



**STATEMENT OF THE THIRTEENTH GOVERNING BOARD MEETING
ECONOMIC RESEARCH INSTITUTE FOR ASEAN AND EAST ASIA**

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COVID-19 – What we have learned

1. COVID-19 has seriously affected the economies of East and Southeast Asia through disruptions to the movement of goods, services, and people in the global value chains (GVCs) of the region. At the same time, geopolitical re-alignments have made cooperation within East Asia even more important.
2. In January and February, ASEAN and East Asia (AMC) interpreted COVID-19 as causing a supply shock by creating a shortage of certain intermediate inputs originating from China. The concern now is the deep recession due to a huge global demand shock.
3. Another serious impediment to this region's recovery is that several countries have not contained the infection.
4. The international production networks (IPNs) within ASEAN and East Asia are robust and resilient against short-term supply or demand shocks.
5. If the crisis persists, production systems will decline and IPNs will be lost permanently. The challenge is how to keep IPNs alive while improving international competitiveness.
6. COVID-19 will also have multiple implications for the global and regional energy situation and climate change. The economic downturn is contracting energy demand and energy related emissions. However, such environmental gains could be temporary in accordance with economic recovery.
7. Low fossil fuel prices caused by COVID-19 could look like a boon for the EAS region. However, low oil prices could dampen oil production in the US and result in higher dependence on the Middle East. They could also disincentivize the energy transition by reducing incentives for achieving energy efficiency and making clean energy less competitive.

8. In addition, physical and economic health challenges caused by COVID-19 could further focus the attention of governments and people on public health, jobs, and economic growth while reducing focus on climate change.
9. Even after the outbreak is over, a similar pandemic is likely to occur in the future. Thus, we must attempt to create new economic and social structures which will simultaneously strengthen industrial competitiveness and address various socio-economic challenges and develop new ways of doing business, economic governance and regulation.

The 'New Normal' after COVID-19 – What we need to do

1. COVID-19 has sparked change across economic and social contexts including working from home using digital technologies and expanding and intensifying e-commerce.
2. We believe that ASEAN and East Asia can establish a 'new normal' with a robust and resilient economic environment by taking the following actions:
 - i. Prioritize containment of the pandemic within the capacity of healthcare services.
 - ii. To promote industrial competitiveness, AMC may follow three distinct strategies. First, use information and communication technologies (ICT) to improve competitiveness in global IPNs. Second, make traditional industries more productive through ICT. Third, develop new service industries led by CT.
 - iii. The AMC region can offer a new development paradigm with digital technology by providing suitable hard/soft infrastructure and development of human capital that addresses women, micro, small, and medium enterprises (MSMEs) and other vulnerable groups.
 - iv. The effects of public health and social interventions and the imminent negative demand shock can be resolved by macroeconomic policies including monetary and fiscal policy along with asset and foreign exchange stabilisation.
 - v. AMC must sustain and develop both physical and digital connectivity to support the competitiveness of regional production networks.
 - vi. AMS (ASEAN Member States) need to make supply chains resilient so that AMS will be 'safe' for investment.

- vii. To improve the competitiveness of IPNs, regulatory and procedural inefficiencies could be reduced through closer cooperation between AMC.
 - viii. Special attention is needed for countries that heavily depend on transportation, tourism and tertiary education.
 - ix. Supporting MSMEs needs to be part of the overall economic policy as MSMEs form the backbone of the regional economy. Likewise, the distributional impact of COVID-19 and subsequent stimulus plans and economic restructuring need to be assessed from several angles including sector, gender, age and others. Equipping the labour force through re-skilling and up-skilling will be key.
3. The EAS region should continue to expand connectivity within and beyond the region in order to attract investments in the GVCs and to participate in the new supply chains.
4. AMS should seize the opportunities for energy security and sustainability through:
- i. The smart use of digital technologies to lessen the post COVID-19 rebound in energy demand, air pollution, and CO2 emissions.
 - ii. Exploitation of low fossil fuel price to phase out subsidies. Savings could be used for other priorities and facilitate a clean energy transition.
 - iii. Low oil prices could also offer opportunities for building up emergency oil stocks for enhancing resilience to higher import dependence.
 - iv. AMS should use recovery packages for major energy infrastructure investment.
 - v. Regional cooperation to address climate change is important. AMCs need to promote energy sustainability with viable pricing mechanisms to support investment.
 - vi. Each AMS should be able to select energy sources that fit their particular circumstances.
 - vii. Asia's continuous dependence on fossil fuels necessitates innovation such as hydrogen and Carbon Capture, Utilization, and Storage (CCUS).
 - viii. The ASEAN region should assess risks associated with lean supply chains and reliance on a single supply source of solar panels, wind turbines, and batteries.
 - ix. Since the public and private sectors will face economic fallout during the crisis, the importance of reliable energy supply and affordability should be prioritized.



5. Sustainability must be promoted across the EAS region through financial support for infrastructure, especially public transportation, green cities and health systems.

ERIA will Support the EAS Region's Collective Response to the COVID-19

1. ERIA will support the collective response of the EAS countries to mitigate the economic impact of the COVID-19 pandemic, accelerate economic growth, maintain supply chains and move towards a secure and sustainable energy future. ERIA will provide research and policy support for measures restoring production activities; reviving supply chains; promoting digital trade and Fourth Industrial Revolution; mobilising macro-economic, fiscal, and social policy measures to mitigate the economic impact; and promoting pragmatic energy transition. ERIA may also support the implementation of ASEAN community building blueprints, regional travel corridors and the ASEAN Comprehensive Recovery Framework and Implementation Plan as well as developing a regional framework on circular economy. Other potential areas for ERIA support include the development of monitoring plans initiated by ASEAN and AMS to track progress towards recovery, and proposing ways to implement ASEAN's Hanoi Plan of Action on Strengthening Economic Cooperation and Supply Chain Activity in Response to the COVID-19 pandemic.
2. The EAS region will emerge from the socio-economic crisis through effective linkages with global partners, and their strategies for shock-proofing supply chains, restoring services trade, movement of people, and development and supply of COVID 19 vaccines. ERIA will set deeper research and policy linkages with its global partners, forums, and international organisations such as the OECD, G 20, EU, ASEM, APEC, UNESCAP, AIIB, ADBI, AMRO, NEPAD, IEF, GECF, ERIA Research Institute Network (RIN), and ERIA Energy Research Institute Network (ERIN), for global solutions.
3. As a result of the new situation, ERIA's activities will increase. Therefore, expansion and diversification of financial resources are needed to make ERIA's operational base more solid. The Governing Board welcomes ASEAN's commitment to increase its contribution by 20% for the next five years and urges every member state to consider expanding their contribution to ERIA.