



**ERIA's Participation in the 31st ASEAN Summit and Other Related Events**

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The 31st ASEAN Summit and other related meetings was held Manila, Philippines, 10-14 November 2017. The Summit, with the theme 'Partnering for Change, Engaging the World', was attended by a delegation from the Economic Research Institute for ASEAN and East Asia (ERIA) that included Prof Hidetoshi Nishimura, the President of ERIA; Tan Sri Datuk Dr Rebecca Fatima Sta Maria, Senior Policy Fellow; Dr Ponciano S. Intal, Jr., Senior Economist; Mr Izuru Kobayashi, Chief Operating Officer; Dr Masahito Ambashi, Economist; Dr Ayumi Kodama, Deputy Director General; Ms Lydia Ruddy, Director of Communications; and Mr Fusanori Iwasaki, Executive Assistant to the President.

## Highlights

### **ERIA Participated in Mekong-Japan Preparatory Senior Officials' Meeting**

On 12 November, Dr Masahito Ambashi, the Economist of ERIA, presented 'ERIA's new study proposal on Connectivity in the Mekong Region' with the SOM Leaders. He pointed out that ERIA would like to stress that the smooth connectivity in the Mekong region further evolves the global value chain which Mekong and Japanese firms have formed. Dr Ambashi stated that ERIA is prepared to study infrastructure investment and relevant cost-sharing mechanisms to improve the whole Mekong region's connectivity.

### **ERIA Flagship Project 'ASEAN@50' Presented at ASEAN Business and Investment Summit (ABIS) 2017**

On 14 November, Prof Hidetoshi Nishimura, the President of ERIA, introduced a short video about ERIA's five volume commemorative publication ASEAN @50: Retrospectives and Perspectives on the Making, Substance, Significance, and Future of ASEAN. The book series describe the story of ASEAN, building up from managing intraregional disputes to facilitating the management of pan regional disputes; from economic cooperation to economic integration; and from nation-building to community-building. The short video summarised the five volumes and showed scenes from ERIA's ASEAN@50 symposia and High Level Forum including a speech by President Rodrigo Roa Duterte of the Philippines.

### **Tan Sri Dr Rebecca Sta Maria Participated in ABIS Panel 'Right Money + Open Markets = Prosperity for All'**

On 13 November, Tan Sri Rebecca Sta Maria participated on an ABIS panel entitled 'Right Money + Open Markets = Prosperity for All' moderated by Dato Timothy Ong, Chairman of Asia Inc. Forum. Other panellists included: Gov Nestor Espenilla Jr, Governor of Bangko Sentral ng Pilipinas (Philippines); Mr Nazir Razak, Chairman of WEF's ASEAN regional Strategy Group and CIMB Group; Anthony Thomas, CEO of Mynt (Philippines); Alexander Feldman, President and CEO of US-ASEAN Business Council (USA); Robbie Antonio, CEO of Revolution Precrafted (Philippines); and David Foote, Founder and CEO of Zennyra (USA).

Dato Ong opened the session by posing the question: How can ASEAN's economic dynamism be accompanied by greater financial inclusion, especially for MSMEs? What are the biggest challenges to financial inclusion? Gov Espenilla Jr and Alex Feldman described how the regulatory environment is the biggest challenge to financial inclusion. Mr Razak made the case for the private sector to adopt new values systems that address the changes stemming from the Fourth Industrial Revolution. David Foote discussed the challenges related to access to finance, especially the fact that banks are not equipped to deal with microtransaction. Mr Thomas spoke about mobile payments, and enabling merchants to accept electronic

payments with no device required, which brings down the costs of transactions.

Representing the perspective of government policy makers who have worked to address these issues, Tan Sri Rebecca (a former Secretary General of Malaysia's Ministry of International Trade and Industry) reminded the panel that even though inclusion was an important part of the public sector conversation, many have not 'seen the light of day.' This is partly a result of the failure of addressing related issues like trade facilitation. 'Integration and inclusion are integrally related,' said Tan Sri Rebecca. She urged deeper collaboration between the government and private sector, warning that without it, the lack of inclusion will increase.

### **ERIA was mentioned in the 'Chairman's Statement of the 31st ASEAN Summit'**

18. We noted the publication by the Economic Research Institute for ASEAN and East Asia (ERIA) of the five-volume book set to commemorate the 50th anniversary of ASEAN, as well as the holding of symposia on ASEAN's 50th anniversary, including the High-Level Forum on ASEAN@50: Retrospectives and Perspectives on the Making, Substance, Significance and Future of ASEAN in Manila on 19 October 2017.

