



ERIA Holds the 11th Governing Board Meeting and Celebrates 10th Anniversary

INDEX

Featured Story	1
Thoughts from ERIA	3
Top Stories	5
Publications	12
Call for Proposals	15
Upcoming Events	16

On 25 May 2018, the Economic Research Institute for ASEAN and East Asia (ERIA) held its 11th Governing Board Meeting, followed by the annual Ambassadors' Meeting at the Fairmont Hotel Jakarta. In the evening, all participants joined in a celebration of ERIA's 10th Anniversary with a gala dinner and music performance at Motion Blue, Jakarta.

The Governing Board is the decision-making body of ERIA and consists of the Secretary General of ASEAN and representatives from each of the 16 member countries, all of whom have backgrounds in academia, business, or policymaking.

This year's meeting was of particular significance because of reappointment of Prof Hidetoshi Nishimura as the President of ERIA for 2018 to 2023 and the appointment of the new Chairperson of the ERIA Governing Board, Mr Adrian Cristobal, to replace Hon Dato Lim Jock Hoi, who now serves as the Secretary General of ASEAN.

Prof Nishimura was unanimously re-elected to lead ERIA for the third time. 'It is a great honour to be named President of this eminent organisation for another five years. As the regions of ASEAN and East Asia grow in global importance, the role of ERIA as an international organisation has become key in providing high-quality research and policy recommendations to the leaders,' said Prof Nishimura in his acceptance speech.

Mr Cristobal is the President of SteelAsia Manufacturing Corp. from the Philippines and previously served as ERIA's Governor from 2014 to 2016.

During the afternoon session, the Governors were joined by Ambassadors to ASEAN for presentations on several of ERIA's key projects. ERIA Chief Economist Prof Fukunari Kimura, Senior Policy Fellow Tan Sri Dr Rebecca Fatima Sta Maria, and Senior Policy Fellow for Energy and Environment Prof Jun Arima briefed the diplomatic corps



Dr Aladdin D. Rillo, Deputy Secretary-General (DSG) for ASEAN Economic Community (AEC) at ASEAN Secretary-General, during the 11th ERIA Governing Board Meeting, in Fairmont, Jakarta.

on ERIA's future projects as well as on issues related to the international economy, including the future of the Trans Pacific Partnership.

In closing the day's events, all participants and special guests enjoyed an evening in celebration of ERIA's 10th anniversary. ■

'It is a great honour to be named President of this eminent organisation for another five years. As the regions of ASEAN and East Asia grow in global importance, the role of ERIA as an international organisation has become key in providing high-quality research and policy recommendations to the leaders,' said Prof Nishimura.



Venkatachalam Anbumozhi
Senior Energy Economist

Saving the Planet and Making Profit: ASEAN: A Nexus Governance Approach for ASEAN

'ASEAN needs a nexus approach in order to counteract silo policies by promoting a connected means of resolving environmental issues, coordinated management and appropriate governance mechanisms.'

ASEAN has put together an ambitious sustainable development agenda with its 2025 community vision. It has also played an important role in shaping the United Nations 2020 Sustainable Development Goals (SDGs) Agenda. If the 17 SDGs, especially SDG2 on food security, SDG 6 on water security, SDG 7 on energy security, SDG 12 responsible consumption and production and SDG 13 on combating climate change, are achieved, this will combine with the impact of global trends such as climate change to intensify the competition for resources – energy, water, raw materials and land. There is a need for large scale investment and significant improvement in services in order to address supply shortages, increase general welfare and make profit. After all, there are 65 million people across the region with no access to modern energy sources, 48 million people ASEAN-wide with no access to clean drinking water, and another 78 million without adequate sanitation facilities.

Independent sectoral policies competing with one another for resources do not offer any viable solutions to tackling the connected eco-systems challenges, supply risks and investment bottlenecks. ASEAN needs a nexus approach in order to counteract silo policies by promoting a connected means of resolving environmental issues, coordinated management and appropriate governance mechanisms.

