Asia-Pacific Forum 2017
Integration and Inclusiveness in a Digital Society

The Japan Economic Foundation (JEF), in partnership with the Philippine Institute for Development Studies (PIDS), organized the 2017 Asia-Pacific Forum with “Integration and Inclusiveness in a Digital Society” as the main theme. The forum, which was held on November 24, 2017 at the Marco Polo Ortigas Manila, was attended by experts from various Association of Southeast Asian Nations (ASEAN) member-states and other East Asian economies, and representatives from government, academe, and civil society organizations.

Opening Remarks

JEF Chairman and Chief Executive Officer Kazumasa Kusaka, in his opening remarks, lauded the efforts of the Philippines as ASEAN chair as well as in successfully hosting the ASEAN Summit this year. He said that JEF, for its part, has also been holding dialogues with the United States, Europe, and Asia in order to achieve sustainable growth in the regions. Mr. Kusaka recalled how JEF began its first Asia-Pacific Forum (APF) in 2003 in Singapore to promote free trade agreements (FTAs) in the Asia-Pacific region with the belief that FTAs are crucial to achieving sustainable economic growth. This year marks the sixteenth forum.

Explaining the theme of this year’s APF, he emphasized that the advancement of digital society, also known as the Fourth Industrial Revolution, has cut open the walls of space, and that globalization will further pick up speed with institutional help such as FTAs. Mr. Kusaka added that this progress is predicted to cast both light and shadow on the domestic industrial structure and the labor environment but the challenge is how to manage its impact. Specifically, he noted that the deepening integration in ASEAN has an effect on the region’s domestic economy, society, and politics. To overcome challenges such as the growing and persisting income and asset disparities among ASEAN member-states, Mr. Kusaka said it is necessary for countries similarly situated to work together, hold dialogues, and enter into new agreements. He cited the Trans-Pacific Partnership (TPP) and the Regional Comprehensive Economic Partnership (RCEP) negotiations as means to accelerate structural reforms not only for Japan but also for the East Asian region.

Meanwhile, Dr. Roehlano Briones, who read the opening remarks of PIDS President Gilberto Llanto, said that the theme is timely and relevant considering that the world is being transformed by new technologies. These digital innovations, he said, have a great potential to improve quality of life, open opportunities to increase growth, and unlock broader societal benefits.

According to Dr. Briones, digital technology also disrupts markets for products, services, and jobs. An example of this, he said, is the intensive use of data and 3D printing in the manufacturing industry, which could enhance both value and production chains and bring consumers closer to a more solid economy. He added that the use of automation, robotics, and artificial intelligence can also improve major industries including those in the fields of logistics, retail, and white-collar professions. Briones explained further that digitization can reduce social exclusion and advance social cohesion, and create productive mixtures of national, cultural, and religious identities.
He also noted the significant role of digital technology in building infrastructure as a result of urbanization, population growth, mobility, and climate change and transition. Through the aid of digital technology, Briones explained, smart cities can optimize urban planning and transport, and utility and community services such as waste collection and law enforcement. In agriculture, the smart use of big data from sensors and earth observations can increase productivity, food security, and farmer incomes at the same time, he added.

Moreover, Dr. Briones pointed out that a major challenge in digital technology is how to make it inclusive, especially with the ongoing ASEAN integration. He said it is important for ASEAN countries to ensure that technological advancements do not result in more income inequality in the region and for them to take into consideration the rising protectionism in the West, as well as explore how digital technology can advance the goals of the RCEP. But, he cautioned that while there are significant advancements because of technology, it also resulted to problems that caused the divide between the rich and poor as well as the developed and developing countries. Taking this into consideration, Dr. Briones said that the ASEAN regional bloc has to make sure that those who are really in need benefit the most from digital technology and that collaborative action is required among member-states to bend the curve of digital transformation.

Meanwhile, Socioeconomic Planning Secretary Ernesto Pernia, in his keynote speech, underscored the important role of information and communications technology (ICT) in nation building. ICT, he explained, has the power to foster inclusivity, enable security and efficiency, as well as strengthen connections between individuals, communities, and sectors.

He disclosed that the Philippine ranked 71st globally in the 2016 UN e-Government Development Index with a 38.8-percent increase in online service index and 54.7-percent increase in the telecommunications infrastructure index. The 2016 Philippine data from the International Communication Union also indicate that 47.8 percent of respondents use the internet while 32 percent of households have internet access at home. Dr. Pernia also cited the 2016 data of the United Nations Conference on Trade and Development, ranking the Philippines 89th out of 137 countries worldwide in terms of readiness to support online shopping and other business-to-consumer electronic commerce.

The largest impact of ICT, he said, is expected to be in the health-care, manufacturing, and network industries including banking and financial institutions and local governments. To create economic opportunities, Dr. Pernia said the government needs to facilitate a faster and more strategic rollout of ICT infrastructures in order to meet the growing demand for infrastructure services particularly in underserved areas.

He said the use of technology to support financial services, also known as FINTQ, seems to bridge the gap between banks and unbank and underserved markets. According to him, the 2017-2018 FINTQ report Voyager and FINTQ by PLDT shows that the majority of borrowers with access to FINTQ’s digital platforms are actually from the provinces despite the concentration of financial services in Metro Manila, which means that digital technology has a great potential in transforming the financial landscape in the Philippines and in other similar situated countries.

In addition, he said the growth of the internet and the increased mobile penetration raised access to financial institutions especially those who live in rural areas. An example of this, he shared, is the collaboration between FintQ and the Camalig Bank in Catanduanes this year. According to Dr. Pernia, digital lending was introduced to teachers and personnel of local government units via an online platform called Lender. To date, FinTQ and the Camalig Bank were able to disburse a loan of at least PHP15 million to qualified individuals in several towns.
of Catanduanes through online transactions thus eliminating the need to physically appear in the bank.