*Economic Research Institute for ASEAN and East Asia (ERIA)*

80. We expressed our deep apprecia-

# Featured Stories



Professor Hidetoshi Nishimura introduced a short video about ERIA's five-volume commemorative publication ASEAN@50: Retrospectives and Perspectives on the Making Substance, Significance, and Future of ASEAN.

-tion to the Economic Research Institute for ASEAN and East Asia (ERIA) for their invaluable contribution and support not only to the Philippine Chairmanship of ASEAN but also to the commemoration of ASEAN@50. We noted the High-Level Forum on ASEAN@50, held on 19 October 2017 in Manila, that also launched the publication of ASEAN@50: Retrospectives and Perspectives on the Making, Substance, Significance, and Future of ASEAN. We also acknowledged ERIA's contribution in the delivery of the ASEAN Trade Facilitation Strategic Action Plan (ATF-SAP) and the ASTFI that are geared towards addressing Non-Tariff Measures (NTMs) in the region. We further commended ERIA's resolve in promoting regional economic integration, including support for RCEP negotiations and the Master Plan on ASEAN Connectivity (MPAC) 2025.

## **'ERIA was also mentioned in the 'Chairman's Statement of the 12th East Asia Summit'**

### *Energy*

8. We reaffirmed the importance of continued efforts towards improved energy access and energy affordability in order to address regional energy security and sustainability challenges, as well as promote high-quality infrastructure and keeping energy markets transparent and competitive. In this regard, we underscored the importance of the promotion of clean energy, such as renewable energy, clean coal technology, energy efficiency and cleaner and more efficient fossil fuels including enhancing the use of natural gas as a low-emission fuel. We also welcomed the conduct of the 3rd East Asia Summit Clean Energy Forum and the 3rd EAS New Energy

Forum hosted by China on 3-4 July and 1-2 November 2017, and the Bohol Reflections prepared by the Philippines, Brunei Darussalam and the Economic Research Institute for ASEAN and East Asia (ERIA) as an outcome of the 1st East Asia Energy Forum in the Philippines on 21 August 2017.

9. We recognized that the EAS region is experiencing the highest growths in energy demand and noted the broad range of energy resources and clean energy technologies capable of contributing to the region's economic growth, energy security and environment protection. We acknowledged the continued role of fossil fuels in the region and underscored the importance of enhanced use of natural gas and clean coal technologies and noted the need to develop liquid, transparent and secure LNG market and its enabling conditions. We underlined the crucial importance of robust research underpinning regional policy discussion and formulation, and welcomed the adoption of a new EAS Mid-Term Energy Policy Research Roadmap.

### *ASEAN Connectivity*

24. We are pleased with the efforts to strengthen the implementation arrangements for the Master Plan on ASEAN Connectivity (MPAC) 2025. In this regard, we welcomed the adoption of the respective Terms of Reference (TORs) for the ASEAN Connectivity Coordinating Committee (ACCC), National Coordinators, National Focal Points and Lead Implementing Body for

Sustainable Infrastructure during the 19th ASEAN Coordinating Council Meeting on 28 April 2017. We noted the progress in the development of the respective project concepts and proposals for the implementation of the MPAC 2025. We welcomed the outcomes of the Forum on MPAC 2025 Initiatives and Project Concepts and the 8th ASEAN Connectivity Symposium with the theme 'Harnessing Opportunities and Addressing Challenges in the Implementation of the MPAC 2025', which were held on 12-14 July 2017 in Manila, Philippines, and with support from Australia and ERIA. We attached importance to promoting greater synergies amongst the various connectivity strategies in the region.

*Economic Research Institute for ASEAN and East Asia (ERIA)*

47. We commended ERIA's resolve in promoting regional economic integration, including support for RCEP negotiations and the implementation of the Master Plan on ASEAN Connectivity (MPAC) 2025 and took note of its key research outcomes that will further guide ASEAN in its efforts on trade facilitation, in particular on the conduct of research studies and development of tools and databases on Non-Tariff Measures as well as the ASEAN Seamless Trade Facilitation Indicators as part of the Philippines' economic priority deliverables for its chairmanship. We appreciated ERIA's contribution to the 8th ASEAN Connectivity Symposium, the High-Level Forum on ASEAN @ 50: Retrospectives and Perspectives on



ERIA Delegations to the 31st ASEAN Summit and other related meetings

the Making, Substance, Significance and Future of ASEAN, and the publication of the five-volume book set to commemorate the 50-year anniversary of ASEAN. We further welcomed ERIA's activities in new areas such as efforts to strengthen regional health services. We encouraged ERIA to continue to provide support for the Chair of the ASEAN Summit and East Asia Summit and to continue to provide actionable policy recommendations to EAS Economic Ministers.