Examples of negative impact of uncoordinated policies and activities are too familiar to the region. If we promote the intensive use of agriculture land for palm oil and forests in the upper reaches of rivers, thereby causing soil erosion, this has negative consequences not only for food security, but also for disaster management and supply of clean drinking water from reservoirs. If fish stocks are ruined through the operations of hydro-power plants, then this can have determinantal effect on the nutritious food situation of children living downstream. The

inflow of untreated domestic waste, industrial water and plastic debris into water bodies can also heighten health risks. Climate mitigation measures can increase pressure on the resources if they involve activities such as the production of biofuel crops, which consumes volumes of water and thereby stands in competition with food security.

Indeed, there are ways to improve the situation, by looking into the governance of intersectoral interdependencies in the use of energy, water, and land to avoid disasters and climate risks. In several countries looking into incentive structures, governance mechanisms, such as inter-ministerial committees, river basin organizations), and instrumentations such as taxation, licenses and voluntary agreements, potentially reduce negative effects, and offer ways to leverage synergies.

Voluntary agreements between reservoirs and farmers on Bali, Indonesia have significantly reduced

nitrogen levels in drinking water through the financing of less nitrogen heavy rice cultivation measures, and have done so without negatively affecting the farmer's income. The reservoir operators are using the water levy to finance best agricultural practices and at the same time save on costs from the complex water treatment process.

In Lao PDR, hydropower plant operators pay for the conservation efforts by the forest communities in order to minimize sediment deposits in reservoirs, as well as for fields to be left fallow in order to protect catchment areas. And river basin organizations in the Mekong River Basin have helped ensure that the project planning processes take into account the negative environmental impact of hydro-power projects on neighboring states.

Energy and water prices need to be adjusted to incentivize the recycling of waste water and the realization of energy and material saving. As seen in Singapore, it is equally important to close regulatory loopholes, which includes development of operational guidelines for the use of waste water, sludge and other recyclable materials.

Nevertheless, vested shareholder interests and power imbalances lead to a failure to take sufficient account of nexus approach of intersectoral interdependencies. While the power plant operators in Myanmar have worked well in their own interests to reduce the negative effects of land use and social impacts in the upper reaches on the hydro-power plant, they have so far not considered the fact that the power plant is causing reduction in fish stocks, thereby affecting livelihoods of fisherman

downstream.

In the case of Mekong River Basin, the member states of Mekong River Commission have committed to providing each other with prior notification of investment projects and established guidelines for Sustainable Hydropower. However, China has to date declined membership of Mekong River Commission, allowing to avoid any commitment to pay for the negative consequences of the dams it has built in the upper reaches.

A nexus governance approach is effective for addressing the severe environmental challenges facing ASEAN, but it must be designed as a multi-level system, because resource flow and material interdependencies do not always coincide with local administrative borders. Consequently, a multi-level governance approach, such as in the case of hydro-power projects on international rivers, requires coordination between the local, state and interstate levels. At the same time, instruments generally apply to entire local authorities and are not designed to address individual environmental problems. As such, there is need to strive to ensure coherence that goes beyond setting targets for SDGs and defining standards for sector investment policies.

ERIA's research into this nexus approach shows that it is not so much a case of setting up new nexus institutions for SDGs, but rather of adequately combining existing governance mechanisms and instruments across various levels and policy areas. ■

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ERIA Signs MoU with LIPI



Dr Handoko, LIPI Chairman, extended an invitation for ERIA to work with any of LIPI's 47 research centres in Indonesia, which conducts research in various fields ranging from social to natural sciences.

On 7 June 2018, the Economic Research Institute for ASEAN and East Asia (ERIA) signed a memorandum of understanding (MoU) with Lembaga Ilmu Pengetahuan Indonesia (LIPI—the Indonesian Institute of Sciences), a state-owned research institute based in Jakarta, to enhance research capacity and to improve the effectiveness of the dissemination of research findings.

In his remarks, ERIA President Prof Hidetoshi Nishimura expressed his enthusiasm on the potentials of collaboration between ERIA and LIPI. He briefly explained ERIA's research activities aimed to support the economic integration and sustainable development in ASEAN and East Asia. Prof Nishimura was accompanied by the Special Advisor on Healthcare and Long Term Care

Policy Dr Osuke Komazawa.