Apart from this, Dr. Pernia also discussed the introduction of digital platforms in the health sector. He said the Department of Health vision under its e-health strategic and framework plan is to have an ICT-enabled Philippine health system by 2020. This, said Dr. Pernia, will increase access to quality health-care services as well as real time and quality health data and information for evidence-based decisionmaking. To date, the accomplishments of this vision include (a) the creation of an interagency health national e-health governance steering committee and technical working group, (b) the creation of various e-health experts and groups and other teams including advisers from the private sector, (c) consultations, coordination, and facilitation of tactical activities, and (d) joint issuance and operations of agreed e-health policies, strategies, plans, guidelines rules, and procedures.

Additionally, Dr. Pernia revealed that deli-health and e-health bills have already been drafted and endorsed for inclusion in the list of priority health bills for approval under the 17th Congress. A joint administrative order has also been issued to institutionalize an interagency national e-health governance committee of the national e-health system. However, despite these accomplishments, Dr. Pernia expressed concern on the continuing challenges posed by digital technology such as weak/poor network connection in remote areas and people’s low level of literacy and capacity in terms of these developments. He said that while digital technology has great potential to support human, societal, and environmental development, several safeguards need to be put in place to ensure data protection and security.

Session 1
Emerging Populism: Contributing Factors, Impacts, and Countermeasures

The first session is on rising populism, its causes and effects on economic and social security to countries in the ASEAN and East Asian region.

Professor Choong-Yong Ahn of Chung-Ang University, Seoul, South Korea and Chairman of the Commission for Corporate Partnership defined populism as “a political approach that seeks to disrupt the existing social order by solidifying and mobilizing the animosity of the “common man” or “the people” against the privileged elites” and “the establishment”.

According to Prof. Ahn, populists can fall anywhere on the traditional left-right political spectrum of politics and often portray both bourgeois capitalists and socialist organizers as unfairly dominating the political sphere. He said that populists tend not to juxtapose the pure people against “the corrupt” and that it is most common in democratic nations as it is inherent to a representative democracy.

He added that populism can take the left-wing, right-wing, and even centrist forms, as well as certain forms of politics that bring together groups and individuals of diverse partisan views. Historically, Prof. Ahn explained that populism appeared in authoritarian movements and in a variety of fascism, to include that of the recent Occupy Wall Street Movements, “Brexit”, and the election of the youngest president Emmanuel Macron in France.

Sharing South Korea’s experiences in terms of emerging populism, Prof. Ahn said that his country has demonstrated a mature political democracy during the last May presidential elections, swinging from a conservative ideology to a people-centered progressive one back and forth. He disclosed that South Koreans alternated their choice of political regimes from a conservative to a labor-friendly progressive regime. He added that South Korea’s elected
President Moon Jae-in promised to adopt an “income-led growth” for the common people with broad-based welfare programs for low- and middle-income people and anticorruption measures. He also noted that his government is pushing for an innovative growth side by side an income-led growth by elevating the Office of Small Business Administration to a ministerial level for the first time in Korean government history.

After two economic crises, the first one being the Asian financial crisis in 1998 and the second one the global economic crisis in 2008, Prof. Ahn explained that South Korea’s income distribution has been markedly polarized in the Asia-Pacific economies and its youth unemployment has been the highest among the OECD economies.

He also disclosed that the rising income inequality and the acute dichotomy between large conglomerates and small and medium enterprises (SMEs) in South Korea, especially micro businesses, require a new approach for inclusive growth and inclusive economic policies as highly recommended by the International Monetary Fund and the OECD. He said that one way of achieving inclusive growth is to pursue a win-win growth under a mutual cooperation framework between big companies and SMEs, especially micro family businesses as evident in the ideals pursued by the Korean Commission for Corporate Partnership (KCCP).

Prof. Ahn stressed that it is imperative for Korea to have a clean and transparent government and global standards in business governance, as well as social harmony to pursue inclusive and sustainable development.

In terms of the impacts of President Donald Trump’s international trade policies, Prof. Ahn posited that it has invoked a new wave of protectionism and unilateralism to protect American jobs and American interest first. He said that President Trump appears to keep a confrontational relationship against China to correct the lopsided trade imbalance in favor of China, adding that the US president has scraped a much heralded TPP to protect American jobs.

He said that the implementation of this policy would have far-reaching impacts on the economic integration outlook for East Asia, and broadly on Asia-Pacific economies. The departure of the US from the TPP, Prof. Ahn noted, has shattered a possible ideal scenario of an enlarged, upgraded, and open regionalism in the Asia-Pacific region. This, he explained, is likely to cause a serious setback of new set of trade rules, which will set the tone for renewed multilateralism on a regional basis.

He further opined that in the absence of US leadership in ushering in an open East Asian regionalism, China is likely to take advantage of the US leadership vacuum in Asia and is poised to establish itself as an economic hegemon in the unfolding Asian century. Countries like Japan, Australia, or South Korea could also take a leadership role for an East Asian integration movement, he added.

Prof. Ahn also emphasized the need to recognize that a domestic populism for a political vote gathering could be against international norms, values, openness, trade liberalization, and cross-border people-to-people flows. He said that for East Asia to keep its trade liberalism intact, new entrants should be proactively pursued. Also, he urged for RCEP to be accelerated simultaneously toward its early conclusion in order to maintain East Asia’s high growth regime and revive East Asian identity.

Likewise, he said that the East Asian economy needs to upgrade its economic system to global robust standards, which will facilitate economic integration. To do this, East Asian countries need to adapt to current needs and realities, and to mitigate the negative consequences of
globalization and openness such as social and income inequalities by employing effective inclusive growth measures and to reshape the institutions of global governance.

He also urged East Asian countries to act together to stop terrorism, cyberattacks, and the nuclear plots of North Korea. Apart from pursuing systematic dialogue mechanisms, Prof. Ahn proposed to have a regional carbon emission market as well as regional environmental cooperation to combat global climate change.