**ERIA was also mentioned in the 'Chairman's Statement of the 20th ASEAN Plus Three Commemorative Summit'**

18. We noted the continued growth of cooperation on environmental issues, particularly in addressing issues relating to environmental protection and sustainable development. We welcomed the ASEAN-Japan Environmental Cooperation Initiative which aims to advance environmental

cooperation in areas including climate change, waste management, biodiversity conservation, chemical pollution management, wastewater management, and quality environmental infrastructure development for sustainable cities, as well as cooperation in SDGs through collaboration with ERIA.

27. We acknowledged that the ASEAN Plus Three Health Cooperation has been aligned with the Health Priorities of the ASEAN Post 2015 Health Development Agenda for 2016-2020. We also supported the Joint Statement issued during the 7th ASEAN Plus Three Health Ministers Meeting on 7 September 2017 in Brunei Darussalam which underscored the priority areas of collaboration for 2017-2018 on Universal Health Coverage (UHC), Information-Communication-Technology (ICT) for healthcare, prevention and control of non-communicable diseases, enhancing traditional and complementary medicine, promoting active ageing, development of human resources



for health, responding to all hazards and emerging health threats and enhancing food safety. We noted other issues prioritised for collaboration such as Antimicrobial Resistance, Ending All Forms of Malnutrition and Disaster Health Management. We looked forward

to the progress of regional activities under the ASEAN Plus Three Health Cooperation that will complement bilateral and regional cooperation on aging-related challenges in the ASEAN. We also looked forward to have further discussions on the Asia Health and Wellbeing

Initiative (AHWIN) initiated by Japan in cooperation with Economic Research Institute for ASEAN and East Asia (ERIA).■

## Upon the Occasion of the Death of Dr Surin Pitsuwan




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**'ASEAN has to transform this planet for all people'.**

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It is with the greatest sorrow that I, and all of us at ERIA, have learned of the passing of Dr Surin Pitsuwan. A statesman without parallel, a man of both vision and warmth, a leader for ASEAN like no other. Asia, in fact the whole world, suffers a great loss today. At ERIA, he was a most engaged Special Advisor to the President who provided guidance and inspiration. He will be greatly missed.

It is impossible to measure the impact of someone like Surin whose aspirations for the region blossomed far into the future, while his kindness

and caring touched the hearts of each person he met. As a true leader of ASEAN, even well after his term as Secretary General, he gave himself fully to promoting the dream of a peaceful and prosperous region where every person could be a member of a caring and sharing community, a people-oriented ASEAN. He was also a strong believer in ASEAN centrality and the need for the region to promote intra-regional trade: 'We have to do more of our own integration and globalization. It is the only way to go forward in the next half century,' he said at an

ERIA symposium in June this year. And ASEAN must know itself as a global player and contribute to the common goods within the global community.

Never one to shirk the duty of visionary: 'ASEAN has to transform this planet for all people,' he said.

Now with heavy hearts we must say goodbye to this true gentleman, statesman, friend and leader who gave so much to all of us.

On this sad occasion, to those closest to him, we grieve with you.■



Jaysa Rafi Prana  
Research Associate at ERIA

## ASEAN@50: Building an ASEAN Community, Identity to Deepen Economic Integration

**'The next step for ASEAN integration lies in the need to build a sense of community and identity among ASEAN citizens; striking successful trade deals, while crucial, is not enough. Building this identity will be challenging and requires serious political will, but most importantly it must be driven by all citizens, not only bureaucrats, politicians, or researchers.'**

The Association of Southeast Asian Nations (ASEAN) has played an essential role in maintaining peace and building prosperity in the region in its 50 years of existence. Its continued success over the next fifty years depends on its ability to foster an ASEAN community and identity in which citizens of the region truly feel engaged.

