



RUSSIAN FOREIGN TRADE ACADEMY
MINISTRY OF ECONOMIC DEVELOPMENT
OF THE RUSSIAN FEDERATION



Economic Research Institute
for ASEAN and East Asia

ASEAN–Russia

Trade and Economic Relations

PROSPECTS AND PATHWAYS

Report of ERIA–RFTA Joint Seminar

Moscow
19 December 2017

Executive Summary

Russia has been a full dialogue partner of the Association of Southeast Asian Nations (ASEAN) since 1996. The 20th year of ASEAN–Russia dialogue relations was marked with a commemorative summit in Sochi, Russia on 19–20 May 2016. Aptly, the theme of the Summit—Moving Towards a Strategic Partnership for Mutual Benefit—resonated the forward-looking sentiments of both partners. During the summit, the leaders adopted the Sochi Declaration, which charts out the future direction of the ASEAN–Russia relationship and cooperation.

In keeping with the theme of the Sochi Declaration, Russia’s senior economic official initiated a study to bring out the existing strengths of Russia–ASEAN trade and investment cooperation and the prospects for deepening trade, investment, and economic cooperation further in the coming years. The study also covers integrated trade and value chain connectivity between ASEAN and the Eurasian Economic Union (EAEU), as both groupings are based on similar principles of economic relations. The study was jointly conducted by the Economic Research Institute for ASEAN and East Asia (ERIA) in Jakarta and the Center for Strategic Research at the Russian Foreign Trade Academy (RFTA) in Moscow.

The economic and geographical importance of ASEAN and Russia are important both for regional and global prosperity. The ERIA–RFTA joint study has revealed current trends and complementarities in ASEAN–Russia economic relations; and has explored avenues and measures to improve and facilitate trade, investment, and bilateral cooperation. The study reveals huge opportunities and avenues for economic cooperation, institutional connectivity, and people-to-people cooperation between Russia and ASEAN.

ASEAN has been able to maintain a healthy average annual growth rate of 5.2%. The ASEAN Economic Community (AEC) has been working on improving the business climate and its commitment toward openness, and has been effective in attracting investment in the region. The strength of ASEAN’s economy is its diversity, which allows flexibility in structural transformations of its economy.

The Russian Federation is the world's sixth largest economy, with a gross domestic product (GDP) based on purchasing power parity (PPP) of \$4.0 trillion. Russia's vast geography and rich natural resources are its strength. Macro stabilisation and improved business and consumer confidence ensure continued growth in Russia's economy, with growth projections of 1.7%–1.8% over 2018–2020.

The scope is huge for both ASEAN and Russia to diversify their merchandise trade in the coming years. While Indonesia, Malaysia, Singapore, and Thailand have been important trading partners, trade with Viet Nam has surged in recent times, underlining the benefits of the free trade agreement with the EAEU.

ASEAN–Russia trade in services increased significantly during 2005–2017, from \$0.5 billion to \$4.3 billion. Foreign direct investment (FDI) flows from Russia to ASEAN reached \$45 million in 2017. Reverse FDI, however, is a weak link in Russia–ASEAN economic relations. Viet Nam's FTA with the EAEU is an important milestone in Russia–ASEAN relations. Singapore and Cambodia are likely to follow.

Russia is East Asia's link to Europe. Deeper ASEAN–Russia economic and institutional cooperation will create a system of value chains in goods and services which could leapfrog into the third unbundling, where goods and services are complemented by digital and e-commerce abilities in trade, technical, and economic cooperation. This cooperation will have a special bearing on Cambodia, the Lao People's Democratic Republic, and Myanmar (the CLM countries).

Russia and ASEAN have newer areas of cooperation in the sphere of the digital economy and e-commerce, multilateral governance of trade, investment facilitation, industrial cooperation and the participation of small and medium-sized enterprises (SMEs) in global value chains, regulatory and standards coherence, and sharing expertise in the economic development and integration of remote areas.

The Economic Research Institute for ASEAN and East Asia (ERIA)–Russian Foreign Trade Academy (RFTA) study brings out the strengths and possible areas of cooperation that will enhance and deepen trade and investment between the two regions. The findings of the study were presented at the Association of Southeast Asian Nations (ASEAN)–Russia Senior Economic Officials Meeting for deepening the ASEAN–Russia dialogue on mutual cooperation in 2018.

I. Russia–ASEAN Trade and Economic Relations: Prospects and Pathways

Russia has been an ardent member of the East Asia Summit since 2010 and a full dialogue partner of ASEAN since 1996. The first ASEAN–Russia Summit was held in December 2005 in Kuala Lumpur. Since then, ASEAN–Russia relations have continued to deepen. ASEAN and Russia marked the 20th anniversary of their dialogue relations in 2016 with a commemorative summit in Sochi, Russia on 19–20 May 2016, with the theme of Moving Towards a Strategic Partnership for Mutual Benefit. During the summit, the leaders adopted the Sochi Declaration, which charts out the future direction of the ASEAN–Russia relationship and cooperation.

Given the economic and geographical importance of ASEAN and Russia, it is expected that trade and economic relations will continue to grow beyond the current levels. The economic and geographical importance of ASEAN–Russia economic relations also show scope for further integration of trade and economic relations. Additionally, more integrated trade and value chain connectivity could be considered between ASEAN and the Eurasian Economic Union (EAEU), as both groupings are based on similar principles of economic relations. As the global economy seeks new channels of economic activity and cooperation, ASEAN and Russia are also seeking economic complementarities and measures to facilitate trade and investment between the two economies.

At the request of Russia’s senior economic official, the Economic Research Institute for ASEAN and East Asia (ERIA) and the Center for Strategic Research at the Russian Foreign Trade Academy (RFTA) organised a joint seminar on 19 December 2017 in Moscow to discuss the strengths and possible areas of cooperation which will enhance and deepen trade and investment between two regions. A report on the outcomes of the seminar has been prepared to evaluate the various dimensions of economic cooperation between ASEAN and Russia. The report’s findings were presented at the ASEAN–Russia Senior Economic Officials Meeting in 2018.

The concept note and seminar agenda are in the annex to this report.

II. ASEAN–Russia Trade and Economic Cooperation: Global and Regional Context

Russia has been a member of the East Asia Summit since 2010 and a full dialogue partner of ASEAN since 1996. The 20th anniversary of dialogue relations, enshrined in the Sochi Declaration of 2016, gives a new direction and impetus to ASEAN–Russia relations.