LIPI Chairman Dr Laksana Tri Handoko and Vice Chairman Prof Dr Bambang Subiyanto welcomed the ERIA delegation to LIPI. Dr Handoko expressed his appreciation on the expanded collaboration between the two organisations. He extended an invitation for ERIA to work with any of LIPI's 47 research centres in Indonesia, which conducts research in various fields ranging from social to natural sciences.

Prof Dr Erman Aminullah from LIPI's Centre for the Development of Science and Technology, who has been involved in several research projects on innovation with ERIA, welcomed the strengthening of the research cooperation and network.

'We have a long experience working

with ERIA, we have built cooperation with researchers from other Asian countries, including China and India. Even though the project coordinated by Dr Yasushi Ueki [from ERIA] has ended, the network is still going strong,' said Prof Aminullah.

Going forward, the two organisations may collaborate on research activities, hold joint events and knowledge sharing activities, produce co-publications, as well as organise exchange of researchers. ■

Addressing Asia's Infrastructure Gaps: ERIA Participates in AIIB's Annual Meeting



'The theme of this year's Annual Meeting was 'Mobilising Finance for Infrastructure: Innovation and Collaboration,' as a nod to the role of private sector in bridging the region's infrastructure gap.'

The Asia Infrastructure Investment Bank (AIIB) held its third Annual Board of Governors' Meeting in Mumbai, India from 25 to 26 June 2018. Ms Anita Prakash, ERIA's Director General for Policy Design, participated in the meeting as the moderator of Asian Infrastructure Forum's Workshop 5 – 'Advancing Together: ASEAN Infrastructure Development.'

The theme of this year's Annual Meeting was 'Mobilising Finance for Infrastructure: Innovation and Collaboration,' as a nod to the role of private sector in bridging the region's infrastructure gap. The first Asian Infrastructure Forum was launched at the Annual Meeting this year in a bid to create business development opportunities for participants.

The Workshop moderated by Ms Prakash had four objectives. First, to discuss the strategic directions of ASEAN in the new global environment. Second, to understand the most strategic and vital

infrastructure required to advance the fast-growth of ASEAN. Third, to discuss the possible approach and roadmap for advancing ASEAN infrastructure development. Fourth, to understand the expectation of AIIB in the ASEAN's infrastructure development.

Five prominent people participated as panellists, namely H.E. Carlos Dominguez (Secretary, Department of Finance, Philippines), H.E. Heng Swee Keat (Minister of Finance, Singapore), H.E. Bambang Brodjonegoro (Minister of National Development Planning, Indonesia), H.E. Ambassador Preeti Saran, (Secretary (East), Ministry of External Affairs, India), and Mr Kevan Watts (Vice Chairman, Global Banking, HSBC).

The workshop started with a presentation on Infrastructure Financing in ASEAN by Mr David Ginting from AIIB followed by a keynote on ASEAN Infrastructure Development by Secretary

Dominguez from the Philippines.

Ms Prakash guided the panellists to ponder upon Secretary Dominguez' presentation as an ASEAN template for infrastructure financing, and then relate it to the global conditions, the economic recovery, the challenges to globalisation and multilateralism, and how those will affect ASEAN's growth strategy in next few years. She also asked the panellists to comment on what should be ASEAN's major focus in terms of infrastructure development and connectivity improvement. During the discussion, the Ministers shared their country experience and how these will affect infrastructure development in medium term. Infrastructure for connectivity is the major requirement in ASEAN, including with its neighbours. The panellists also expressed their views and experience of balancing the banking mandate of AIIB while being mindful of domestic policies in their countries related to connectivity, infrastructure, and funding.

Ms Prakash then asked the panellists about the major takeaway or recommendation they would like to share with the AIIB, as a guidance that AIIB can take back to Beijing and appropriate it in its strategy and funding of projects ahead. The panellists recommended AIIB to pay special attention to sustainability and tradability of projects; keeping a lean

organisation and refrain from funding populist projects, infrastructure for border areas to increase economic activity, transparency and respect for sovereign borders in implementing infrastructure projects; and utilising the peace dividend in ASEAN for infrastructure development. Ms Prakash stated in her concluding remarks that even though ASEAN

is one community, its member states have different needs and are differently developed; therefore, AIIB must consider attending to both the Project Development phase and Project Implementation phase in all its infrastructure funding projects for ASEAN. ■

President of ERIA Pays Courtesy Visit to Minister of the Environment of Japan



Minister Nakagawa congratulated Prof Nishimura for his recent re-election as the President of ERIA and stated that he looked forward to future cooperation with ERIA.