Established in 1967 against the backdrop of tensions between its five founder members, and the Cold War, these nations decided to put aside their differences and create an association to promote regional peace and security. Defying those who predicted that ASEAN was bound to fail - given the hostile circumstances into which it was born - the grouping has instead created

the stability and peace its members needed in order to develop and prosper.

ASEAN's GDP now stands at approximately US\$2.5 trillion, ranking the expanded grouping as the world's sixth largest economy and fourth largest global trading power. ASEAN nations have built regional production networks across many sectors, have boosted their competitiveness in global markets and have significantly reduced poverty. But while the numbers look good on paper, there are still many difficult internal and external issues to tackle if ASEAN is to continue to thrive in the years to come. External challenges pose internal pressures. The current retreat of advanced nations from globalisation

into protectionism is destabilising the global economic footing that has underpinned steady growth in ASEAN for three decades. For example, the US has threatened to withdraw from its trade deal with Korea; if this happens, ASEAN will be adversely affected as the inputs for many Korean exports come from within the grouping. This uncertainty hanging over global trade means ASEAN must find a new engine with which to maintain its robust growth. Economically, ASEAN member states must develop their own markets to overcome this backlash against globalization and must therefore intensify efforts to integrate internally. ASEAN must be more ambitious in pushing internal reform and creating its own identity. Fixing domestic problems will, of course,

aid in integration with more developed economies outside of ASEAN.

The next step for ASEAN integration lies in the need to build a sense of community and identity among ASEAN citizens; striking successful trade deals, while crucial, is not enough. Building this identity will be challenging and requires serious political will, but most importantly it must be driven by all citizens, not only bureaucrats, politicians, or researchers.

Research by ERIA shows that awareness of ASEAN is limited only to ASEAN's economic pillar among the general population. This must change if people are to feel a sense of regional community, and people must also see the clear benefits that this ASEAN community brings to their lives. Broadly, there are three tasks ASEAN must take on. First, ASEAN must produce tangible benefits that people can see. For example, the standardisation of ASEAN vehicle number plates was an idea that came out of a recent high level forum on ASEAN@50 organised by ERIA and partners in Manila. Allowing passenger vehicles to roam freely across borders is a simple idea, but a tangible one that would ease cross-border movement for citizens, and could create a real sense of community.

More ambitiously, improving the current rules on freedom of movement for workers and making it easier for people to find jobs in other ASEAN nations would give a deeper sense of the benefits brought about by ASEAN membership. The current

regulations are restrictive and only apply to eight professions compared, for example, to the 63 covered by the North American Free Trade Agreement.

Second, it is time for ASEAN to have its own distinct identity as a region. This could be acquired by collaborating on an ASEAN-branded product that makes use of the complementary skills of each nation. If ASEAN were to build its own car, for example, Singaporean firms could tackle the design, marketing, and branding, while Indonesian firms would provide parts and Vietnam might tackle the electronic components of radio and navigation system.

Third, ASEAN nations should strive to increase citizen participation in ASEAN forums and agendas in order to build public trust in its systems and processes. The people should direct ASEAN's agenda and its institutions must therefore be actively engaged with civil society, youth, and other relevant stakeholders.

By engaging with more stakeholders, transparency within ASEAN would be improved, while engaging with young people is also a way to promote ASEAN to future leaders. Discussions with civil society and the broader public can give officials insights into areas of real concern to the people they represent.

Until now, an ASEAN identity has come second to the single nationality mindset. It is now time for us to stand up as a region. It is time for us to realise our potential.

It is our time to partner for change, engage our citizens and engage the world. ■

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## Economics Discussion Forum and Book Dissemination: The Indonesian Economy: Industrial and Trade Policy



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All panels agreed that the world is facing deglobalization and praised the boldness of Jokowi's Administration in "getting Indonesia's infrastructure right" to boost the nation's economy.

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YOGYAKARTA, INDONESIA - 18 November 2017: The Economic Research Institute for ASEAN and East Asia (ERIA), in collaboration with the Faculty of Economics and Business, Gadjah Mada University (UGM), held an economic discussion forum that took place at Grand Mercure Hotel. The event was also intended to promote two recent ERIA-Routledge publications 'The Indonesian Economy: Industrial and Trade Policy' and 'Production Networks in Southeast Asia'.