Globally, avenues for growth are being sought through new corridors of economic activities and cooperation. The ASEAN–Russia economic partnership is expected to chart new directions for economic partnership and set up cooperation plans for greater connectivity. The theme of ASEAN–Russia relations—Moving Towards a Strategic Partnership for Mutual Benefit—charts the future direction of the ASEAN–Russia relationship and cooperation.

The economic and geographical importance of ASEAN and Russia are important both for regional and global prosperity. Analysis of current trade and cooperation trends and exploration of areas of mutual interest and expertise show that trade and economic relations will continue to grow beyond current levels; and reflect huge opportunities and avenues for economic cooperation, institutional connectivity, and people-to-people cooperation.

The ERIA–RFTA joint seminar revealed the current trends and complementarities in ASEAN–Russia economic relations and explored avenues and measures to improve and facilitate trade, investment, and bilateral cooperation.

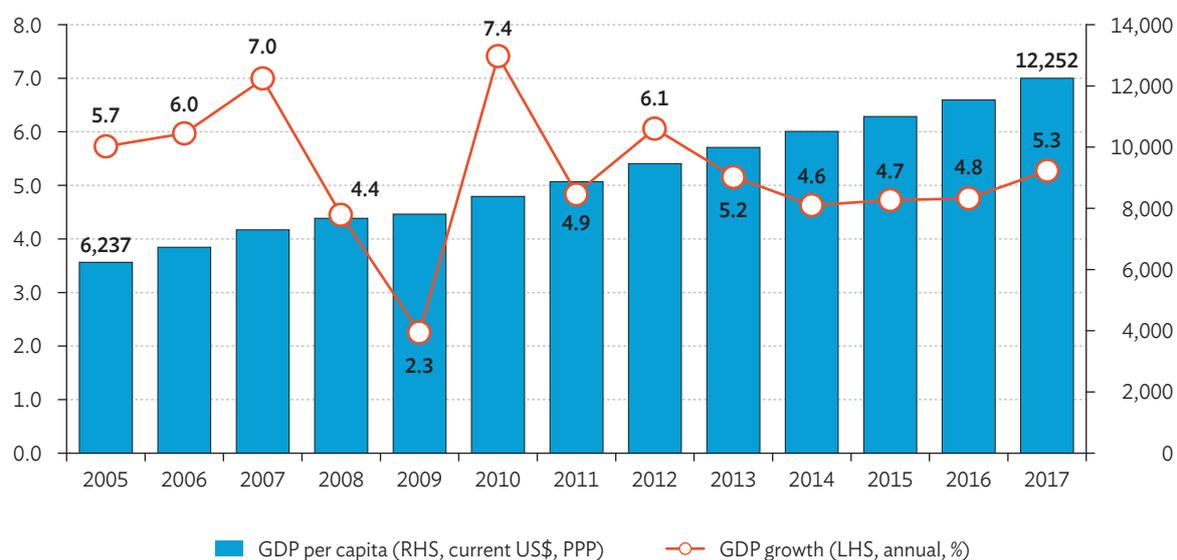
III. Overview of ASEAN

ASEAN has played a crucial role in regional and global integration. The economic development of its Members have transformed the region into a hub of competitiveness. With a population of 647 million, ASEAN's gross domestic product (GDP) based on purchasing power parity (PPP) is about \$9.3 trillion—the world's fifth largest economy after China, the European Union, the United States (US), and India; and the fourth largest global trading power after the European Union, the US, and China.

Each country in ASEAN is committed to reforming its economy by increasing transparency and improving the business climate. ASEAN has been able to maintain healthy growth during 2005–2017, with an average annual growth rate of 5.2% (Figure 1). ASEAN has maintained openness to the outside world, evidenced by the high total trade (goods export and import value) to GDP ratio, which is higher than 100% during this period.

The ASEAN Economic Community (AEC) has been working on improving the business climate and commitment toward openness, and has been effective in attracting investment to the region. The FDI inward stock to GDP ratio increased markedly from 45% in 2005 to 78% in 2017. The diversity in the ASEAN economy and its growth rate allows it flexibility in structural transformations of its economy.

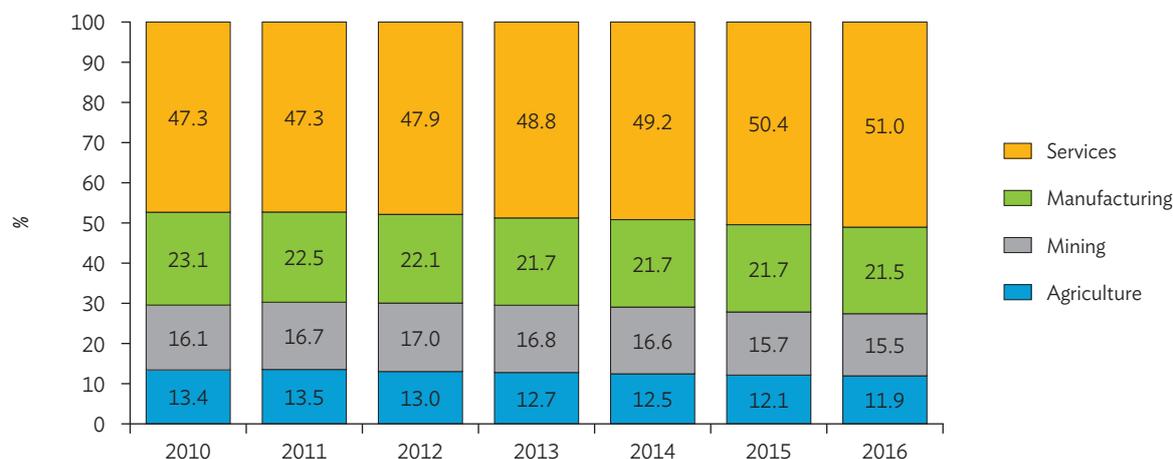
Figure 1: ASEAN GDP Growth and GDP Per Capita, 2005–2017



ASEAN = Association of Southeast Asian Nations, GDP = gross domestic product, LHS = left hand side, PPP = purchasing power parity, RHS = right hand side.

Sources: World Bank (World Development Indicators 2017), IMF (World Economic Outlook Database April 2018), UN DESA (World Population Prospects 2017).

