs are typically designed to correct several market failures, notably to protect the health and safety of consumers and to preserve the environment. NTMs are not necessarily non-tariff barriers, thus their elimination is not an option. The complexity of NTMs as a regulatory tool poses considerable challenges to policymakers. The expansion of GVCs further magnifies the impact of NTMs on trade and competitiveness. Despite the growing importance of NTMs in international trade, the availability and accessibility of their data are limited.

Recognising the urgent need to enhance the understanding and transparency of NTMs, ERIA, in coordination with the United Nations Conference on Trade and Development, developed a database on NTMs in ASEAN and East Asia. Information is collected from all possible official sources and classified by the internationally comparable MAST 2018 classification. Product classification based on the ASEAN Harmonised Tariff Nomenclature 2017 allows analysis at sectoral and product levels.

This project resulted in the publication of seven ERIA Discussion Papers in FY2021.

Narrowing Economic Gaps



1. 13th ASEM Summit: Multilateral Cooperation for a Resilient, Sustainable, and Rules-Based Future for the Asia-Europe Meeting

The Asia-Europe Meeting (ASEM) is a unique cooperation initiative, creating scope for transnational cooperation between Partner countries through regional and subregional activities. ASEM is wide enough to accommodate global and inter-continental development priorities. Yet it localises connectivity amongst Partner countries for economic growth, trade and investment, the digital economy, inclusive growth, and sustainable development.

Under the shadow of the COVID-19 pandemic in both Europe and Asia, the hosting of the 13th ASEM Summit (ASEM13) in Cambodia was particularly significant

as it envisaged an inclusive and prosperous growth pathway for the Asia–Europe region through multilateral cooperation and sustainable development.

The study brought together scholars and practitioners from Asia and Europe to examine the multidimensional nature of Asia–Europe cooperation and connectivity. It covered themes including partnership for economic growth, trade and investment, the digital economy, quality infrastructure, skills development, education, women and youth, labour mobility, sustainable development, multilateralism, and global governance. The study captured productive and replicable experiences amongst Partner countries. It summarised the unique role and vision of Cambodia as the host of ASEM13, and the need to carry these into the 14th ASEM Summit in Europe. This book fulfilled this purpose and established a pathway for making ASEM an active,

efficient, and influential multilateral platform for cooperation and connectivity between Asia and Europe. This plenary study for Cambodia – the chair and host of the 13th ASEM Summit – envisages an inclusive and prosperous growth pathway for the Asia–Europe region through multilateral cooperation and sustainable development. At the request of the Deputy Prime Minister of Cambodia, the book was translated into the Khmer language, and both versions were presented to leaders at the ASEM Summit in Cambodia on 24 November 2021.

2. Modelling Human Development and Circulation of the Long-Term Care Workforce

The Government of Japan launched the Asia Health and Wellbeing Initiative to promote regional and bilateral cooperation to create vibrant and healthy societies where people can enjoy long and productive lives and contribute to sustainable development. Cross-border circulation of human resources for long-term care is one of the most supported activities of this initiative. The development of human resources for long-term care all over Asia is expected to smooth the path for Japanese long-term-care service providers to invest overseas in care industries and encourage these industries in countries that have not necessarily nurtured long-term care service. The establishment of such a win-win relationship amongst Asian countries is the most important goal of the Asia Health and Wellbeing Initiative.

The objective of the project is international harmonisation of the national qualification frameworks of long-term-care training. Japan has a national qualification system for certified care workers and a career ladder system for long-term care professionals. The Philippines has a qualified caregiver training system under the Technical Education and Skills Development Authority and the Philippine Qualifications Framework. Indonesia and other AMS are establishing their own qualification frameworks for job training. National qualification frameworks, however, must be harmonised under an Asian qualification framework for international long-term care work. Although Japan welcomes care workers from abroad, how to identify them within its qualification framework is not yet clear. Care workers in the origin countries are confused about their professional rank in the receiving country.

Due to a steadily ageing global population, demand for care workers for older people is growing worldwide. In most societies and cultures, older people have traditionally been taken care of by family members, but shrinking family size has been making this difficult and businesses providing care for older people are emerging. Countries with aged populations are increasingly relying on foreign care workers.

This report, published on 13 July 2021, focused on a comparison of vocational qualifications frameworks in India, the Philippines, and Japan. It aims to contribute to the promotion of policy dialogue with a view to creating more skilled workers and to establish systems that can fairly recognise their competencies, so that their vocational skills can be much better utilised in any country.

3. Feasibility of the Introduction of Japanese-Style Rehabilitation Centres to Cambodia, Lao PDR, and Viet Nam

This study will focus on brain injury rehabilitation in Cambodia, Lao PDR, and Viet Nam, where populations are expected to begin to age rapidly. Societies facing rapid ageing are expected to see a greater number of patients with brain injury (e.g. stroke) than societies with younger populations. This is because risk factors accumulate as individuals age – i.e. hypertension, diabetes mellitus, and hyperlipidaemia – and thus demand for long-term care increases. An increase in the number of older people who require long-term care can impose a very heavy burden on developing economies such as Cambodia, Lao PDR, and Viet Nam. It is expected that ageing in these nations will take place before the countries are able to establish reliable social welfare systems for older people. Urgent action is required to disseminate preventive measures for brain injury and to prevent the impairment of activities of daily living of patients with brain injuries.

This study shows the potential of chronic-phase rehabilitation and nutritional management as specific strategies for a 'broad-based healthcare system'. In the countries studied, it was often difficult to provide sufficient rehabilitation and nutritional support for patients due to staff shortages. Greater human resources are needed to establish a 'broad-based healthcare system', at least in terms of chronic-phase rehabilitation and nutritional development.