On 25 June 2018, the President of the Economic Research Institute for ASEAN and East Asia (ERIA), Professor Hidetoshi Nishimura, paid a courtesy visit to H. E. Mr Masaharu Nakagawa, Minister of the Environment of Japan in Tokyo.

Minister Nakagawa congratulated Prof Nishimura for his recent re-election as the President of ERIA and stated that he looked forward to future cooperation with ERIA. Moreover, he expected

further contributions from ERIA regarding ASEAN and East Asia's environmental issues.

Prof Nishimura expressed his appreciation to the Minister and he presented a brief overview of ERIA's projects on environmental problems.

Minister Nakagawa invited Prof Nishimura to attend the coming World Circular Economy Forum, which will be held in October

2018, in Yokohama, Japan. The Ministry and ERIA will continue to cooperate towards the success of that forum. ■

Prof Akiko Yamanaka Speaks at Chatham House Conference in London



'When we look at the trade problems around the world at this moment, we have to reconsider whether human beings have wisdom, feelings, culture and education. We have to seek common interests in the looming issues of the domains of space and sea, including Arctic and sea bed natural resources.'

Prof Akiko Yamanaka, Special Advisor to the President of ERIA, participated in the 2018 London Conference of the Royal Institute of International Affairs, otherwise known as Chatham House, and presented to delegates at a panel session on the first day.

The annual conference of the renowned UK-based international affairs think tank took place on 21 and 22 June, and aims to create an informed community with a shared understanding of current major global challenges. It brought together high-level delegates from around the world for two days of debate and discussion.

Prof Akiko Yamanaka was a panellist in a session entitled 'The Future of Deterrence: Increasing Complexity', which looked at deterrence and approaches to conflict management.

She stressed the importance of preventative diplomacy in avoiding conflict and noted this approach can also be applied in the case of natural disasters. Prof Yamanaka focused on

the examples of the reconstruction processes in post-war Japan and in the aftermath of the 2011 Great East Japan Earthquake.

'In 2017 alone, the loss caused by natural disasters amounted to 306 billion dollars. We must consider society's resilience, also taking into account the infrastructure that supports us. We believe in the Japanese saying "Be prepared and you will have no regrets",' she said.

Prof Yamanaka also highlighted the need to work towards common interests, saying, 'When we look at the trade problems around the world at this moment, we have to reconsider whether human beings have wisdom, feelings, culture and education. We have to seek common interests in the looming issues of the domains of space and sea, including Arctic and sea bed natural resources.'

In conclusion, Prof Yamanaka said she views the 21st century as the age in which we must balance many features of our lives, such as the need for

development versus environmental protection, globalisation versus regionalisation, high tech information versus privacy, group orientation versus individualism, work versus leisure, materialism versus spiritualism, male versus female, military versus non-military solutions, and even national versus international interests.

During her stay in London, Prof Yamanaka also met for discussions with Dr Robin Niblett, Director of Chatham House, representatives of Asia House, the London-based centre for engagement between Europe and Asia, and Mr Koji Tsuruoka, Japan's Ambassador to the United Kingdom.

Prof Yamanaka also serves as President of the International Tsunami Disaster Prevention Society, Senior Diplomatic Fellow at Cambridge Central Asia Forum, Cambridge University, and Senior Visiting Fellow at the Japan Institute of International Affairs. She was Japan's Vice-Minister for Foreign Affairs from 2005 to 2006. ■

Prof Yamanaka Participates in OECD Forum 2018, IFRI RoundTable, and the Cambridge Central Asia Forum



The OECD Forum 2018 took place from 29-30 May 2018 in Paris, France and Prof Akiko Yamanaka, Special Advisor to the President of ERIA, was invited to the session 'Woman & Development' on 30 May as a speaker.

The event focused on the theme 'What brings us together?' with the objective of moving from diagnosis to action and shaping solutions to bridge the divides that were discussed at the OECD Forum 2017 which Prof Yamanaka also attended.