In the same panel, Dr. Yose Rizal Damuri of Indonesia’s Centre for Strategic and International Studies discussed the growing discontent over trade and economic openness. The current dissatisfaction, he said, can be attributed to two things. One is because of common perception that only a few enjoy the benefits of globalization. Another is due to the failure of policies implemented to reduce the negative impacts of globalization, despite various studies showing otherwise.

Dr. Damuri cited the CSIS Survey conducted in Indonesia in 2017. The survey shows that only slightly more than half of the sample (randomly chosen from national population) that sees trade to be beneficial to Indonesian economy, despite that Indonesia is among the emerging economies that has got a lot of advantages from economic integration. The negative perception is even more obvious in the case of foreign workers, which only less than 25% of the respondents consider foreign workers bring economic benefits. This shows that populist measures and economic nationalism can be easily activated among misinformed constituents. That explains Indonesia’s trade policy swings from an open to a more restrictive regime, while at the same time the country also witnessed the decline in tariff rates and a surge of non-tariff measures (NTMs).

At the regional level Dr. Damuri explained that ASEAN, as a regional bloc, has a lot of potentials to push for greater economic integration, by continuing openness initiatives in the greater East Asia region (i.e. RCEP and ASEAN Economic Community). Those successful initiatives would show economies in the region, and also the world, the importance of continuing greater economic integration. More importantly, those initiatives are among few trade agreements that emphasize the importance of more inclusive policy, including measures for capacity building among member countries.

But the risks and uncertainty remain high, said Dr. Damuri. He identified technological progress, the need for new trade and development strategy, increasing complexity of trade agreements (e.g., the spaghetti bowl effects), and difficult reforms as among the issues that need to be acted upon. To rise above these challenges, Dr. Damuri recommended member-states to have: (a) greater understanding on what the benefits of economic openness can bring; (b) better communication and information to general audiences; (c) broad-based development and market policy; (d) continuing reform initiatives to increase ease doing business and facilitate investment and trade; (e) more flexible labor market and human capital development; (f) more specific and targeted policy to ensure equitable development between and within countries; and (g) capacity building for SMEs to increase internationalization, provision of social safety net and protection system, retraining and adjustment program, and greater support to multilateral trading system and liberalization.

In the case of Thailand, Dr. Nonarit Bisonyabut of the Thailand Development Research Institute said the rise of populism in his country started when the Thai Rak Thai Party, a new political party with a populist platform, won the legislative election in 2001. He claimed that populism had a good start in Thailand with the implementation of the universal health coverage reform and One Tambon One Product (OTOP) program by the new administration. However, populist policy started to turn bad when it had reached a trade-off point: that is, the improvement in
the welfare of the majority comes at the cost of others’ welfare (minority, future generation, or people from other countries).

Learning from this experience, Dr. Bisonyabut proposed some countermeasures to keep populism under control such as the creation of competition in politics, improvement of the parliamentary check and balance system, support to direct democracy, and improvement of laws that control budget discipline.

Meanwhile, Dr. Thomas Aquino, Chairman of the Board of Directors of NOW Corporation, presented some contributing factors to emerging populism in the Philippines, among which are the following: (a) political leaderships were supported by traditional influential sectors, despite awareness of global trends; (b) adoption of useful changes in society seemed formidable and reforms were slowly coming in; (c) the needs of a young and growing population clamored for positive action as dangers of inadequate national attention took its toll; (d) poor infrastructure, corruption, weak enforcement of laws; and (d) the rise of recent political leadership reflected a reading of what ails society and a promise of actions translated to popular political mandate.

The result of populism in the country, according to Dr. Aquino are the following: (a) free trade movement took a back seat as priority turned to addressing the ills of society; (b) priority was given to development initiatives that are inclusive and integrating society via new legislation, use of technology, social media, and challenges facing Mindanao; (c) bilateral issues gravitated towards basic aspects of bilateral relationships (i.e., respect for sovereignty, domestic priorities defining the kind of development assistance, among others); (d) active and high level of participation in the ASEAN region and cultivating deeper friendship with immediate neighbors of the Philippines; and (f) strong expectations on what the ASEAN Economic Community (AEC) can achieve and what the RCEP can truly deliver.

Explaining the same topic, Prof. Prabir De of the Research and Information System for Developing Countries (RIS) in India said that the emerging populism has resulted to uncertainty in the global economy. He explained that global growth has fallen to 2.3 percent in 2016 (WEO, October 2017) and will likely go slower in coming months. He also noted China’s shift in its growth model, from heavy reliance on manufacturing exports and investment towards domestic consumption. Aside from this, he stressed that trade protectionism is rising fast and that there are downside risks to growth include rising policy uncertainty, particularly in the United States and Europe, financial market disruptions, and growth disappointments in major economies.

But along with populism, Dr. De said there are expected developments in Asia such as: (a) capital out flight and more people seeking freedom in China; (b) India’s small and medium enterprises facing existential problems due to demonetization and GST in the country; (c) more populists’ measures by advanced economies in coming years; and (d) the rise of anti-trade measures and the slowing down of globalization.

To counter the possible negative effects of populism, Dr. De suggested the promotion of physical and digital connectivity development, establishment of mega corridors vis-a-vis mega FTAs, easing the burdens of nontariff measures, facilitating global and regional value chains, implementing the Sustainable Development Goals, and investing on human resources, health, education, soft connectivity, and faster communication.

He also cited some issues to watch for like: (a) the performance of the Chinese economy and its governance; (b) the rise of nationalism, terrorism, war environment, natural disaster, climate change, etc.; (c) the use of technology and innovation; and (d) the Indian election in 2019.
Session 2
Innovation as a Catalyst for Deepening Inclusiveness and Regional Integration

As the ASEAN moves forward to the next 50 years, member-states should look at how it can maximize innovation, technological revolution, and digital age to make these more inclusive, instead of causing more divide.

Out-of-the-box Consultancy CEO Dr. Man-Jung Mignonne Chan pointed out that as of January 2017, more than 3 billion of the 7 billion total world population are already internet users, with more than half of them being active social media users. Furthermore, out of the total world population, there are 4.9 billion mobile users. She added that innovation and technology have changed the nature of business operations and employment sectors for the better, especially in the manufacturing, commerce, health, education, and tele-working industries.