Representatives from the government, private industry, and academia were invited both to provide insights on the new world trade environment and to stimulate relevant discussions on Indonesian trade and industrial policies. Iskandar Simorangkir, Deputy Minister for Macroeconomic and Financial Coordination - Coordinating Ministry for Economic Affairs; Professor Wing Thyee Woo, Professor of Economics at UC Davis; and Dr. Lili Yan Ing, Senior Economist at ERIA delivered

keynote speeches in the first section of the event which was moderated by Tony Prasentiantono, Head of Economics and Public Policy Study Centre UGM. All panels agreed that the world is facing deglobalization and praised the boldness of Jokowi's Administration in "getting Indonesia's infrastructure right" to boost the nation's economy.

The second session of the event was a talk show featuring speakers Hendri Saporini, Head Commissioner of PT Telkom Indonesia Tbk, and Elvyn G Masassya, Head Director of PT Pelabuhan Indonesia II, with moderator Poppy Ismalina, Lecturer at Faculty of Economics and Business, UGM. The discussions involved some of the main topics examined in the two books that were being promoted.

The book 'The Indonesian Economy: Industrial and Trade Policy' has two key messages. The first one is that Indonesia should not limit itself to particular industries to grow

- by providing tax incentives or subsidies, or allocating large amount of national spending to develop particular industries - at the cost of other industries and inefficiency of resource allocation. The second one is that Indonesia should improve the basic conditions for all industries to grow including infrastructure, quantity and quality of workers, access to finance, and adopt conducive trade and investment policies.

The book 'Production Networks in Southeast Asia' offers two significant insights. The first one is that trade is growing, production is sliced, and tasks are fragmented. As such, specialisation is no longer a country's comparative advantage; instead, it is firm-specific, product-specific, and worker-specific. The second one is that more openness to trade and investment may tend to pull down the ratio of domestic value added but level up the total amount of domestic value added. ■



## Book Dissemination: The Indonesian Economy: Industrial and Trade Policy




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**'To increase the growth of employment in manufacturing sector, Indonesia needs to improve its human resources by creating skills development system that would allow workers to continually acquire new skills, both general and firm-specific skills, through non-formal or on-the-job training.'**

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BANDUNG, INDONESIA - 10 November 2017: The Economic Research Institute for ASEAN and East Asia (ERIA), together with the Faculty of Economics and Business, Padjajaran University, held a dissemination event for the newly published ERIA-Routledge book 'The Indonesian Economy: Industrial and Trade Policy' at the Padjajaran University Dipatiukur Campus. This important new book addresses the theme of how Indonesia should shape its trade and industrial policies in the new world trade environment.

Two contributors of the book talked about their work and answered questions from a room full of enthusiastic students. Dr Ben Shepherd, Principal at Developing Trade Consultants, explained the reasons behind Indonesia's lack of performance in relation to production networks. He pointed to Indonesia's restrictive trade policies regarding services, a much stronger domestic market focus than any other ASEAN countries, and

distortions to competition as three leading causes.

Dr Shepherd also emphasised that in order for Indonesia to regain its position in the region's global value chain. 'Indonesia should start lifting horizontal restrictions (as opposed to lifting restrictions of specific sectors) in services trade as we don't want government to alter incentives across sectors. Ideally, we want to keep incentives relatively flat across sectors and let the market allocate resources to the most efficient users,' he said.

Dr Muhammad Purnagunawan, a Senior Lecturer and Researcher in the Department of Economics, Padjadjaran University, talked about issues and challenges in the labour market and firm competitiveness in Indonesia. With the size of 124 million people in 2014, Indonesia's labour force was the 4th biggest in the world. The growth of employment in manufacturing however remains low,

however despite performing below expectation, the manufacturing sector contributes higher productivity than the agriculture and services sectors.

'To increase the growth of employment in manufacturing sector, Indonesia needs to improve its human resources by creating skills development system that would allow workers to continually acquire new skills, both general and firm-specific skills, through non-formal or on-the-job training,' said Dr Purnagunawan.

In addition to the topics discussed during the event, the book also talks about the impact of local content requirements on Indonesia's manufacturing, FDI and value-added in Indonesia, and innovation in the manufacturing and services sectors. The main objective of the book is to convey two key messages. First: Indonesia should not limit itself to promotion of specific industries - by providing tax incentives or subsidies,

or allocating large amount of national spending to develop particular industries - at the cost of other industries and inefficiency of resource allocation. Second: Indonesia should improve the basic conditions for growth of all industries including infrastructure,

quantity and quality of workers, access to finance, while at the same time adopting conducive trade and investment policies.