Figure 2: ASEAN GDP by Sector, 2010–2016 (%)



ASEAN = Association of Southeast Asian Nations, GDP = gross domestic product.

Source: World Bank (World Development Indicators 2017).

IV. Overview of Russia

With a population of 147 million, the Russian Federation is the world's sixth largest economy with a GDP (PPP-based) of \$4.0 trillion (Table 1). Russia's vast geography is an important determinant of its economic activity. Its economy is mainly driven by the energy industry. Russia produces 12.6% of the world's total oil production and 17.3% of global gas produce. It is the number two oil and gas producer in the world (British Petroleum, 2018). Endowed with rich natural resources, Russia is a top exporter of metals such as steel and primary aluminium. Amidst recovered oil prices, macro stabilisation, and improved business and consumer confidence, Russia's economy is expected to keep growing, with growth projections of 1.7%–1.8% in 2018–2020 (Global Economic Prospects, 2018).

Table 1: Russia's Key Economic Indicators

Year	GDP, PPP (\$ billion)	GDP per capita, PPP (\$)	Trade in goods (% of GDP)	Trade in services (% of GDP)	FDI inward stock (% of GDP)
2005	2,475	17,232	41.5	8.4	21.8
2010	3,241	22,639	38.2	7.6	28.3
2015	3,836	26,658	38.5	10.3	19.2
2016	3,877	26,930	36.5	9.8	30.7
2017	4,008	27,834	38.3	9.6	29.2

FDI = foreign direct investment, GDP = gross domestic product, PPP = purchasing power parity.

Sources: IMF (World Economic Outlook Database April 2018); UN DESA (World Population Prospects 2017); Federal Customs Service; and Central Bank of the Russian Federation.

V. ASEAN–Russia Trade

ASEAN–Russia merchandise trade was \$19 billion in 2017, which constitutes 0.7% of ASEAN's total merchandise trade (Table 2). While ASEAN has high trading volumes with other global partners, its trade with Russia has not reached the expected depth. Both ASEAN and Russia have huge scope to diversify their merchandise trade in the coming years.

Table 2: ASEAN Trade with Selected Trading Partners, 2017 (\$ billion)

Country/Region	Exports	Imports
World	1,345	1,285
China	200	268
European Union	159	112
United States	150	91
Japan	107	109
Eurasian Economic Union	8	13
Russian Federation	7	12

ASEAN = Association of Southeast Asian Nations.
Source: ITC Trade Map, 2018.

VI. ASEAN–Russia Goods Trade

ASEAN–Russia trade in goods improved over 2005–2017. While Indonesia, Malaysia, Singapore, and Thailand have been important trading partners, trade with Viet Nam has surged during the same period.

Table 3: ASEAN–Russia Trade in Goods (\$ million)

Country	2005		2010		2017	
	Exports	Imports	Exports	Imports	Exports	Imports
Brunei Darussalam	0	0	0	0	0	0
Cambodia	6	2	34	6	162	5
Indonesia	349	202	1,046	665	2,486	789
Lao PDR	0	11	0	7	5	11
Malaysia	673	150	1,343	345	1,549	602
Myanmar	2	1	14	63	49	167
Philippines	73	198	304	763	408	196
Singapore	317	309	332	2,008	1,158	3,290
Thailand	452	547	1,370	1,536	1,720	510
Viet Nam	174	739	1,111	1,121	3,329	1,903
Total ASEAN–Russia Trade	2,047	2,159	5,554	6,514	10,867	7,474

ASEAN = Association of Southeast Asian Nations, Lao PDR = Lao People’s Democratic Republic.

Source: ITC Trade Map, 2018.

ASEAN’s exports to Russia are dominated by three major products: electrical appliances (i.e. sound recorders and televisions), machinery and mechanical appliances, and animal and vegetable oils (i.e. palm oil) (Table 4). These three products make up to 55% of ASEAN’s exports to Russia, which are more diversified than Russia’s exports to ASEAN. This indicates that diversified investments in each other’s economy would expand trade between ASEAN and Russia.

Russian exports to ASEAN are primarily concentrated in energy, as well as cereals, fertilisers, metals, and vehicles (Table 5). The nature of industrial and energy exports from Russia show avenues for greater participation from ASEAN into the industrial sectors of Russia.

Table 4: Top 10 ASEAN Exports to Russia, 2017

HS Code	Product Classification	Export Value (\$ million)	%
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television	3,074	28.3
84	Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	2,097	19.3
15	Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal	810	7.5
89	Ships, boats, and floating structures	601	5.5
40	Rubber and articles thereof	508	4.7
64	Footwear, gaiters, and the like; parts of such articles	481	4.4
87	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	414	3.8
09	Coffee, tea, maté, and spices	313	2.9
62	Articles of apparel and clothing accessories, not knitted or crocheted	299	2.8
61	Articles of apparel and clothing accessories, knitted or crocheted	264	2.4
	Rest of trade	2,006	18.5
	Total value of top 10 ASEAN exports to Russia	8,861	81.5
	Total	10,867	100.0

ASEAN = Association of Southeast Asian Nations.

Source: ITC Trade Map, 2018.

Table 5: Top 10 Russia Exports to ASEAN, 2017

HS code	Product classification	Export value (\$ million)	%
27	Mineral fuels, mineral oils, and products of their distillation; bituminous substances; mineral waxes	4,069	54.4
99	Commodities not elsewhere specified	799	10.7
10	Cereals	527	7.1
31	Fertilisers	444	5.9
72	Iron and steel	368	4.9
84	Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	215	2.9
89	Ships, boats, and floating structures	164	2.2
76	Aluminium and articles thereof	122	1.6
48	Paper and paperboard; articles of paper pulp, of paper, or of paperboard	91	1.2
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television	61	0.8
	Rest of trade	613	8.2
	Total value of top 10 ASEAN imports from Russia	6,861	91.8
	Total	7,474	100.0

ASEAN = Association of Southeast Asian Nations.

Source: ITC Trade Map, 2018.

VII. ASEAN–Russia Trade in Services

ASEAN’s trade in services increased exponentially from 2010 to 2015. Myanmar is a newcomer amongst importers of manufacturing services. Singapore, Indonesia, and Malaysia are buyers of maintenance and repair services. Singapore imports services for the transport and travel sector, construction sector, insurance and pension services, charges for the use of intellectual property, telecommunications, computer, and information services. Malaysia leads the tourism and recreation sector, capturing about 45.95% of ASEAN’s imports, while Indonesia has the largest share (28%) of imports of government goods and services.