Considering the diversity in the social, cultural, and political backgrounds of the countries covered in this study, it is important to gain a deep understanding of the real needs for the services, as presented in this project, to promote a 'broad-based healthcare system.' Multilateral cooperation amongst Cambodia, Japan, Lao PDR, and Viet Nam has great potential to achieve the development of reliable and affordable healthcare systems. This would be in line with universal health coverage as referred to in the 2030 Agenda for Sustainable Development of the United Nations, through mutual sharing of practices and lessons from different backgrounds. Health for all, without leaving anyone behind, is indispensable for creating mutually beneficial relationships amongst the countries in the region and indeed for enhancing economic development.

The report was published on 29 December 2021, titled *Pioneering Chronic-phase Rehabilitation and Nutritional Management in Cambodia, the Lao People's Democratic Republic, and Viet Nam: Promotion of a Broad-based Healthcare System*.

4. Feasibility of FTAs Between Cambodia and Its Trading Partners, India and Mongolia

In August 2020, Cambodia requested ERIA to conduct a study on the feasibility of FTAs with India and Mongolia. ERIA agreed to support Cambodia by preparing a joint report on the potential impacts of FTAs between Cambodia and its FTA partners. The objective of the FTA feasibility study is to generate insights into the costs and benefits of the prospective FTAs, considering the current economic situations in Cambodia and its FTA partners. The FTA feasibility study will use rigorous analytical techniques and the available data to shed light on relevant issues such as the current status of the bilateral

trading environment, including tariff and non-tariff barriers to trade; the consequences of the reduction and/or elimination of tariffs on trade with FTA partners; structural adjustments in production and consumption; the potential to form new supply chains; and areas for mutual gain. The FTA feasibility study will cover issues pertaining to trade in goods and selected services, and identify important sectors based on recent trends as well as input from the Government of Cambodia. The study will discuss how the FTAs may direct investment towards certain sectors. Supportive policies and reforms necessary to maximise the benefits from the FTAs will also be discussed.



Sustainable Development



1. Applying Extended Producer Responsibility Towards Plastic Waste in Asian Developing Countries to Reduce Marine Plastic Debris

The extended producer responsibility (EPR) mechanism is adopted in many countries to give producers the responsibility to manage their products up to the post-consumer stage. In developing countries, EPR is mostly implemented for electronic waste. However, with the rising concern about marine plastic, developing countries, including those in Asia, have started to apply EPR for package and container waste. In practice, developing countries significantly differ in their implementation of EPR compared with developed ones due to contrasting social, economic, technology, and other factors. This paper aims to explore the challenges of developing countries in applying EPR and to determine possible measures to

overcome the challenges. Results show that applying EPR for plastic waste in developing countries faces many challenges, such as the existence of a market-based collection system of recyclables, high transport costs, lack of waste collection services in rural areas, the limited number of facilities to manage certain types of plastic waste, insufficient pollution control, and free riding and orphan products. The challenges can be minimised by differentiating the responsibility of producers, focusing on rural and remote areas, involving informal sectors, creating joint facilities in recycling parks, expanding waste management collection services, increasing the use of EPR, and minimising free riding. Aside from optimising the implementation of EPR, other related measures ensure the circularity of plastic waste in Asian developing countries. For instance, governments or private companies facilitate investment to reduce the transport

cost of collected recyclables, enhance recycling design, develop industrial standards for recycled products, and stimulate green public procurement.

2. Impact of COVID-19 on Financing the Low-Carbon Energy Transition

Several reasons exist for leveraging private finance to accelerate the low-carbon energy transition and to achieve the nationally determined contributions (NDCs) agreed as part of the Paris Agreement. First, advanced countries have not yet agreed on any clear plans to meet their commitment to provide \$100 billion annually by 2020 so that developing countries can reach their NDC targets. Second, as estimates indicate, more than \$100 billion per year is needed to meet the low-carbon transition challenges that include not only investments in renewable energy but also energy efficiency and other strategies such as the deployment of clean coal and carbon capture and storage technologies. Third, government budgets of both advanced and emerging economies are often constrained by financial debts and other austerity policies, with little clarity on when and how public financial flows will be scaled up to meet the targets for 2030. This study examines the impact of COVID-19 on the financial sector – equity markets, bond markets, the banking sector, and central banks. It performs an in-depth country analysis on the barriers to low-carbon green growth in the major economies of ASEAN and East Asia.

Asia's historical development is at a crossroads. Twenty months into COVID-19, the cumulative economic and financial impacts are estimated to be much worse than

those of the 1997 Asian economic crisis and the 2008 global financial crisis. Governments across ASEAN and East Asia have deployed a significant amount of emergency capital in their response to the pandemic, with an initial focus on protecting livelihoods. As countries move towards long-term deep decarbonisation and a circular net zero economy, recovery from the pandemic has offered a rare opportunity to realign energy, innovation, trade, and fiscal policies into macroeconomic planning and national budgets towards a new sustainable development paradigm.

This book reviews and assesses the low-carbon green growth policies, practices, and economic recovery packages and identifies implementation gaps and new opportunities. The detailed analyses embedded in the chapters cover a wide range of impact strategies at the sectoral level and identify immediate economy-wide actions required to realise the net zero future. Based on a review of countries' experiences, this volume concludes that past climate actions have entailed progressive bottom-up, sectoral, low-carbon, green growth initiatives that are relatively fast and easy to implement and that provided incremental co-benefits. Realising the net zero future by 2050 will require much higher levels of technology absorption, crowding in finance, and strong institution building. The book urges public and private actors to harness the potential of regional cooperation based on market principles, which will reduce the cost of transformation to the net zero economy.

The report, titled *Rethinking Asia's Low-Carbon Growth in the Post-Covid World: Towards a Net-Zero Economy*, was published on 27 January 2022.