Prof Yamanaka addressed the importance of women's contributions to post-disaster reconstruction, saying 'Natural disasters occur frequently in Japan as well as in Southeast Asia. During reconstruction, Japanese women's resilience contributes to reconstruction by making full use of the characteristics of women such as tolerance, patience and adaptability'.

Regarding women's empowerment, she said that 'societies which allow women to choose whether to continue working soon after giving birth or wait and go back to work after the children start school are said to be the most advanced societies. Based on an OECD survey, we need a flexible way of thinking that allows women to contribute to regional and national development while accepting diversity such as countries, regions, ethnic groups and religions.'

The session was moderated by Ms Yumiko Murakami, Head of Center, Tokyo, OECD. Ms Kate Osamor, Shadow Secretary for International Development, United Kingdom was also a speaker.

On 1 June, Prof Yamanaka attended a Roundtable of Experts at IFRI (French Institute of International Relations) on the theme of 'Japanese domestic affairs and Japan's role in Asia'. The experts, officials from Foreign

'Natural disasters occur frequently in Japan as well as in Southeast Asia. During reconstruction, Japanese women's resilience contributes to reconstruction by making full use of the characteristics of women such as tolerance, patience and adaptability'.

Affairs of France and journalists in charge of Asian and Japan issues also attended. The Roundtable focused on trade issues such as TPP, economic cooperation between Japan and the EU, Japanese domestic issues such as constitutional reform and how to promote women's empowerment in Japanese political circles.

On 4 June, Prof Yamanaka took part in the Cambridge Central Asia Forum "North East Asia: Toward the End of Cold War?" at Cambridge University. She mainly talked about North Korea and its changing relations with South Korea, China, Russia, Mongolia and Japan as well as United States. She also lectured on the relations between Northeast Asia countries, the United States and Japan. ■

Prof Yamanaka Promotes the Importance of Security, Peace, Disaster Preparedness and Womens' Issues



Prof Yamanaka had a meeting with HE Susi Pudjiastuti, Minister for Maritime Affairs and Fisheries of Indonesia. During the meeting, the Minister pointed out the importance of navigational freedom in the South China Sea.

Prof Akiko Yamanaka, Special Advisor to the President of ERIA, visited Jakarta from 23 to 25 May 2018 to attend the 11th ERIA Governing Board meeting and hold several meetings with Indonesian dignitaries.

On 24 May, Prof Yamanaka had a meeting with HE Susi Pudjiastuti, Minister for Maritime Affairs and Fisheries of Indonesia. During the meeting, the Minister pointed out the importance of navigational freedom in the South China Sea. Both exchanged views on several issues such as security, natural disaster and Tsunami to promote peace in the region.

On 23 May, Prof Yamanaka visited the KOWANI (National Council of Women of Indonesia) office and met with Dr Ir Giwo Rubianto Wiyogo, the President of KOWANI. It is the largest women's organization in Indonesia and has had deep ties to Indonesian politics since its inception. Dr Rubianto welcomed Prof Yamanaka

and introduced KOWANI and gave a brief explanation on its activities. She expressed her great interest in ERIA's works since women's economic activity is a major part of Indonesia's economy. They discussed activities that promote recognition of the important role of women in the community and global society.

Prof Yamanaka also met with the HE Purnomo Yusgiantoro, former Minister of Energy and former Minister of Defense and the President of IWAPI (Ikatan Wanita Pengusaha Indonesia or the Indonesian Business Women's Association), Ir Nita Yudi on 24 May.

HE Purnomo is the founder of Purnomo Yusgiantoro Center (PYC) which is involved in several social initiatives. Led by Mrs Lis Purnomo Yusgiantoro, Prof Yamanaka watched the Indonesia-Japan music cultural collaboration project which is one of PYC's activities. The project combines the Japanese traditional musical instrument 'Koto' with the Indonesian

traditional instrument 'Kolintang'. The resulting music will be highlighted at an event celebrating the Japan-Indonesia 60th Anniversary to be held in Tokyo on 24 August 2018.

Ms Hikariko Ono, Minister, Deputy Chief of Mission of Japan to ASEAN, accompanied Prof. Yamanaka. ■

Director of AMRO Makes Courtesy Call to ERIA



AMRO and ERIA play important roles in ASEAN and welcomed the opportunity to share their work with one another. There are many ways in which their various projects complement one another.'