In exports of services within the same 5-year period (2010–2015), Malaysia leads ASEAN’s exports of manufacturing services on physical inputs owned by others, while Singapore leads in maintenance and repair services. Singapore also leads in other sectors of transport and travel, financial, intellectual property, telecommunications, computer, and information services. Indonesia is again the lead exporter (36.60%) of ASEAN’s government goods and services sector.

ASEAN–Russia trade in services increased significantly over 2005–2017 from \$0.5 billion to \$4.3 billion (Table 6). The leading positions are held by Thailand and Viet Nam, mainly because of the provision of tourism services. Singapore exports to Russia mainly other business services, while imports from Russia are dominated by transport services.

Table 6: Russia–ASEAN Trade in Services (\$ million)

Country	2005		2010		2017	
	Exports	Imports	Exports	Imports	Exports	Imports
Brunei Darussalam	2.8	0.3	0.0	0.0	1.0	10.6
Indonesia	6.1	4.9	53.0	41.0	16.9	4.9
Malaysia	16.3	11.9	45.0	132.3	44.8	72.7
Philippines	3.0	1.3	4.8	3.8	16.8	1.8
Singapore	79.6	51.1	109.4	153.0	387.7	442.5
Thailand	26.2	142.1	20.3	1,001.5	45.1	1,827.2
Viet Nam	87.1	48.5	161.6	123.2	167.4	1,246.4
Total Russia–ASEAN Trade	221.0	260.1	394.2	1,454.8	679.6	3,606.0

ASEAN = Association of Southeast Asian Nations.

Source: Central Bank of the Russian Federation.

VIII. Foreign Direct Investment: Opportunities for ASEAN and Russia

FDI flows from Russia to ASEAN reached \$45 million in 2017 (Table 7). Thailand is Russia's number one FDI destination country. Russia has also put a considerable amount of FDI into the Vietnamese economy. This foretells the success of Viet Nam's free trade agreement (FTA) with the EAEU and may show a likely direction for ASEAN in its future trade relations with Russia and the EAEU.

Table 7: FDI Flows from Russia to ASEAN Countries, 2010–2017 (\$ million)

Country	Year							
	2010	2011	2012	2013	2014	2015	2016	2017
Cambodia	10.28	10.76	10.76	10.76	2.32			0.48
Indonesia	-0.28		0.07	0.01	0.02	0.05	0.04	0.99
Lao PDR	5.16	5.35				1.41	0.94	-13.00
Malaysia	-7.27	-4.35	43.63	8.82	-22.86	-24.28	-4.56	1.25
Myanmar		28.30						
Philippines		-0.02	0.00	0.00	0.00	-0.05	0.26	
Thailand	15.58	-49.72	61.35	167.87	-97.83	-7.82	37.39	37.85
Viet Nam	31.03	19.83	73.25	420.49	4.84	6.25	29.34	17.06
Total FDI flow from Russia to ASEAN	54.50	10.15	189.05	607.96	-113.51	-24.44	63.41	44.63

ASEAN = Association of Southeast Asian Nations, FDI = foreign direct investment, Lao PDR = Lao People's Democratic Republic.

Note: Blank cells denote 'value not reported'.

Source: ASEAN Statistics Web Portal (ASEANstats).

Reverse FDI, however, is a weak link in Russia–ASEAN economic relations (Table 8). This gap requires further analysis, and it is expected that the senior officials will create a dedicated task force for facilitating two-way growth of direct investments. Avenues for direct investment under the Singapore and Viet Nam FTAs also require exploration by both sides. Cambodia and Thailand have expressed their willingness to work on FTAs with the EAEU.

Table 8: FDI Flow from ASEAN Countries to Russia, 2010–2017 (\$ million)

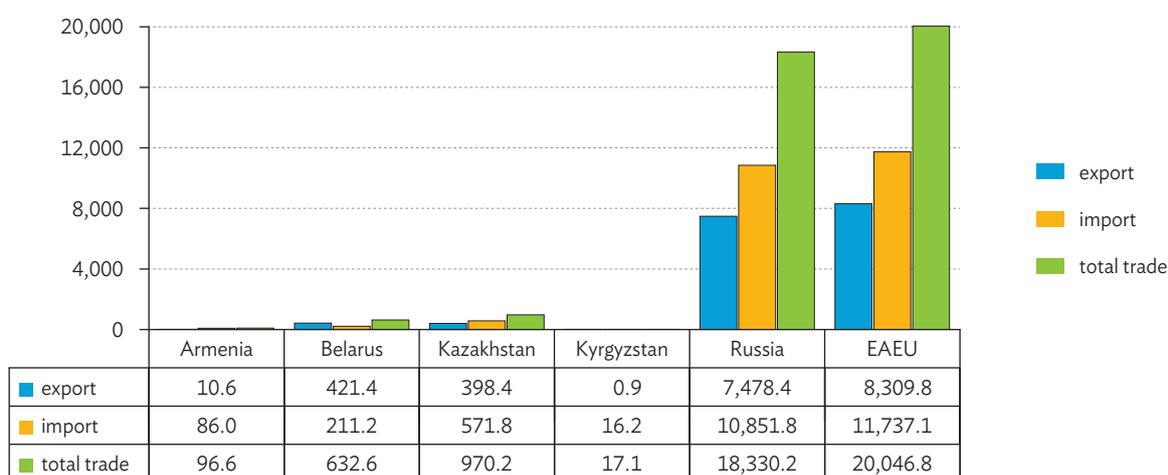
Country	2010	2011	2012	2013	2014	2015	2016	2017
Indonesia	0.0	0.0	0.0	-0.1	1.6	-0.1	0.0	0.2
Malaysia	0.8	-3.0	9.4	2.7	5.1	6.4	0.0	-0.1
Singapore	3.0	51.0	576.8	-501.7	162.2	184.9	16,273.9	2,404.3
Thailand	33.2	-8.8	9.9	3.9	0.5	0.3	0.8	-33.6
Viet Nam	275.8	6.7	-26.0	-29.0	-42.4	-31.7	7.4	-60.5
Total FDI flow from ASEAN to Russia	312.7	46.0	570.1	-524.3	126.9	159.7	16,282.2	2,310.3

ASEAN = Association of Southeast Asian Nations, FDI = foreign direct investment.