Furthermore, Chan said people fear more about losing their jobs with the emergence of hi-tech machines and spend more time in chat rooms, neglecting personal interaction. Thus, she urged the government to help facilitate the use of technology among citizens, saying that they have nothing to dread about innovation and technology. According to her, the government should focus on policies on social re-engineering (e.g., preparing for phase-out industry retraining and reemployment), industry sectoral restructuring (e.g., phasing out industries that harm the environment and encouraging green technology), and regional integration (e.g., promoting cooperation in technological innovation).

This was supported by PIDS Senior Research Fellow Jose Ramon Albert who said that “technology brought change but widened divide” globally, pointing out that while internet penetration rates in 2017 “vastly improved”, half of the world’s population still do not have access to various resources available on the internet.

In the case of the Philippines, Albert presented the 2015 Survey on Innovation Activities which revealed that only less than half of firms in the country are innovators. He added that although firms know of the high returns from technological innovation, “developing countries unfortunately appear to invest very little in R&D and innovation.” Albert also explained that innovation does not always mean a change in a firm’s product but can also include innovation in the firm’s operations or processes.

Meanwhile, member-states should also consider if they can actually keep up with the new “mega trends”, according to Dr. Vo Tri Thanh, a senior researcher from the Central Institute for Economic Management.

While technology makes lives easier, it has also become one of the reasons for income inequality in Asia, according to UP School of Economics Professorial Lecturer Josef Yap. He said that technological progress has opened vast economic opportunities, which in turn increased returns to human capital and skill premium, “with individuals having higher educational attainment and skill endowment able to benefit more from the new opportunities”. He cited the business process outsourcing (BPO) sector in the Philippines as an example, saying that only those who have college degrees and the ability to speak fluent English benefit from it.

To address this, Yap also said that there is a need to make innovation and technology more inclusive in three aspects—industrial inclusiveness, territorial inclusiveness, and social inclusiveness. He also highlighted the role of education in all of these aspects, saying that it is a cross-cutting issue.
Likewise, Chinese Academy of Social Science Professor Yunling Zhang said that the “catching up model based on existing industrialization model no longer works” and thus suggested to prioritize sustainable, inclusive, balanced, and cooperative development amid the rapid-changing digital society.

Session 3
People-centered ASEAN as a Way Forward to the Wider Regional Integration

Speaking in the last session, Dr. Hank Lim’s discussion focused on three main points: (1) How rapid technological changes impact economics and trade and how to counter the negative side effects brought about by these changes, (2) What are the connectivity issues that prevent the formation of a people-centered ASEAN and its role in regional integration, and (3) How to strategically invigorate discussions and overcome problems regarding RCEP and TPP.

According to Dr. Lim, trading nations react differently to changes in technology—especially to rapid economic changes that digital technology brings because of their different political, cultural, and social structures and characteristics. He noted that some political systems and cultures are more adaptable to rapid technological changes than others.

The rise of protectionism, anti-globalization, and intense nationalism could be a result of the disequilibrium between the rate of change in technology and the rate of change in political and social systems among different trading countries. In most cases, changes in political and social systems lag behind changes in technology. Thus, countries that are able to catch up are benefiting more from these technological changes, widening income disparity internationally and domestically.

To counter the negative side effects of rapid digital technology and globalization, Dr. Lim recommended the setting up of workable regional and bilateral systems to promote economic and technical cooperation for human and physical capacity building and special differential treatment in developing and in trade-deficit countries. These initiatives must be funded mainly by countries that have persistent huge trade surpluses.

Currently, there are multilateral and bilateral partnerships for human capital development among countries in the region. However, Dr. Lim pointed out that these initiatives are not sustainable given that they are based on voluntary and nonbinding principles.

On connectivity issues, Dr. Lim identified physical geographic barriers, existence of different languages, and social and cultural diversity as obstacles for the formation of a people-centered ASEAN. It will therefore take time and persistent effort to move toward an ASEAN Community based on a people-centered framework and for the benefits of ASEAN cooperation and integration to trickle down to the vast majority of ASEAN people.

Also, he noted that for people-centered policies to work, effective implementation of inclusive policies and harmonization and standardization of commonly agreed rules and policies to promote ASEAN Economic Community, ASEAN Socio-Cultural Community, and ASEAN Security Community are needed. ASEAN Secretariat must therefore be upgraded and empowered to monitor and assess the implementation of commonly agreed policies.

Meanwhile, Dr. Lim observed that there is a collective push for “accelerated progress” in many RCEP Working Groups. However, he pointed out that additional flexibility and long-term strategic overview from the countries involved are required to push it forward. He highlighted
the need to include more concrete agreements on e-commerce and micro, small, and medium enterprises (MSMEs), market access, and a schedule and rules in the RCEP.

On TPP minus the US, the 11 participating countries should proceed to rectify the agreement with deletion or suspension of the major controversial elements or appendices that were inserted into the Agreement due to pressure or insistence by the US.

For integration to take place in the ASEAN region, not just the commercial interests need to be met but also the wider needs of the people, said Datuk Seri Jayasiri Jayasena, Secretary General of Malaysia’s Ministry of International Trade and Industry. A people-centered approach, he said, will certainly contribute towards regional integration, as the needs of the larger segment of the population are met and people reap the benefits of region-wide initiatives.

However, for this to happen, he noted that individual actions at the national level as well as collective actions at the regional level across all ASEAN member-states have to be put in place.

First, he cited the need for creating greater awareness and appreciation of ASEAN and its initiatives. According to him, a one-off celebration of ASEAN day yearly is not enough. Top-down decision-making process at the national and regional level on ASEAN matters need to be complemented with regular stakeholder engagements, which should include nongovernment organizations, civil society, small businesses, youth, and other interest groups. He also suggested for ASEAN to hold more people-oriented activities regularly and to reduce bureaucrats’ meetings. ASEAN music, film, arts, food and sports festivals need to be permanent features in each ASEAN country’s annual calendar of events.