President of the Economic Research Institute for ASEAN and East Asia (ERIA), Prof Hidetoshi Nishimura, welcomed the Director of the ASEAN+3 Macroeconomic Research Office (AMRO) Dr Junhong Chang and Chief Economist Dr Hoe Ee Khor on their visit to ERIA's office in Jakarta on 6 June 2018.

The two organisations play important roles in ASEAN and welcomed the opportunity to share their work with one another. There are many ways in which their various projects complement one another.

AMRO is the regional macro-economic surveillance unit of the

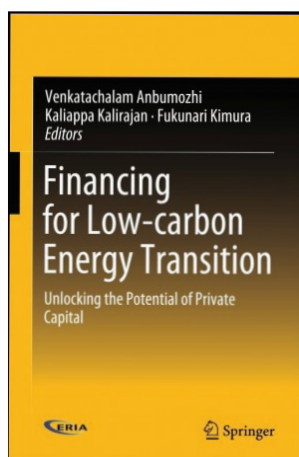
Chiang Mai Initiative Multilateralisation and is committed to contribute to the macroeconomic and financial stability of the region as an independent, credible and professional regional organization.

Dr Chang presented AMRO's activities, which include macroeconomic surveillance and collaboration with member countries through the introduction of the ASEAN+3 Regional Economic Outlook (AREO).

Afterwards, Prof Nishimura explained ERIA's support for ASEAN and East Asia Summit countries as well as its contributions to deepen economic integration in the region.

ERIA and AMRO aimed to find ways to work together in helping ASEAN and East Asian countries achieve economic stability and sustainable development. ■

Publications



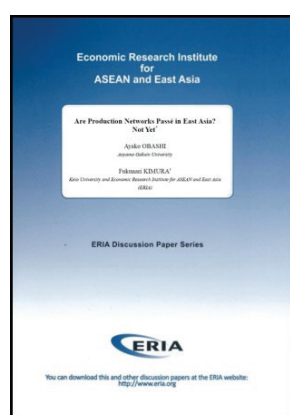
Financing for Low-carbon Energy Transition: Unlocking the Potential of Private Capital

Edited by Venkatachalam Anbumozhi, Kaliappa Kalirajan, Fukunari Kimura

This book is the first comprehensive assessment of the state of low-carbon investments in Asia, analyzing the rationales, mandates and public–private financing activities. Based on the experiences of several regional initiatives wherein public financing is catalyzing private investments in low-carbon infrastructure, this book proposes a framework that can be used as a tool to identify factors that influence private investment decisions and policy instruments that can scale up private capital.

Placing the Asian economies onto a low-carbon development pathway requires an unprecedented shift in investments. This book addresses this situation by asking questions such as:

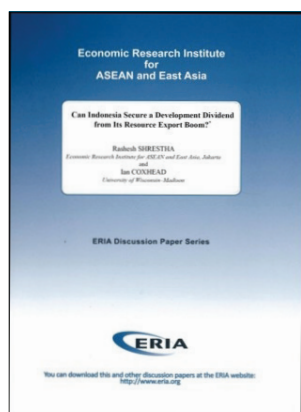
- What is the central role of private finance in achieving the Paris Agreement targets?
- What key policy levers and risk mitigation can governments use in an effort to unlock the potentials of private capital?
- How can regionally coordinated actions hold significant promise for scaling up private investments?



Are Production Networks Passed in East Asia? Not Yet

By Ayako Obashi and Fukunari Kimura

Many people have a vague notion that the room for expanding international production networks is almost exhausted and that this is why international trade has slowed down since the recovery from the great trade collapse. This paper presents evidence against such belief in the East Asian context by classifying finely disaggregated international trade data into five categories based on the stages of the production process. Our thorough data examinations show that the slowdown in world trade and East Asian trade was attributed mainly to sluggish growth in trade of primary goods and processed raw materials. In contrast, East Asian trade in manufactured parts and components and the assembled end products within international production networks mostly seen in machinery industries, continued to expand steadily, underpinned by the intensive margin growth. We argue that East Asian production networks did not slow down and the potentiality of the production networks has not been exhausted yet.



Can Indonesia Secure a Development Dividend from Its Resource Export Boom?