Source: Central Bank of the Russian Federation.

IX. ASEAN–Russia Trade in EAEU Perspective

ASEAN–EAEU trade relations find a natural place in any reporting on ASEAN–Russia relations. The EAEU is an important initiative and is a community that has comparable structures to ASEAN. As ASEAN works on its trade and economic relations with Russia, it may be worthwhile bringing in the ASEAN–EAEU trade as well, as some of the important economies collaborate with Russia in this economic union. Russia comprises 91% of ASEAN–EAEU trade (Figure 3), yet there are greater opportunities for cooperation and connectivity between the economic institutions of the two communities. The EAEU can be instrumental in creating trade and investment facilitations for its members, especially Russia, its largest trading partner of ASEAN.

Figure 3: EAEU–ASEAN Trade in Goods, 2017 (\$ million)

ASEAN = Association of Southeast Asian Nations, EAEU = Eurasian Economic Union.

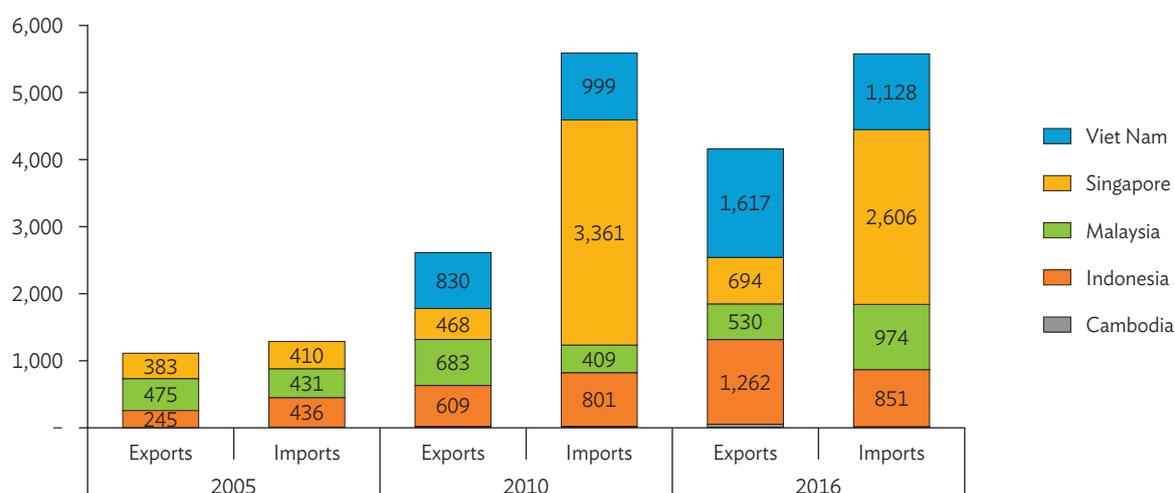
Source: ASEANstats, 2018.

The Eurasian Economic Commission (EEC) has supranational regulatory body status. A number of issues related to international trade have been submitted at the supranational level. Decisions of the commission are obligatory for execution on the territory of the EAEU Member States. The EEC is responsible for the assignment and distribution of import customs duties, customs tariff and non-tariff regulations, the establishment of trade regimes in goods for third parties, macroeconomic policy, competition policy, financial markets, industrial and agricultural subsidies, energy policy, natural monopolies, etc. Issues regarding services and investments are, however, not delegated to the EEC. The EAEU is an ongoing undertaking, with a growing scope of competence. A number of other tasks and functions that were traditionally handled by national governments of the EAEU Member States could be delegated to the EEC in the future. Russia will participate in FTAs in accordance with its obligations within the EAEU.

X. Enriching the FTA Environment

Viet Nam is the only ASEAN nation to have an FTA with the EAEU (2016). Trade between Russia and Viet Nam has grown since the FTA was signed. Russia has invested \$10 billion in Vietnamese projects and Russian exports to Viet Nam have shown a sharp increase since the FTA (Figure 4). The EAEU is likely to finalise and sign an FTA with Singapore. Cambodia and Thailand have already sent official proposals to work on FTAs with the EAEU. Indonesia and Malaysia have strong potential for FTAs and this must be given attention amongst the senior officials.

Figure 4: Trade Size and Opportunities in ASEAN (\$ million)



ASEAN = Association of Southeast Asian Nations.

Source: ASEANstat, 2018.

According to the calculations made by the RFTA experts based on the GLOBE¹ model, the aggregate gain for ASEAN countries from the conclusion of an FTA with the EAEU could amount to 0.019% of GDP growth (\$0.4 billion) in the short term and 0.041% (\$1.0 billion) in the long term. Of the EAEU members, Russia may see the biggest gains, with 0.028% of GDP growth in the short term (\$0.6 billion) and 0.066% (\$1.4 billion) in the long term. The launch of a trade agreement between the EAEU and ASEAN could also contribute to the formation of the Asia-Pacific Free Trade Area—a long-term integration project led by Asia-Pacific Economic Cooperation (APEC) members, which unites 21 economies.

Possible formats for strengthening trade cooperation between Russia, its partners in the EAEU, and ASEAN Member States may include:

- a comprehensive partnership and cooperation agreement (non-preferential trade agreement);
- bilateral FTAs between the EAEU and individual ASEAN members;
- the FTA agreement between the EAEU and ASEAN as a whole; and
- the agreements on trade in services and investment cooperation between Russia and individual ASEAN Member States.

The formation of a comprehensive partnership and cooperation agreement implies the inclusion of issues which do not change the trade regime. The elements of such an agreement may include WTO+ or WTO-X regulations and a number of procedural issues, but will not address preferential market access agenda, including tariff liberalisation. The main goal of such agreements is to reduce non-tariff barriers to trade by developing regulatory cooperation including the harmonisation of standards and transparency obligations.

Amongst other things, the provisions of a non-preferential agreement could cover the following areas of cooperation: technical, sanitary, and phytosanitary regulations; customs cooperation and trade facilitation; e-commerce; protection of the environment and labour rights; protection of intellectual property rights; competition policy; assistance to SMEs; and public procurement.

Building the potential of industrial, trade, and investment cooperation; the harmonisation and unification of certain regulations; and an increasing level of transparency could lay the foundation for gradual integration between the EAEU members and ASEAN.

¹ A standard global computable general equilibrium (CGE) model that has been calibrated using data derived from the GTAP database.