For trade practitioners, the book also introduces an evaluation of new trade instruments such as non-tariff

measures (SPS, TBT, export measures and beyond border measures), and looks at industrial policies from a broader perspective such as investment, accessing inputs, labour, services, research and innovation policies. ■

## ERIA Participates in the Symposium on the 50th Anniversary of ASEAN and the 40th Anniversary of the Fukuda Doctrine



Jakarta has been playing a central function in ASEAN, indicated by the fact that the ASEAN Secretariat and ERIA are based in Jakarta.

The Indonesian Institute of Sciences (LIPI), Mission of Japan to ASEAN, and Embassy of Japan in Indonesia organised the Symposium on the 50th Anniversary of ASEAN and the 40th Anniversary of Fukuda Doctrine on 27 October 2017. Held at the Kempinski Hotel Grand Ball Room in Jakarta, the Symposium focused on the theme of 'Contributions of Japan-Indonesia Relations towards further Development of ASEAN'.

Prof Dr Ir Bambang Subiyanto, Acting Head of LIPI and H.E. Kazuo Sunaga, Ambassador, Mission of Japan to ASEAN delivered the opening remarks. Prof Dr Ir H Ginandjar Kartasasmita, Chairman for Indonesia-Japan Friendship Association and H.E. Yasuo Fukuda, Former Prime Minister of Japan, both delivered keynote speeches.

H.E. Yasuo Fukuda presented the his-

tory of the Fukuda Doctrine, which was developed by his father, the then Prime Minister Takeo Fukuda. The Fukuda Doctrine that outlined Japan's foreign policy was announced in Manila in 1977.

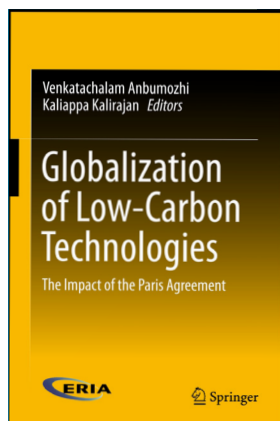
In his remarks, he stated that the development and economic integration of ASEAN cannot be realised without Indonesia's development. Moreover, he underlined how Jakarta has been playing a central function in ASEAN, indicated by the fact that the ASEAN Secretariat and ERIA, which was founded during his tenure as Prime Minister, are based in Jakarta.

In the two panel discussions, panellists from ERIA, LIPI, Bina Nusantara University, and Universitas Indonesia discussed the contributions of Indonesia and Japan to the development of ASEAN in the past 50

years, and how the two countries can improve peace and prosperity in the ASEAN region.

ERIA economist Dr Yasushi Ueki delivered a presentation entitled 'Japan-ASEAN Economic Cooperation: Facts and Figures' in the first panel discussion 'Contributions of Japan and Indonesia to further development of ASEAN Economic Community (AEC)'. He emphasised the importance of developing quality infrastructure and capacity building of local companies, which should be designed appropriately to the development stage. Japan's aid for trade has focused on the development of economic infrastructure and productive capacity. Japan is expected to work together with Indonesia in addressing these policy challenges for further development of the AEC. ■

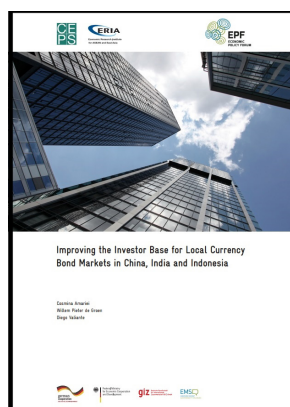
# Publications



## ERIA and Springer: Globalization of Low-Carbon Technologies

Edited by Venkatachalam Anbumozhi and Kaliappa Kalirajan

This book explores the opportunities and barriers within the Intended Nationally Determined Contributions (INDC) framework of the Paris Agreement for low-carbon technology diffusion. Further, it proposes appropriate and feasible mechanisms required at local, national and regional levels to achieve the INDC targets. The book employs both meta policy analysis and scenario building to examine, whether the diffusion of low-carbon energy future by 2030 is economically viable under the INDC framework and how international technology cooperation could accelerate investments on the scale required for achieving the INDC targets. Further, this book provides new perspectives on market and non-market mechanisms for the globalization of low-carbon technologies, within the framework conditions of the Paris Agreement, which will be of significant value to senior policy makers, multi-disciplinary academia, and investing communities.

