



# **Policy Design**

## Department

## Policy Design Department: Bridging the Gap between Research and Policy



In 2017, the Policy Design Department completed 1 year of active policy support for the Association of Southeast Asian Nations (ASEAN) and East Asia. In this year the PDD also matured in its learning curve, in terms of combining research and policy activities and preparing customised deliverables for the stakeholders. In 2017 the PDD also supported the region's trade and economic connectivity activities with countries and regions outside Asia. While the global economy witnessed a sustained recovery in economic growth in 2017, the East Asia region faced

uneven growth in its member countries. The PDD, through its several activities, underlined the need for the policy makers to focus on structural, innovative, and facilitative measures to support trade, business activities, and economic cooperation, followed by capacity building where required.

The PDD has progressed well in the effective and practical application of ERIA's research, taking the regional economic integration processes forward. Making progress toward the realisation of the ASEAN

Vision 2025 and early completion of the Regional Comprehensive Economic Partnership (RCEP) were important targets for PDD in 2017. PDD also took the lead in moving the policy focus of ASEAN to non-tariff measures (NTMs), trade facilitation and customs cooperation, and their reciprocal effect on trade. PDD's joint efforts with ERIA's research department created a policy ecology around innovative and digital growth, which has the potential to make growth in ASEAN inclusive. PDD fulfilled ERIA's mandate of supporting the ASEAN Summit chair country, the Philippines, and also made early contributions to the summit theme of the 2018 chair, Singapore. 2017 was also the year in which PDD effectively consolidated its deliverables around major policy topics.

As countries and regions outside Asia become increasingly aware of the economic and strategic importance of Asia, PDD is supporting some of their efforts to deepen economic relations with ASEAN. Against this background, ERIA's research department undertook the following works, explained in brief:

#### **Regional Comprehensive Economic Partnership**

**(A)** Supporting the negotiations for an early conclusion of the Regional Comprehensive Economic Partnership (RCEP) was an ongoing, but high-priority, task. PDD supported the RCEP negotiations through policy and research inputs for the Chair of the RCEP Trade Negotiating Committee (TNC Chair), especially in the areas of trade in goods (tariff modality) and rules of origin (ROO), to address some of the key issues in the negotiations.

In 2017–2018, PDD supported six rounds of RCEP negotiations. The RCEP will be intensifying the negotiations and convening intersessional meetings in 2018 to comply with the mandate from the Leaders, and the PDD will continue to provide policy and research support for the RCEP negotiations.

The PDD has been supporting Viet Nam's role as the chair of the Asia–Pacific Economic Cooperation (APEC) in 2016–2017. It has supported Viet Nam in developing the APEC agenda for 2017, with particular focus on the Free Trade Area of the Asia–Pacific (FTAAP) and RCEP.

#### **Non-Tariff Measures**

**(B)** The PDD collaborated with the Research Department (RD) to organise a workshop for the officials nominated by ASEAN Member States (AMSS) on 'Deepening Economic Integration through Better Understanding and Better Implementation of the Non-Tariff Measures (NTM)' in Jakarta. The NTM workshop objectives were: (i) to disseminate the results of ERIA's work on the ASEAN NTM database; (ii) to disaggregate the data into measures that are required in compliance with international standards and those that may not be trade facilitative, and (iii) to design the NTM work agenda. The output of the workshop was presented to the High-Level Task Force on ASEAN Economic Integration (HLTF–EI) Meeting in August 2017. Members of the HLTF–EI recommended that ERIA continues the work on Ad Valorem Equivalent in priority sectors and undertakes a study on the trade impact of NTMs.

The updated results were delivered to the ASEAN Economic Ministers Meeting (AEM) in September 2017.

Further to PDD's works on NTMs, the ASEAN Trade Facilitation-Joint Consultative Committee (ATF-JCC) has tasked ERIA with supporting the ASEAN Secretariat in drafting guidelines for assessing existing NTMs, and incorporating the principles of regulatory impact assessment. The work is ongoing.

On NTMs, the PDD also engaged with the ASEAN Business Advisory Council (ABAC) and is currently working on a template for just a few tariff lines and NTMs by AMSs to support ABAC to understand what kind of further analysis needs to be done to make the best use of the ERIA NTM database.