XI. Exploiting the Geographical Dividend

Russia and the EAEU are East Asia's link to Europe. Deeper ASEAN–Russia economic and institutional cooperation could create a system of value chains in goods and services. These value chains could leapfrog into the third unbundling, where goods and services are complemented by digital and e-commerce abilities in trade, technical, and economic cooperation.

East Asian production networks thrive on connectivity and cooperation. Russia and the EAEU can exercise greater participation in these economic processes, and East Asia can tap into existing and potential strengths of the Russian economy. Russia can also provide special economic and technical cooperation for CLM countries.

XII. Other Areas of Economic and Technical Cooperation

New areas of cooperation between Russia, the EAEU, and ASEAN may include the following:

Cooperation in the sphere of the digital economy and e-commerce

Both ASEAN and the EAEU see the development of a common digital agenda as a tool to facilitate economic integration and cooperation.

Common challenges faced by Russia and ASEAN include issues related to the measurement of the digital economy, information security, the digital divide and digital economy inclusiveness, and global digital monopolies' domination in the market.

Thus, the parties' common goals could cover the digital transformation of economic sectors and cooperation models for better connectivity and inclusiveness, narrowing the digital divide and facilitating infrastructure development, and enhancing information security. Areas of cooperation could include digital infrastructure, holistic and interoperable government policy frameworks, trust and security, enabling technologies and services (including common standards), e-commerce and paperless trade, and inclusiveness and digital economy measurements.

To demonstrate a commitment to mutual cooperation in the digital economy, ASEAN and Russia could consider the development and endorsement of a digital economy roadmap and action plan to facilitate further cooperation and outline the main directions and areas for cooperation that are important for Russia and ASEAN.

Cooperation in multilateral trade governance

ASEAN and Russia have a common interest in maintaining the WTO's central role in the global economy and international trade, while ensuring that it adapts to changes in the global economic and trade landscape to increase its effectiveness.

Towards this end, ASEAN and Russia could cooperate by exchanging views and, where appropriate, coordinating positions in international and regional organisations and fora, including the WTO.

Investment facilitation mechanisms

Russia has signed bilateral investment treaties with six of the 10 ASEAN countries (Indonesia, the Philippines, Singapore, Cambodia, the Lao People's Democratic Republic, and Viet Nam). Some of the earlier agreements could be updated to best international practices, including the following provisions:

- transparency in national legislation;
- investment facilitation mechanisms (including contact centres for investors and the services of a business ombudsman); and
- the promotion of responsible business conduct.

Industrial cooperation and participation of SMEs in global value chains

Russia and ASEAN have not yet been involved in common production networks to a significant degree. Trade volumes between Russia and ASEAN in terms of value added remain at a very low level compared with the values inside ASEAN or the EAEU. According to the Organisation for Economic Co-operation and Development (OECD) data, the major ASEAN exporters of value added to Russia are Thailand (\$4.0 billion), Indonesia (\$1.5 billion), Viet Nam (\$1.2 billion), and Malaysia (\$1.1 billion).

Russia and ASEAN have great prospects for cooperation within global value chains (GVCs), as both share industrial specialisation and comparative advantages.

Areas of cooperation could include machinery, chemicals, metal industries, transport equipment, electrical, and optical equipment.

At the same time, the level of SME participation in GVCs is relatively low. The key problems in this regard are SMEs' low awareness of international trade opportunities, lack of knowledge, fear of incurring serious losses, and difficulties in finding customers and partners abroad.

One of the ways to overcome this problem is to establish a committee on SMEs composed of government representatives of ASEAN and Russia. The committee could identify ways to assist SMEs of the parties to take advantage of the commercial opportunities of GVCs and exchange and discuss experiences and best practices in supporting and assisting SME exporters with respect to, amongst other things, training programmes, trade education, trade finance, and identifying commercial partners in other parties.

Regulatory and standards coherence

According to the WTO Integrated Trade Intelligence Portal goods database (I-TIP Goods), the number of non-tariff measures (NTMs) applied by WTO members in merchandise trade increased from 3,200 to 12,000 from 2000 to 2017. The structure of the NTMs applied is also changing. Countries mainly apply sanitary and phytosanitary measures as well as technical barriers to trade, which are difficult to challenge because of their technical complexity.

According to the WTO, 22.5% of NTMs worldwide are technical barriers to trade (TBT) measures. Hence, cooperation on the convergence of technical regulation systems could be considered a good trigger to enhance the trade climate and mutual turnover.

Prerequisites exist for the convergence of EAEU–ASEAN technical regulation systems and conformity assessment recognition. In 2017, Russia's Federal Accreditation Service signed a mutual recognition agreement with the International Laboratory Accreditation Cooperation. This opens up avenues for Russia in the mutual recognition of testing laboratories results. The signing of a mutual recognition agreement with the International Accreditation Forum is also planned. This step will lead to the mutual recognition of the certification results of the accredited bodies. Overall, this is a step towards 'tested once, accepted everywhere' trade.

E-systems for origin verification and certification

Proposals for improving the existing system for confirming the origin of goods refer to two areas of activity: (i) confirmation of origin in the Member States of the EAEU for obtaining preferences in third countries; and (ii) interaction with third country beneficiary for preferences granted to their goods in the EAEU market.

In both directions, the key vector at work is the accumulation of information at the level of the EAEU, which can be obtained by confirming the origin of goods, testing technologies and algorithms for its analysis, identifying risks and signs of violations, and making recommendations for the uniform application of the rules established in a single customs territory.

A pilot project could be launched based on the EAEU–Viet Nam FTA to develop an electronic system for origin certification and verification. The experience obtained could be used in creating new models for most ASEAN countries, which are beneficiaries of the EAEU Generalised System of Preferences system. That is a real and practical way to facilitate trade.

Development of national ‘single window’ system

The ASEAN Single Window is one of the most advanced plurilateral cross-border paperless trade initiatives in the region. It is a regional facility with the goal of automating customs clearances and integrating the national single windows of ASEAN Member States to expedite the exchange of customs data for the import and export of goods.

At the same time, EAEU members are striving to develop national single windows by 2020, with the aim of ensuring their interoperability at the supranational level.

Cooperation between Russia, the EAEU, and ASEAN on implementing single window systems, including harmonising the data structure and process flow interoperability, is very important.