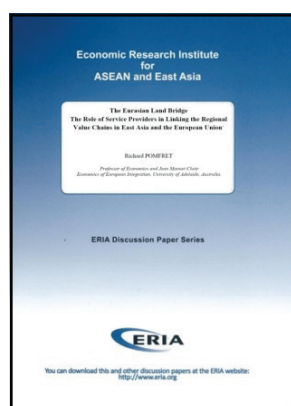
By Rashesh Shrestha, Ian Coxhead

This paper Indonesia has enjoyed a long spell of sustained and relatively rapid economic expansion, largely on the back of strong commodity prices. No commodity boom lasts forever, however, and threats to the continuation of this growth are mounting. Indonesia now faces the challenge of locking in gains and setting a course to sustain future development in less favourable times.

Post-2000 growth differs from earlier experiences in that exports of agricultural products, especially palm oil, now play a leading role. In contrast to the country's earlier oil and gas export boom, the gains from agricultural export growth accrue mainly to private actors that include corporations, smallholders, and the agricultural labour force, with a much smaller share passing through to government budgets. Government can no longer simply mandate the use of funds for development purposes; many other actors and institutions are involved.

It is reasonable to assume that the benefits from such a decentralised export boom would be widely diffused, with relatively large effects on rural and farm households and lower-skilled workers. However, this boom has been accompanied by a sharp rise in inequality and virtually no real wage growth. Moreover, while spending rose robustly during the boom, it is not clear whether poor, farm-based households have chosen (or been able) to use the gains to smooth consumption or to invest for future generations.

The capacity to lock in gains at micro and macro levels is subject to significant policy influence. The maxim that 'while the sun is shining is the best time to repair the roof' applies: currently healthy global economic conditions present an opportune moment for Indonesian policymakers to reflect and to look ahead, with an eye towards achieving optimal development policy settings.



The Eurasian Land Bridge: The Role of Service Providers in Linking the Regional Value Chains in East Asia and the European Union.....

By Richard Pomfret

Rail links between China and Europe are typically analysed in the context of China's Belt and Road Initiative, focusing on China's economic rise and the implications for international relations. This paper argues that establishment of the China–Europe Land Bridge predated the Belt and Road Initiative and has been market-driven, as service-providers identified and responded to demand for efficient freight services along pre-existing railway lines. Governments' role was trade facilitating, i.e. reducing delays and costs at border crossing points, rather than investing in hard infrastructure. Service-providers responded by linking European and Asian value chains (e.g. in automobiles and electronic goods) and reducing costs for traders shipping between China and Europe. The Eurasian Land Bridge provides a case study of 'servicification' as a component of increased trade in the 21st century.



ERIA Annual Report 2017.....

ERIA's 2017 Annual Report presents the Institute's various research and research-related activities, events, and seminars, and its capacity building, policy design, communication, and publications achievements during fiscal year 2017. ERIA celebrated the ASEAN's golden anniversary with the ASEAN@50 Project, by publishing a five-volume set of books, and holding three public seminars and a High Level Forum with the Government of the Philippines. The message from the ERIA President, Prof Hidetoshi Nishimura, also shows how ERIA expanded the scope of its research in fiscal year 2017, through inclusion of research on ageing populations and health care, and through the establishment of a policy design department.



Publications Catalogue 2018.....

ERIA publishes books, research reports, discussion papers, and policy briefs to share and disseminate its research findings and policy recommendations. These publications cover a wide range of subject matter on deepening economic integration, narrowing development gaps, and sustainable development – the three pillars under which ERIA conducts research. ERIA is also highly involved in energy-related research. ERIA also co-publishes with international academic and professional printing houses. In fiscal year 2017, ERIA produced five books in commemoration of the golden anniversary of the Association of Southeast Asian Nations. We also produced 10 research project reports, 14 discussion papers, and 7 policy briefs.

Call for Proposals

The Economic Research Institute for ASEAN and East Asia (ERIA) invites submissions of research proposals for the ERIA Microdata Research Project for Fiscal Year 2018. This project is under the scope of one of ERIA's three research pillars – Deepening Economic Integration. The theme of this fiscal year's research project is **Microdynamics of Industrial Development and Trade and Industrial Policy**. This project comprises country studies by authors mainly from ERIA member countries.