### ASEAN Seamless Trade Facilitation Indicators (ASTFI)

(C) The PDD is supporting the activities of ATF-JCC to provide guidance and expertise on the following:

- a review of existing trade facilitation indicators and the development of the ASTFI to measure the extent to which trade is being facilitated in the region
- an exploration of possible benchmarks and alternative ways of measuring trade transactions cost
- a baseline study using the ASTFI
- an analysis of relationships between ASTFI and trade transactions cost, to determine the potential contributions of each ASTFI variable (or groups of ASTFI variables) to achieving the target of a 10% reduction in trade transactions cost by 2020 and a doubling of intra-ASEAN trade between 2017 and 2025.

Since January 2017, a dedicated PDD team has been developing the ASTFI. The ASTFI is a work in progress in 2018, with ASTFI variables having been adopted by the 31st AFTA Council in September 2017. Following the endorsement of the ASTFI questionnaires by the ATF-JCC Meeting in January 2018, the survey and data collection is ongoing in all AMSs.

### ASEAN Trade Transactions Cost

(D) Following the results of the ASTFI work, and at the request of the chair country of the Committee on Customs Cooperation (CCC), the PDD is preparing a Trade Transaction Cost study for the AMSs. The policy body has endorsed PDD's trade transaction cost methodology to include Time Release Study (TRS), dwell time, and time-to-permit approval as possible proxies for measuring trade transaction cost. The ASTFI survey and TRS will be conducted in line with the ATF-SAP (Strategic Action Plan), to measure the progress of trade facilitation initiatives in ASEAN.

### ASEAN Summit Meetings

(E) PDD presented a paper to the East Asia Summit Economic Ministers Meeting (EAS EMM) on the current economic and strategic challenges facing the region, and updated the Ministers on the research and policy support activities of ERIA.

### Connectivity

(F) PDD has been working on physical and institutional aspects of connectivity in ASEAN and East Asia, as well as between Asia and Africa, and Asia and Europe. It is contributing in developing the Asia Africa Growth Corridor (AAGC), which conjoins the Free and Open Movement in Indo Pacific (FOIP) and the Act East

Policy of India and Japan, respectively. The AAGC encompasses industrial, institutional, and peoples' connectivity, and development cooperation amongst the countries/regions of Africa, Asia, and Oceania. The Vision Document of AAGC was presented in the Africa Development Bank Group of Meetings in 2017, in Gandhinagar. It is now working on a Track 1.5 study of AAGC.

PDD supported the Asia Europe Connectivity Pathfinders Group in developing its Connectivity Monitoring Index. The results will be presented at the ASEM Summit in 2018.

PDD is participating in the research to establish the feasibility of a Canada–ASEAN free trade agreement (FTA) and a Eurasian Economic Union (EAEU)–Cambodia FTA.

PDD has contributed to the ASEAN–India Connectivity through its connectivity related research and writings on economic and strategic cooperation in the Asia–Pacific region.

#### **Collaboration with Multilateral Organisations**

**(G)** The PDD has worked with and contributed to the proceedings of Africa T20, which supports the G20 initiatives on Africa, introduced when Germany held the chair in 2017. PDD's policy writings on trade, investment, development cooperation, infrastructure, and industrialisation will be used for preparing Africa T20's consolidated recommendations to the G20 Leaders in Buenos Aires.

PDD also supported the Organisation for Economic Co-operation and Development (OECD) in its preparatory works for the G20 in Trade and Agriculture matters. PDD contributed to the reports through findings from ASEAN and East Asia, and ERIA's research and policy support activities.

#### **Support to Stakeholders**

**(H)** PDD participated in several workshops and symposiums across Asia and the Pacific, and in Europe to bring the stakeholders in, and partners of ASEAN and East Asia closer, through dissemination of East Asian economic cooperation experience and the value of free trade and economic cooperation. It is expected that advocacy and research dissemination activities will support the policy making on trade and economic cooperation amongst the stakeholders.

#### **Capacity Building**

**(I)** PDD contributed its knowledge resource on trade, tariffs, and the World Trade Organization (WTO) into capacity building activities for middle-level Trade Ministry officials in Cambodia for their enhanced participation in the RCEP negotiations.

The PDD had a full and rich year of activities in 2017, during which it has improved its own learning curve in institutionalising the policy support activities of ERIA. It was a year of internal learning, and of supporting the learning amongst stakeholders.