Economic development and integration of remote areas

The development and integration of remote areas is one of the most pressing global and regional issues, including in Southeast Asia. The integration of remote areas into regional economic processes would facilitate the achievement of a seamlessly and comprehensively connected and integrated Southeast Asia, and contribute to the implementation of the

Master Plan on ASEAN Connectivity 2025, the Sochi Declaration, and the Comprehensive Plan of Action to Promote Cooperation between the Association of Southeast Asian Nations and the Russian Federation (2016–2020).

During the ASEAN Economic Ministers (AEM)–Russia consultations held in September 2017 in Manila, Russia suggested cooperating under the ASEAN–Russia Dialogue Partnership on bridging the gap in the economic development and integration of remote areas. ASEAN Member States fully supported the Russian proposal.

One of the possible mechanisms of implementing the agreed initiative is to work out specific projects under the ASEAN–Russia Dialogue Partnership Financial Fund. Within these projects, ASEAN Member States and Russia could study measures and mechanisms used by both parties to overcome bottlenecks of remote areas, share experience and best practices, and discuss specific directions of the development of remote areas.

Women’s economic empowerment

Different programmes and tools to promote the economic empowerment of women have been developed in Russia and ASEAN. Both parties could enhance mutual cooperation in the area of women’s economic empowerment. The key areas of joint initiatives could include access to finance; access to information; women-led micro, small, and medium-sized enterprises (including those working internationally); innovation and technology; skills development; science, technology, engineering, art, and mathematics (STEAM); e-commerce; women’s representation and leadership in the workforce; women’s health; and the life–work balance.

XIII. Conclusion

The study reveals that current trends in trade and cooperation between ASEAN and Russia, and further cooperation in areas of mutual interest and expertise, will ensure that trade and economic relations continue to grow beyond current levels and that there are huge opportunities and avenues for economic cooperation, institutional connectivity, and people-to-people cooperation.

The complementarities in ASEAN–Russia economic relations set out important avenues and measures to improve and facilitate trade, investment, and bilateral cooperation.

These avenues and measures, when taken further, will enhance and deepen trade, investment, and economic cooperation between the two regions.

The findings of the study are presented to the ASEAN–Russia Senior Economic Officials Meeting to deepen the ASEAN–Russia dialogue on mutual cooperation.

References

ASEAN (2018), ASEANstats. Jakarta. <https://data.aseanstats.org/fdi-by-hosts-and-sources>

ASEAN (2015), Masterplan on ASEAN Connectivity 2025. Jakarta.

British Petroleum (2018), BP Statistical Review of World Energy. London.

Central Bank of the Russian Federation (2017), Yearbook on External Trade of the Russian Federation in Services. Moscow. http://www.cbr.ru/eng/statistics/macro_itm/svs/#highlight=services%7Cexports

Eurasian Economic Commission. <http://www.eurasiancommission.org/en/Pages/structure.aspx>

International Trade Center (2018), Trade Statistics for International Business Development. <https://www.trademap.org/Index.aspx> (accessed 25 March 2018).

World Bank (2018), Global Economic Prospects. Washington, DC. <https://openknowledge.worldbank.org/handle/10986/29801>

World Bank (2018), World Development Indicators. Washington, DC. <http://www.worldbank.org/data/wdi2003/index.htm>

World Trade Organisation (2018), WTO Integrated Trade Intelligence Portal Goods Database. Geneva. <http://i-tip.wto.org/goods/Forms/MemberView.aspx?data=default>

EDITORS:

Economic Research Institute for ASEAN and East Asia

Anita Prakash, Director General, Policy Department

Russia Foreign Trade Academy

Tatyana Flegontova, Director, Russian APEC Study Center

CONTRIBUTORS:

Alexander Knobel, Director, Institute for International Economy and Finance,
Russian Foreign Trade Academy

Andrey Tochin, Managing Director, Center for Support of Foreign Trade Ltd.

Ekaterina Zhukova, Head of Africa Division; Asia, Africa and Latin America Department,
Ministry of Economic Development of the Russian Federation

Ivan Ermokhin, Expert, Russia–OECD Centre RANEPA

Jaysa Rafi Prana, Research Associate, Policy Department, ERIA

Karina Kudakaeva, Researcher, Russian APEC Study Center

Marina Baeva, Researcher, Russian Foreign Trade Academy

Natalia Strigunova, Deputy Director, Department of Asia, Africa and Latin America;
Ministry of Economic Development of the Russian Federation

Nikita Pyzhikov, Researcher, Russian APEC Study Center

Olga Ismagilova, Researcher, Russian Foreign Trade Academy

Olga Ponomareva, Researcher, Russian Foreign Trade Academy

Sofia Lebedeva, Expert, Russia–OECD Center RANEPA

Timur Aliev, Researcher, Russian Foreign Trade Academy

Vladimir Salamatov, Director, International Trade and Integration Research Center

JOINT SEMINAR

**Russia–ASEAN Economic Partnership:
New Dimensions of Cooperation for Greater Connectivity**
Moscow, 19 December 2017

CONCEPT NOTE

As the global economy leaves behind a decade of uncertain and even stagnant growth, there is a continued need to protect and promote trade and economic relations policies that promote openness and growth in the global economy. With this backdrop, the Association of Southeast Asian Nations (ASEAN)–Russia Economic Partnership is expected to chart new directions for economic partnership and set up cooperation plans for greater connectivity.

East Asian and ASEAN economies have performed beyond expectations in the past decade and have assumed the mantle of leadership in open trade and economic policy strategies, while pushing their own structural and policy reforms.

Russia has been an ardent member of the East Asia Summit since 2010, and a full dialogue partner of ASEAN since 1996. The first ASEAN–Russia Summit was held in December 2005 in Kuala Lumpur. Since then, ASEAN–Russia relations have continued to deepen. ASEAN and Russia marked the 20th anniversary of their dialogue relations in 2016 with a commemorative summit held in Sochi, Russia on 19–20 May 2016, with the theme of Moving Towards a Strategic Partnership for Mutual Benefit. During the summit, the leaders adopted the Sochi Declaration, which charts out the future direction of the ASEAN–Russia relationship and cooperation.

Given the economic and geographical importance of ASEAN and Russia, it is expected that trade and economic relations will continue to grow beyond current levels. ASEAN–Russia merchandise trade totalled \$12 billion in 2016, accounting for 0.5% of ASEAN’s total merchandise trade. In the same year, foreign direct investment flows from Russia to ASEAN reached \$60 million.