Please email research proposals to **Doan Thi Thanh Ha** (doan.ha@eria.org) by **28 July 2018**. Early submission is encouraged.

The authors will be notified of the decision about the proposal selection process no later than 17 August 2018.

ERIA provides financial support of US\$8,000 per paper for the selected proposals. ERIA also covers the travel costs of one author per paper to attend the workshops of the project.

Theme of the Research

Developing new industries or making infant industries grow to become mature industries has always been an important policy objective not only for developing countries but also for developed ones. To achieve this objective, most, if not all, governments have utilised trade and industrial policy tools and have often taken an approach of 'protect and support (subsidise)'. Business communities usually promise or claim that their industries will grow, become more efficient and productive, and eventually acquire international competitiveness if their industries are protected and subsidised. It is true that the protect-and-support approach of industrial development is not without some theoretical justification. It is well understood, for example, that when there are static and dynamic increasing returns to scale or when there are coordination failures, the protect-and-support approach may help new or infant industries to emerge and grow. Whether this approach does in fact make new and infant industries grow and whether it delivers the claimed outcomes, however, has been an issue of contentious debate and controversy.

Studies employing firm- or firm-product level microdata may contribute to a better understanding of this issue in at least two ways. First, it can help further clarify the microdynamics of industrial development. Although we do not try to give a rigorous definition of the microdynamics of industrial development, we think of it roughly as a process from the first domestic production (by indigenous or foreign firms) of a product in a new industry to the emergence of the full-blown industrial base that is internationally competitive without direct government protection or subsidy. Although numerous studies have at least partly clarified this process, it is true that our understanding of this process is still limited and much more research remains to be done. Second, by employing firm- or firm-product level microdata, we can conduct more in-depth analyses of the roles of trade and industrial policy in making industries grow. In the case of most real-world industrial policy programmes, in particular, a subset of firms within an industry, not all firms, receive government support.

Against this background, this project aims to (i) clarify the microdynamics of industrial development further, and (ii) empirically evaluate the effectiveness and efficiency of trade and industrial policies. Thus, the two main questions to be addressed by this project are 'How does a new industry emerge and how does an infant industry grow to become a mature industry which is internationally competitive?' and 'Are trade and industrial policies effective and efficient for making industries grow?'

More information: <http://www.eria.org/research/call-for-proposals-eria-microdata-research-fiscal-year-2018/>

Upcoming Events

Workshop on 'Labor in East Asia'

Date: 2-3 July 2018
Venue: Jakarta, Indonesia

The 10th ERIA Academic Advisory Council (AAC) Meeting

Date: 5 July 2018
Venue: Jakarta, Indonesia

LNG Demand in Asia Workshop

Date: 9 July 2018
Venue: Jakarta, Indonesia

The Hinrich Foundation Sustainable Trade Index Launch

Date: 11 July 2018
Venue: Jakarta, Indonesia

ERIA AmCham ASEAN Briefing Series: 'Addressing Non-tariff Measures in FTAs and RTAs'

Date: 13 July 2018
Venue: Jakarta, Indonesia

The Second ASEAN-India Workshop on Blue Economy

Date: 18 July 2018
Venue: New Delhi, India

The 2nd workshop of Impact of FTA on Trade and Industry (Phase 2)

Date: 20 July 2018
Venue: Bali, Indonesia

ERIA-OECD Joint Seminar: OECD Regional Economic Outlook 2018

Date: 23 July 2018
Venue: Jakarta, Indonesia

ERIA Technical Workshop on ASEAN Vision 2040: ASEAN Single Market; Transformative ASEAN Community; and ASEAN Centrality and East Asian Collective Leadership

Date: 9-11 August 2018
Venue: Jakarta, Indonesia

About Us

The Economic Research Institute for ASEAN and East Asia (ERIA) is an international organisation based in Jakarta, Indonesia that conducts in-dept research on issues facing the people and governments of ASEAN and East Asia.

ERIA works closely with the ASEAN Secretariat and research institutes from across East Asia and beyond to provide innovative and analytical research and policy recommendations. Our projects are organised under three research pillars:

- Deepening Economic Integration
- Narrowing Development Gaps
- Achieving Sustainable Development



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