Datuk Seri Jayasiri likewise noted that for economic growth to be more inclusive, ASEAN must ensure that trade initiatives should benefit not just the big corporations, but more importantly, the MSMEs. Likewise, he emphasized the need to remove the barriers to the movement of natural persons within the region, which is “core to a people-centered ASEAN” and an essential component for border trade potentials to be fully realized.

Likewise, Datuk Seri Jayasiri emphasized the importance of connectivity within ASEAN. Good connectivity, he said, includes physical infrastructure to facilitate movement of goods, services, and natural persons. This includes roads, railways, airports, and ports. He added that digital infrastructure to enhance information connectivity is a must for a people-centered ASEAN.

Lastly, he lamented the slow progress of the negotiations under the ASEAN-centered proposal for a regional free trade area, the RCEP. He noted that the very slow progress of RCEP is giving the impression that there is no collective will to conclude it. There is also no clear champion to push the process to the finish line. On the other hand, he noted that the TPP, a mega trade deal involving 11 Pacific countries, has been given a fresh breath of life after the remaining parties reached a partial agreement in November 2017.

Meanwhile, Dr. Ponciano Intal, Jr., senior economist at the Economic Research Institute for ASEAN and East Asia, in his presentation focused on four topics: (1) highlights of the results of the ERIA survey on ASEAN; (2) framework for inclusiveness and social equity; (3) digital economy, inclusiveness, and people-centeredness; and (4) engendering robust growth and economic inclusion in integrating ASEAN in the digital world.

At the outset, Dr. Intal discussed the results of the ERIA survey on ASEAN. According to Dr. Intal, ASEAN peoples aspire for and largely expect an ASEAN in 2025 that is integrated, connected, resilient, and a significant voice and player in global and regional affairs. However, he pointed out that there are large gaps between aspirations and expectations in the areas of
good governance, equity, environment, and human rights. On their perception about the most pressing problems facing their country, ASEAN peoples, he said, were most concerned about corruption, income disparity, and social inequality.

Dr. Intal highlighted two main elements of achieving inclusiveness and social equity in ASEAN: (1) poverty reduction and (2) reduced inequality.

In order to achieve these, he highlighted the need to enhance direct investment and growth drivers and indirect equity enablers. These include seamless trade facilitation (particularly those pertaining to MSMEs and global value chains that link MSMEs) and reduction in NTMs and standards and conformance as these barriers make access to export markets more difficult for MSMEs. He likewise identified good connectivity (physical, digital, institutional, people-to-people), services liberalization and cooperation, as well as good regulatory practice and regulatory cooperation as growth drivers and indirect equity enablers.

Furthermore, he stressed the importance of strengthening equity drivers and growth enablers. These include education, health, and access to electricity, irrigation, and farm-to-market roads, as well as the provision of social safety net for increased economic resilience.

Dr. Intal also argued that digital innovation, although it comes with certain risks, can facilitate inclusiveness and people-centeredness. Digital trade, he noted, offers MSMEs global value chain reach for market niches without requiring huge volumes. Likewise, digital revolution and e-governance can lead to more effective targeted subsidies, more efficient delivery of government services, and greater voice from various stakeholders (people centeredness).

In conclusion, Dr. Intal emphasized that moving toward robust and inclusive integration would require synergy among integration and domestic reform, connectivity and cooperation, together with adjustment measures and institution building. He added that economic integration in ASEAN is a critical part of ASEAN community building. A successful AEC that delivers benefits to all people needs robust ASCC, MPAC and APSC. Lastly, he emphasized the importance of implementation and coordination, along with political will and people support in ASEAN community building.

For his presentation, Prof. Shujiro Urata of Waseda University Graduate School of Asia-Pacific Studies, centered on the following points: (1) modes of multilateral partnerships for human capital development among countries in the region; (2) connectivity issues that prevent the formation of a people-centered ASEAN; (3) the role of a people-centered ASEAN in regional integration; and (4) invigorating discussions and overcoming difficulties regarding RCEP and TPP.

According to Prof. Urata, there are already various frameworks—multilateral, regional, and bilateral partnerships—for human capital development among the countries in the region. Example of multilateral partnership is the Sustainable Development Goals on Quality Education of the United Nations. In the regional level, APEC has the Human Resource Development Working Group. ASEAN also has human development programs, as well as human capital development initiatives under RCEP. For bilateral initiatives, there are several official development assistance (ODAs) between countries like Japan and the US and ASEAN member-states. One example of such ODAs is Japan and Viet Nam's cooperation to set up a Japan-Vietnam University. Under this program, Japan has formed a consortium of about 10 universities to set up graduate as well as undergraduate programs. Through this joint program, both countries hope to provide technical assistance and training, not just to Vietnamese students but also to students from other ASEAN countries.
However, for cooperation agreements and programs like this to succeed, there is a need for coordination and for recipient countries to incorporate these cooperation programs into their own programs. This way, recipient countries will have a sense of ownership toward these cooperation programs.

On people-centered ASEAN, Prof. Urata reiterated ASEAN’s aspiration as a region that engages and benefits people—one that is responsive to people’s needs as stated in the ASCC Blueprint 2025. To do this, however, ASEAN must empower people, promote equitable access to social protection and enjoyment of human rights, with people as the main beneficiaries of the economic activities in the region.

On connectivity issues, he noted that barriers to people-to-people connectivity, as well as information connectivity, are the main issues that ASEAN must prioritize. A people-centered ASEAN, according to Prof. Urata, is key to a successful regional integration since it would benefit people, who would then support the promotion of regional integration. In the long run, this would help nurture an ASEAN identity. He likewise recommended that East Asia (ASEAN+3 and ASEAN+6) pursue economic integration. He noted that RCEP would contribute to economic growth, as well as peace and stability in the region.