These figures represent the economic and geographical importance of ASEAN–Russia economic relations and show the scope to integrate the trade and economic relations further. Additionally, more integrated trade and value chain connectivity could be considered between ASEAN and the Eurasian Economic Union, as both groupings are based on similar principles of economic relations.

This joint seminar will discuss the strengths and possible areas of cooperation that could enhance and deepen trade and investment between two regions. It will also explore new value chains of production between ASEAN and Russia and the Eurasian Economic Union. A report on the outcomes of the seminar will be prepared to evaluate the various dimensions of economic cooperation between ASEAN and Russia.

JOINT SEMINAR

**Russia–ASEAN Economic Partnership:
New Dimensions of Cooperation for Greater Connectivity**
Moscow, 19 December 2017

AGENDA

1. Opening Remarks (10:30 a.m.–10:50 a.m.)

- Natalia Stapran, Director, Department of Project Promotion in Asia-Pacific, Ministry of Economic Development of the Russian Federation
- Alexander Knobel, Director, Institute for International Economy and Finance, Russian Foreign Trade Academy
- Andrey Lyamin, Deputy Director, Department of Asia Pacific, Ministry of Foreign Affairs of the Russian Federation
- Anita Prakash, Director General, Policy Design Department, Economic Research Institute for ASEAN and East Asia (ERIA)

2. ASEAN, Russia, and EAEU in the Global Economy: Current Situation and Trends (10:50 a.m.–11:40 a.m.)

This session will include a statistical overview as well as the current situation and trends in the Association of Southeast Asian Nations (ASEAN)–Russia (Eurasian Economic Union) trade and investment cooperation analysis.

- Moderator: Anton Tsvetov, Advisor to the Chairman, Center for Strategic Research
- Anita Prakash, Director General, Policy Design Department, ERIA
- Natalia Strigunova, Deputy Director, Department of Asia, Africa and Latin America; Ministry of Economic Development of the Russian Federation
- Goar Barsegyan, Deputy Director, Department for Integration Advancement, Eurasian Economic Commission
- Viktor Sumsky, Director, ASEAN Centre at the Moscow State Institute of International Relations (MGIMO) University, Ministry of Foreign Affairs of the Russian Federation

3. Prospects for Investment Cooperation: Analysing the Tools (11:40 a.m.–12:10 p.m.)

Possible tools for enhanced investment cooperation will be discussed during this session. Possible areas for cooperation could include the security of property and the protection of investments; accessibility, predictability, and transparency in the formulation and administration of investment-related policies; and the consistency and coherence of investment-related policies.

- Moderator: Antonina Levashenko, Director, Russia–OECD Center RANEPA
- Ivan Ermokhin, Sofia Lebedeva, Russia–OECD Center RANEPA
- Michael Tay, Founder/Director, Foundation for the Arts and Social Enterprise

4. Enhancing ASEAN–EAEU Trade Cooperation: Trade Policy Agenda (12:10 p.m.–13:10 p.m.)

This session will be aimed at revealing the possible areas for cooperation on trade policy issues, such as the convergence of regulatory disciplines and standards; trade facilitation initiatives; development of competitive services sectors and enhancement of regional trade in services; policy actions aimed at micro, small, and medium-sized enterprises' globalisation; inter-governmental cooperation (efficient and transparent government procurement markets, state-owned enterprises, and public–private partnership); and transparency principles promotion.

- Moderator: Tatiana Flegontova, Director, Russian APEC Study Center
- Anton Kudasov, Director, Department for Trade Policy, Eurasian Economic Commission
- Tatyana Tsukanova, Deputy Director, Trade Negotiations Department, Ministry of Economic Development of the Russian Federation
- Vladimir Salamatov, Director, International Trade and Integration Research Center
- Andrey Tochin, Managing Director, Center for Support of Foreign Trade Ltd.
- Olga Ponomareva, Researcher, Russian APEC Study Centre

5. Global Value Chains Enhancement (13:10 p.m.–13:40 p.m.)

This session is aimed at identifying the most prospective and potentially efficient regional global value chains (GVCs); sector-specific impediments, enabling factors, and sector-specific targets aimed at enhancing regional GVCs; and measures to promote a supportive environment, greater transparency, regulatory coherence, good governance provisions in domestic regulations, and other related sector-specific measures.

- Moderator: Andrey Spartak, Professor, Chair of the Department of International Trade, Russian Foreign Trade Academy
- Nikita Pyzhikov, Researcher, Russian APEC Study Center
- Ekaterina Zhukova, Head of Africa Division; Asia, Africa and Latin America Department; Ministry of Economic Development of the Russian Federation

Coffee/Lunch Break (13:40 p.m.–14:40 p.m.)

6. Innovations and Technologies for Sustainable Development (14:40 p.m.–15:30 p.m.)

The following issues may be discussed during this session: cooperation in technologically advanced new generation nets as well as the promotion of technological methods in traditional markets; the promotion of information and communication technology and digital economy technologies to develop regional new markets; tools to ensure data protection, trust, and confidence in the internet; security and privacy of transactions; tools to enable efficient intellectual property rights (IPRs) utilisation as well as the development of a sustainable, innovative, and secure regional economy; encouraging the use of best regulatory practices and th innovations aimed at promoting prosperity and health in the region and developing reliable and secure food markets.

- Moderator: Dmitry Ontoev, Head of Bilateral Cooperation Section, Department of Project Promotion in Asia-Pacific, Ministry of Economic Development of the Russian Federation
- Karina Kudakaeva, Researcher, Russian APEC Study Center
- Guzeliya Imaeva, Chief Executive Officer, NAFI Research Centre
- Michael Tay, Founder/Director, Foundation for the Arts and Social Enterprise

7. Strategic Dimensions of Cooperation; Concluding Remarks (15:30 p.m.–16:00 p.m.)

This concluding session will include discussion of the different strategic directions for enhanced cooperation (bilateral and inter-block non-preferential agreements, free trade agreements, and bilateral trade amongst them).

- Alexander Knobel, Director, Institute for International Economy and Finance, Russian Foreign Trade Academy
- Anita Prakash, Director General, Policy Design Department, ERIA
- Natalia Strigunova, Deputy Director, Department of Asia, Africa and Latin America; Ministry of Economic Development of the Russian Federation