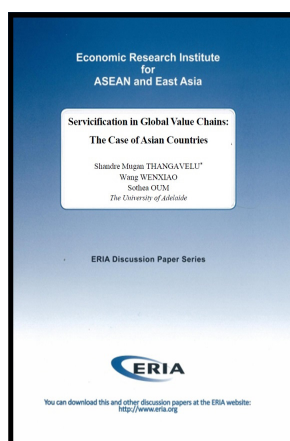


## CEPS - ERIA New Book: Improving the Investor Base for Local Currency Bond Markets in China, India and Indonesia

By Cosmina Amariei, Willem Pieter de Groen, and Diego Valiante

China, India and Indonesia are in need of alternative sources of finance. In the coming years, these three countries will require vast amounts of capital in order to bring investments in infrastructure to the level that optimises economic growth. This study looks at the possibility to further develop the local currency bond markets in general, and to broaden and deepen the institutional investor base in China, India and Indonesia in particular.

This report was prepared in the framework of the Emerging Market Sustainability Dialogues (EMSD), which is implemented by Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, the German international cooperation agency, on behalf of the German Ministry of Economic Cooperation and Development (BMZ). EMSD is a network of representatives from the financial sector, think tanks and multinational corporations who jointly develop and implement solutions for sustainable economic development in emerging economies, through consultation, dialogue and research.

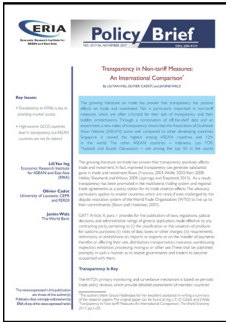


## Servicification in Global Value Chains: The Case of Asian Countries

By Shandre Mugan Thangavelu, Wang Wenxiao, Sothea Oum

The paper studies the degree of servicification (or the role of services as inputs in manufacturing) of selected 61 Asian countries in terms of global value chain (GVC) activities at the sectoral level using domestic and foreign services from 1995 to 2011. We explore empirically the possible sources of servicification of the economies in terms of the factors driving the expansion of servicification. We categorize servicification activities into two types: (a) domestic servicification using domestic services and (b) foreign servicification using foreign value-added content in domestic exports. Servicification is confirmed in selected Asian countries, particularly in 16 East Asian countries associated with the Regional Comprehensive Economic Partnership (RCEP) negotiation. However, the selected Asian countries tend to have lower domestic servicification levels, but higher foreign servicification levels as compared to the overall sample of countries in the study. Countries with higher participation rates and lower positions in GVCs tend to have higher levels of foreign servicification across the sectors. In contrast, countries with higher participation rates and higher positions in GVCs tend to use more domestic services in manufacturing exports. The effect is larger for Asian countries as compared to the developed countries in the sample.

The study also highlights the role of technical improvement and institutional as key factors in the development of services in the global production value chain.



## Transparency in Non-tariff Measures: An International Comparison

By Lili Yan Ing, Olivier Cadot and Janine Walz

The growing literature on trade has proven that transparency has positive effects on trade and investment. This is particularly important in non-tariff measures, which are often criticized for their lack of transparency and their hidden protectionism. Through a combination of off-the-shelf data and an experiment, a new index of transparency shows that the Association of Southeast Asian Nations (ASEAN) score well compared to other developing countries. Singapore is ranked the highest among ASEAN countries and 12th in the world. The other ASEAN countries - Indonesia, Lao PDR, Thailand, and Brunei Darussalam - are among the top 50 in the world.



## ASEAN: Regional Integration and Reforms

By Mari Pangestu and Lili Yan Ing

This brief explains the motivation behind ASEAN's integration into East Asia, the role ASEAN reforms play in the integration, as well as its future direction. If ASEAN members continue to improve trade facilitation and regulation transparency, regional integration can become a vehicle for multilateral integration, domestic reforms, and institution building.



## How Restrictive Are ASEAN's Rules of Origins?

By Olivier Cadot and Lili Yan Ing

ASEAN's rules of origin (ROO) have a simple and transparent structure, with a large chunk of trade flows subject to a 40% regional value content or a change of tariff classification. The econometric analysis of trade flows discovers that the average ad-valorem equivalent (AVE) of ASEAN's ROO is 3.40% across all instruments and sectors. The trade-weighted average is 2.09%. This moderate estimate is in line with the existing literature. However, we also find fairly high AVEs for some sectors including leather, textile and apparel, footwear, and automobiles. We also find that some rules appear more restrictive than others; in this regard, the Textile Rule seems to stand out as a relatively more trade-inhibiting rule than others.