Prof. Urata also hoped TPP11 would be concluded and signed in the near future. He noted that although the US led the first part of the TPP negotiations, Japan also contributed a lot for the conclusion of TPP 12. On the other hand, he noted the lack of strong commitment from ASEAN Plus leaders to conclude the RCEP. He maintained that for RCEP to succeed, there should be strong determination and commitment among the leaders to conclude the negotiations. A new approach is also needed such as setting high-standard goals and allowing flexibility for achieving goals depending on the situation of the countries.

On innovation and inclusive growth, Prof. Urata noted that advancement in innovation leads to globalization, which, in turn, promotes innovation. Thus, he suggested that innovation must be used to promote SMEs’ activities in order to reduce income inequality.

But then, he argued that there is a more direct way to reduce income inequality—redistribution of income through progressive income taxation and other tax policies. He cited the Japanese government’s recent policy to increase the progressiveness of inheritance tax and income tax, among others, with the goal of improving income distribution. This is something that perhaps ASEAN countries could consider to redistribute incomes and ultimately reduce income inequality, he said.

On the other hand, Dr. Yap gave a quick response to Prof. Urata’s point on globalization and technological innovation. According to him, the BPO sector in the Philippines has somewhat addressed the poverty situation but it has also increased income inequality. He agreed that ASEAN should consider more direct ways of addressing income inequality in the region. For the Philippines, he noted that the most direct approach to this problem could have been the land reform program, but unfortunately, it has been unsuccessful.

Another speaker, Amb. Murray McLean AO, Chairman of the Dunmore McLean Pty Ltd., observed that by achieving sustained economic growth and development, as well as improvements in terms of social conditions in the individual member-countries, ASEAN has become a cohesive force within the region. He lauded the achievements and the commitments of ASEAN to achieve greater integration and connectivity. However, he pointed out that much potential remains untapped, and in order to realize the commitments embodied in the ASEAN master plan for 2025, both ASEAN and its regional partners must work together towards that
goal. He recommended that ASEAN should continue the regional dialogue and consultation, particularly on the maintenance of peace and stability, advancement of trade and investment, and greater connectivity.

He, however, noted that despite the strong growth that ASEAN has achieved, development within and between ASEAN countries has remained uneven. Millions of people still live on less than USD 1.25 per day and significant inequalities exist in income, education, access to formal labor markets, financial services, and infrastructure.

Amb. McLean presented three examples of pathways through which some of these challenges faced by ASEAN countries can be addressed.

First, ASEAN countries must continue to push for the conclusion of TPP11 and RCEP to further sustain trade and investment liberalization in the region. This way, domestic and regional economic growth will be maximized, resulting in decent living standards, creation of more jobs, and greater business opportunities.

Second, regional partnerships between specific ASEAN countries facing the most difficult inequities and challenges and countries like Japan, China, Australia, New Zealand, South Korea, and India (not to mention the US) must continue to be pursued. Initiatives supporting infrastructure connectivity such as China’s One Belt One Road initiative, Japan’s Expanded Partnership for Quality Infrastructure, and South Korea’s ASEAN Connectivity Forum can each play an important role, provided that these initiatives are aligned and in synergy with ASEAN’s own master plan to improve connectivity. Aside from transport infrastructure, enhancement of digital connectivity is likewise important.

Third, ODAs from major donor countries as well as institutions such as the Asian Development Bank and the World Bank, particularly those pertaining to education and skills development support, need to be carefully targeted through full and collaborative consultation. Such support, according to Amb. McLean, has played a significant and positive role in ASEAN over the past 50 years. ODAs through targeted scholarship arrangements, alongside privately-funded overseas education exchanges and placements will also remain important in building productivity and overcoming inequalities.

In his presentation, Dr. Min Ye Paing Hein, executive director of the Myanmar Development Institute focused on people, peace and security, connectivity, and integration in the Myanmar context. At the outset, he discussed Myanmar’s national economic policy, which according to him, has four objectives: (1) to support national reconciliation and the emergence of a united federal democratic union; (2) to achieve balanced economic development across the states and regions; (3) to create opportunities for the emergence of capable and skilled new generations for the benefit of the country; and (4) to establish an economic system that can achieve and maintain positive development outcomes through the participation, innovation, and efforts of all citizens.

He then presented Myanmar’s 12 economic pillars, which include among others, the identification of changing environment in ASEAN and the development of physical and information technology infrastructure, which are both related to regional integration.

He also discussed Myanmar’s investment law, which he explained is a combination of foreign investment law and Myanmar Citizen’s investment law. Likewise, he informed the audience that Myanmar is currently drafting a Company Law, which will increase the percentage of foreign shares allowed in the country from the current 1 percent to 35 percent.
In terms of gross domestic product, Dr. Min noted that Myanmar’s share of agriculture has been declining over the years, while manufacturing and services have been on the rise. However, in terms of the share of employment by sector, he noted that there has been no change, with share of labor force in manufacturing and agriculture at the same levels despite strong economic growth in the past decades.

Dr. Min attributed Myanmar’s growth primarily to exports such as petroleum gases. Between 2010 and 2015, he explained that there has been relatively no change in the composition of exports. Similarly, he pointed out that foreign direct investment (FDI) has been predominantly concentrated in the oil, gas, and power industries. In terms of inflation, there was a huge inflation in 2015, but this has recently stabilized as Myanmar government focused on macroeconomic stability.

On connectivity, Myanmar has the lowest in terms of road density in the Greater Mekong Subregion (GMS) and electricity consumption per capita. Likewise, Myanmar also has the lowest infrastructure stock per person for all low-income countries in the sample of 50 countries according to the Global Infrastructure Hub released in 2017.

Dr. Min maintained that the presence of more roads increases both growth and convergence as shown in a study by MDI. The same study also concluded that infrastructure plays a major role in bringing states and region together in terms of economic growth. Likewise, it noted that border states benefit more from within-country integration and market access. For example, Myanmar states that are close to Chinese borders benefit more from Mandalay than from trade spillovers from China.