## Streamlining NTMs in ASEAN: The Way Forward

By Olivier Cadot, Ernawati Munadi and Lili Yan Ing

Dealing with NTMs as if dealing with a trade tool like tariffs is an improper approach, as NTMs could play a role of check and balance for quality of goods. To improve NTMs, efforts should be packaged as part of government regulation reform. Two main areas to work on are transparency through collective and uniform data collection as well as setting up an institution for better coordination and more objective evaluation of NTMs.



# Call for Proposals

The Economic Research Institute for ASEAN and East Asia (ERIA) invites submission of original research proposals for its project, Labour in East Asia. The project aims to improve understanding of labour market issues in the context of increasing fragmentation of production across countries in the East Asian region. We welcome proposals that take a trade-in-value added (TIVA) perspective and pursue questions pertaining to the labour market. The project objective, background, potential topics, and other information can be found in the accompanying Terms of Reference (TOR).

ERIA will provide financial support of US\$8,000 (eight thousand US dollars) for one paper (see Terms and Conditions in TOR). In addition, ERIA will cover the travel and lodging costs of the researchers to attend the project's workshops.

Research proposals should be submitted by email to Rashesh Shrestha ([rashesh.shrestha@eria.org](mailto:rashesh.shrestha@eria.org)) no later than **5pm Jakarta time** (GMT+7) on Wednesday, **14 February 2018**. Earlier submissions are encouraged. We will notify the authors of selected proposals by 28 February 2018 at the latest.

The proposals and papers will ideally include a combination of theoretical and empirical analyses, and/or case studies to derive policy lessons for a developing country. Research using individual and household-level data is especially encouraged.

Proposals should be a maximum of 5,000 words and clearly lay out the research question, methodology, data sources, and relevance to the theme of the project. Authors who already have completed working papers may submit those in lieu of a research proposal. Please include the CVs of the main author and co-authors (if any) in the submission.

## [Output]

- The final paper will be included as a chapter in an academic book co-published by ERIA-Routledge.

## [Project timeline]

- 14 February 2018: Deadline for submission of research proposals
- 28 February 2018: Announcement of selected proposals
- 30 May 2018: First draft of paper due
- June 2018: Team workshop (dates and location TBD)
- 30 September 2018: Final draft of paper due

## [Contact]

Please email Rashesh Shrestha with any questions.

## More information:

Visit our website for more information here:

<http://www.eria.org/news/FY2017/11/call-for-proposals-labour-in-east-asia.html>

# Upcoming Events

## Reducing Unnecessary Regulatory Burdens (RURB) and Cost Benefit Analysis (CBA) Workshop

Date: 8-10 December 2017  
Venue: Kuala Lumpur, Malaysia

## Kick Off Meeting of Better Expenditure Management of Infrastructure Finance

Date: 9 December 2017  
Venue: Singapore

## Working Group Meeting on Energy Poverty

Date: 11-12 December 2017  
Venue: Jakarta, Indonesia

## ERIA and CASS Roundtable: Jointly Promote the Development of East Asia

Date: 16-17 December 2017  
Venue: Nanning, China

## The First Workshop on Microdata Research Project of the Fiscal Year 2017

Date: 21-22 December 2017  
Venue: Jakarta, Indonesia

## The Second Workshop on Handbook of Asian Economic Integration Project

Date: 15-16 January 2018  
Venue: Jakarta, Indonesia

## Capacity Building Programme: Strengthening Fiscal Policy for Infrastructure Delivery in the Mekong Region

Date: 15-16 January 2018  
Venue: Hanoi, Viet Nam

## Workshop of FTA on Trade and Industry (Phase II)

Date: 19 January 2018  
Venue: Tokyo, Japan

## The First Workshop of Digital Economy, Innovation, and East Asia's Competitiveness (2)

Date: 21-22 January 2018  
Venue: Bangkok, Thailand

## Research Institute Network Meeting FY 2017

Date: 29 January 2018  
Venue: Jakarta Indonesia

## ERIA and IDE-JETRO Roundtable on 'Connectivity and Innovation'

Date: 30 January 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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