Armed conflicts in Myanmar also affect connectivity. According to Dr. Min, about 118 of Myanmar’s 330 townships are affected to some extent by conflict and associated tensions between the government and ethnic armed organizations. These townships are home to more than 12.3 million people, or close to one-fourth of Myanmar’s population. He therefore suggested for Myanmar to double its efforts in restoring peace and order in areas affected by armed conflicts. He also said that transportation and electricity are key to creating jobs and attracting FDI.

In creating a people-centered ASEAN, Dr. Min posed the following questions and issues: (1) Who are the people being referred to in this context and who represents them? (2) Where are the boundaries? Are we focusing on trans-border problems or local issues? (3) Are we moving towards civic regionalism or rights-based regionalism? If so, which rights and whose rights are we protecting and what are the mechanisms to do so? (4) What are the preconditions for civic regionalism or participatory regionalism?

Lastly, Dr. Min discussed an initiative by Myanmar government called Sustainable Development Action Plan. According to him, the plan consists national-level initiatives that are aligned with the global and regional frameworks such as the SDG 2030 agenda, as well as the AEC and GMS frameworks.

Meanwhile, Mr. Tadayuki Nagashima, chief senior researcher of the Overseas Research Department, Japan External Trade Organization (JETRO), focused on two points: (1) the globalization of Japanese companies and (2) JETRO’s initiatives to promote inclusive trade in Japan.

According to Mr. Nagashima, there has been a big change in globalization trend among Japanese companies since the financial crisis in 2008. For example, he noted that Japan’s exports figures have not returned to the pre-financial crisis level. On the other hand, FDI from
Japan, although it declined after the financial crisis in 2008, has started to rise, even exceeding pre-financial crisis level since 2013. Thus, FDI is becoming more important for Japanese companies to expand globally. This increase in FDI from Japanese companies, Mr. Nagashima pointed out, has happened despite the weak yen.

Mr. Nagashima then discussed the result of a survey conducted by Japan’s Ministry of Trade and Industry which shows that Japanese companies tend to invest more in countries where local product demand is robust or expected in the future. Also, he noted that Japanese firms usually look at countries where Japan has existing FTAs or economic partnership agreements (EPA) in deciding to expand globally.

Mr. Nagashima enumerated three initiatives of JETRO to promote inclusive trade in Japan, namely: (1) support for SME in terms of human resources and rule making; (2) support for agricultural, forestry, and fishery industry; and (3) promotion of regional investment.

Each of these groups, he said, were left behind in the globalization process. Thus, JETRO has taken these initiatives to support these sectors. During fiscal year 2016, JETRO launched the Consortium for New Export Nation to support SMEs, particularly those that have limited capabilities and experience in trading globally.

According to Mr. Nagashima, the most effective way to help SMEs is to provide them with well-experienced human resources. For example, large general trading and manufacturing companies can provide technical assistance and training to SMEs. Under a JETRO project, 500 experts from large Japanese companies have been dispatched to provide hands-on support to SMEs. JETRO also has a network of local chambers of commerce and over 1,000 support organizations like local banks to handle requests from 3 million SMEs in Japan. These organizations also provided research studies that SMEs used to facilitate business expansion overseas. According to Mr. Nagashima, there were already 6,000 companies that benefited from this program since it was launched.

JETRO also provides advice to SMEs, particularly those involving cross-border e-commerce. Under this program, SMEs can go to a trade promotion organization to seek advice on issues and barriers in using e-commerce. They can also use related research results that are available in coming up with a proposal to government.

In terms of support to agriculture, forestry, and fishery sectors, JETRO has 45 local offices and experienced human resources to help SMEs in these sectors, especially in strengthening their capability to export their products. Examples of regional products that are promoted to the world market are rice products, Japanese sake, vegetables, fruits, seafood, etc.

The third initiative of JETRO is on the promotion of regional investment. Nagashima maintained that supporting SMEs, especially those engaged in agriculture, leads to the development of rural areas. It also promotes investment into Japan’s local regions.

Finally, he reiterated that the key to inclusive trade, not only in Japan, is human resource development.

Closing Remarks

In her closing remarks, Assistant Secretary Ma. Hellen B. De La Vega of the Office of ASEAN Affairs under the Philippines’ Department of Foreign Affairs, highlighted three points: First is
for people to be watchful and mindful of the influence of populism and its implications to free trade multilateralism, economic growth, and the socioeconomic being of ordinary citizens.

Second is to take seriously the role and impact of innovation so that everybody benefits positively and not to further alienate or widen the digital gap among nations.

Third is about the top-down and bottom-up approaches in promoting a people-centered and people-oriented ASEAN. Asec. dela Vega stressed the need for ASEAN member-states to go horizontal (shift the focus to grassroots/people) because ASEAN, she said, is more about relationships, cooperation, and listening to people on what needs to be done.

She said the peace dividend is something that ASEAN should be proud of and that there is no alternative to dialogue in resolving issues among member-states. The first challenge, she said, is how to balance national interests with regional interests/regional aspiration, national laws versus regional aspirations. Asec. dela Vega explained that there is no alternative to a free trade which is the reason why the Philippines has taken on the theme of “Partnering for Change and Engaging the World” during its chairmanship.

The second challenge is the need to increase ASEAN awareness and its international-led mechanisms. She emphasized that part of the success of an East Asian economic community is not just ASEAN alone, but the strong and robust relations among the Plus 3 countries of China, Japan, and the Republic of Korea. Asec. Dela Vega said that despite the challenging times for many of the countries in East Asia, there is still a strategic dialogue-led mechanism called the East Asia Summit which was attended by US Pres. Donald Trump.

The third challenge, she said, is strengthening the ASEAN secretariat so it could better support and assist ASEAN. She pointed out the need for ASEAN to be self-reliant and to have more resources which can be achieved through a deeper sense of integration. She hopes that in the next 50 years, ASEAN would realize the vision of a rules-based people-centered and people-oriented ASEAN.

Open Forum (Q&A)

QUESTION 1: Dr. Victor Paqueo, Visiting Research Fellow, PIDS
Dr. Paqueo suggested that massive open online courses (MOOCs) can act as a natural vehicle for people-centered and people-to-people way of engaging in the region. He explained that these are relatively inexpensive, and at the same time, they take advantage of the technologies brought by the Fourth Industrial Revolution. However, he noted that MOOCs, if implemented, need to have an ASEAN character. For example, there should be a way for students to learn about one another’s varied culture and history. How educational systems, as well as the different social sciences that exist in the region, must also be considered. Dr. Paqueo asked if MOOCs is something that ASEAN should consider and pursue.

QUESTION 2: Dr. Choong Yong Ahn
Dr. Ahn emphasized that in order to successfully create a people-centered ASEAN community, both top-down and bottom-up approaches to integration must be coordinated. Both approaches must also reinforce each other. He then asked who is sitting on the driver’s seat in the ASEAN integration. Specifically, he asked whether the integration process is driven by a collective leadership of all countries in the region or only by a specific country, or perhaps, a certain group of elite countries in ASEAN.
On the TPP, Dr. Ahn asked Datuk Seri Jayasiri about the timeframe for the signing of the TPP11 agreement, as well as the timeframe for accepting new members like Korea and other nations that expressed interest to join.

RESPONSE: Dr. Hank Lim
Dr. Lim agreed that MOOCs as an educational platform is something that ASEAN countries can roll out as part of people-centered bottom-up approach to regional integration since it does not cost much and can be implemented quickly. He likewise informed the audience that Singapore just launched a national project called Smart City which aims to improve living standards using technology. This project, he said, can be replicated in other ASEAN countries.

On the question about who is the champion of the ASEAN integration, Dr. Hank Lim lamented that ASEAN has a leadership problem when it comes to this. He explained that unlike in the European Union where almost all members are prosperous and big countries, ASEAN is composed of countries with different sizes and levels of development. For example, he noted that Singapore is the most developed nation in the region but also the smallest, while Indonesia is the largest but does not have the capacity and resources. According to Dr. Lim, this is the main reason why a lot of trade negotiations have gone bilateral instead of multilateral. Also, he said that proposals from Singapore are unlikely to get support from other bigger countries in the region.

RESPONSE: Datuk Seri Jayasiri Jayasena
Datuk Seri Jayasiri explained that the TPP is a work in progress and is not yet ready for signing. The TPP 11, he said, has found a way to move forward although there is still a lot of work to be done. He likewise noted that there is no timeframe indicated to finish the negotiations as the group has yet to reach a consensus on the date of the signing. For the signing to take place, he explained that at least six countries must ratify the agreement. Guidelines for accession of new members will be worked out after the agreement takes into force. The current agreement, he said, does not include clear guidelines on how to treat a new applicant to the TPP.

Meanwhile, he suggested that ASEAN cannot do away with the top-down approach to regional integration. However, he commented that there needs to have more bottom-up approaches since these will engage other stakeholders more and will not keep the talks at the bureaucratic level. He explained that a lot of ASEAN’s programs and agreements do not seem to take off because of limited bottom-up engagements. This is the sad part, he said, because the needs of the people are not met, with bureaucrats designing programs that they think are good for the people. He also proposed that ASEAN establish a good regulatory framework and come up with more ASEAN collective initiatives.

QUESTION: Dr. Josef Yap
Since there is no process for new TPP applicant, Dr. Yap asked if there will be a provision in the TPP 11 for those countries that were left but would like to join the TPP talks again in the future.

RESPONSES: Datuk Seri Jayasiri Jayasena
Datuk Seri Jayasiri replied that there is a review provision in the TPP which is applicable to the situation when the US decides to join the TPP again.

RESPONSES: Dr. Ponciano Intal, Jr.
Dr. Intal agreed that MOOCs is something that ASEAN should consider. He suggested that ASEAN should have an ASEAN Open University system. He noted that Assistant Secretary Helen Della Vega of the DFA and the Office of ASEAN Affairs can help in moving this idea
forward. He also expressed hope that the business sector can also play a major role in this project.

In terms of leadership in the ASEAN, Dr. Intal explained that while the ruling system helps, there are few behind the scenes in various areas in the integration process that are actually important. For example, he cited that Singapore is very important to ASEAN. There are key initiatives, he said, that Singapore has initiated. A good example of this is on the AEC or the AFTA. Although it was Thailand who initiated it, the suggestion actually came from the Singaporean government.

RESPONSES: Prof. Shujiro Urata
According to Prof. Urata, the TPP 11 countries will benefit more in terms of national income if the partnership will be expanded to 16 countries. His argument was based on a simulation analysis he did on the impacts of the TPP 11 versus TPP 16. TPP 16 would include Korea, the Philippines, Thailand, Indonesia, and Taiwan. Thus, he noted that having TPP 16 could lead to more substantial gains.

RESPONSES: Amb. Murray Mclean AO
According to Ambassador McLean, the well-established tradition of assigning the chairmanship of the ASEAN to a different country each year inevitably led to some a “continuity” issues. Each host/chair country has its own set of priorities so that when another country gets to lead the ASEAN, it may focus its priorities on different items in the ASEAN agenda than its predecessor. Sometimes this may be an advantage, but it also meant that continuity in the direction of ASEAN being set by its leaders was not always maintained.

On the TPP, he noted that while Canada has upset the TPP 11 leaders’ meeting which had been intended to announce the successful conclusion of negotiations, it has remained committed to accession to the TPP, despite the withdrawal of the US. This has given a strong signal for remaining countries to proceed with the conclusion of the TPP early in 2018. He expressed hope that the RCEP would progress as well.

RESPONSES: Dr. Min Ye Paing Hein
Dr. Min commented on how Myanmar is represented in various ASEAN ministerial meetings. For example, the Ministry of Planning and Finance represents the country in the ASEAN Economic Ministers’ Meetings instead of the Ministry of Commerce, which does the implementation. He also pointed to the issue of coordination and information sharing amongst various branches of government.

(End)