



**STATEMENT OF THE SIXTEENTH GOVERNING BOARD MEETING
ECONOMIC RESEARCH INSTITUTE FOR ASEAN AND EAST ASIA (ERIA)**

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Jakarta, Indonesia

Comprehensive Asia Development Plan 3.0: Navigating the Post COVID-19 Era

1. The COVID-19 pandemic precipitated significant disruptions in global trade, a decline in foreign direct investment, and scarring effects on poverty, education, and women across numerous countries, including the East Asia Summit member countries (EASMC).
2. Nevertheless, amidst these challenges, positive developments have emerged. Factory Asia, in contrast to North America and Europe, managed to sustain its production and export activities even during the pandemic. The COVID-19 crisis acted as a catalyst for accelerating digitalization, particularly in the realm of information and communication technology (ICT), resulting in widespread adoption of ICT, which, in turn, fostered economic growth.
3. Going forward, it is imperative to uphold the competitiveness of international production networks and effectively harness digitalization to shape the region's future in the aftermath of COVID-19.
4. In order for EASMC to successfully navigate the post-pandemic era, it is also crucial to acknowledge the growing complexity of global geopolitical tensions. Previously staunch proponents of free trade and investment are now expressing a desire for increased control over economic activities. This emerging political trajectory has the potential to undermine the established rules-based trading regime, posing adverse implications for production, trade, and investment within the East Asia Summit (EAS) region.
5. In response to these pressing concerns, the Economic Research Institute for ASEAN and East Asia (ERIA) completed the Comprehensive Asia Development Plan 3.0 (CADP 3.0) in September 2022. Recognizing the urgency of these issues, CADP 3.0 provides a comprehensive agenda for regional economic growth and the mitigation of social challenges, employing a multidimensional approach centred around the core principles of (i) integration, (ii) innovation, (iii) inclusiveness, and (iv) sustainability, with a strong emphasis on digitalization.
6. CADP 3.0 was presented as a key deliverable for the 17th EAS in November 2022 and the EAS leaders 'commended ERIA for its continued research and analysis on key regional economic issues that support economic integration, digital transformation, and sustainable economic development in the region, including the publication of its study on "Comprehensive Asia Development Plan 3.0 (CADP 3.0)"' (ASEAN, 2022: 8).



Platform to realise the CADP 3.0 agenda – Digital Innovation and Sustainable Economy Centre

7. A detailed plan is nothing without a fitting vessel to deliver results. To realise the vision set out in CADP 3.0, ERIA will launch the Digital Innovation and Sustainable Economy Centre in the second half of 2023. The mission of the new Centre is to catalyse digital innovation and a sustainable economy in ASEAN and East Asia by fostering collaboration, sharing knowledge, and launching transformative initiatives. The new Centre aims to empower businesses, policymakers, academics, and organizations to leverage digital technologies for sustainable economic growth, social development, and environmental stewardship.
8. The new Centre has the following four goals:
 - (1) **Foster public private dialogue:** provide a platform for constructive public-private dialogue to facilitate the development of unified rules within the region including a common data platform and legal systems to secure the free flow of data and cybersecurity.
 - (2) **Catalyse regional open innovation:** serve as a regional open innovation hub, both virtually and physically, bringing together diverse stakeholders including young and social entrepreneurs, investors, businesses, academia, and policymakers. Through collaboration and partnership, the new Centre will stimulate innovative thinking to accelerate the growth of digital technology-driven sustainable economies and businesses, while identifying a common policy agenda.
 - (3) **Nurture technological-savvy talent:** collaborate closely with regional universities, research institutes, and businesses to nurture a pool of technologically-savvy and business-oriented young talent. The new Centre will also serve as a training platform for industries, offering insights on new business models, tools, and lessons from case studies. This will empower industries to make evidence-based decisions about digitalizing and 'greening' their operations.
 - (4) **Provide practical policy proposals:** incorporate the perspectives of the private sector to generate practical policy recommendations.

Immediate objective of the new Centre (1) – Support the establishment of a Digital Economy Framework Agreement and harmonize the perspectives on advanced digital issues

9. Acknowledging the significance of digital technologies in facilitating economic recovery from the pandemic-induced slowdown and considering the advancements made in the digital economy within each ASEAN Member State (AMS), the ASEAN leaders endorsed the Bandar Seri Begawan Roadmap (BSBR) in 2021. The BSBR served as the cornerstone for the integration of the ASEAN digital economy, structured around three distinct phases: Phase I - Recovery (2021-2022), Phase II - Acceleration (2022-2024), and Phase III - Transformation (2025) (ASEAN, 2021). These phases encompass digital interoperability in areas such as digital trade, digital payments, and the overall digital economy, with the ultimate goal of establishing the ASEAN Digital Economy Framework

Agreement (DEFA). Originally slated for negotiations in 2025, the leaders reached an agreement to expedite the commencement of the ASEAN DEFA discussions during the 41st ASEAN Summit in November 2022.

10. One notable challenge is that ASEAN is currently in the early stages of digital economy development, and member states vary widely in their level of readiness for a comprehensive digital economy integration. The disparities in technology development and adoption across the region pose challenges to the integration of the digital economy. The new Centre seeks to address the disparity among ASEAN countries in terms of their readiness for the DEFA by providing capacity building programmes (e.g. training programmes, workshops, and fellowships).
11. Aligning and reconciling divergent stances on crucial matters of data governance, such as artificial intelligence, cooperation on competition policy, cross-border data flows (data free flow with trust), and cybersecurity, are of utmost importance for ASEAN. To that end, the new Centre will play a vital role by delivering actionable policy recommendations through comprehensive research, capacity building initiatives, project development, and outreach activities.

Immediate objective of the new Centre (2) – Supporting the transition to a circular economy

12. The transition to a circular economy (CE) requires changes in production, consumption, and distribution, facilitated by digitalization. Digital technologies play a crucial role in enabling sharing platforms, product-as-a-service models, recycling, materials processing, and connectivity. Scaling up digitalization in supply chains enhances product and resource efficiency, optimizes production, and improves industry operations. It also increases visibility, resilience, and resource efficiency, allowing for better tracking and traceability of products and the effective use of waste as a resource.
13. Achieving a large-scale shift to a CE with the support of digital technologies presents certain challenges. The digital transformation required for CE implementation introduces complexities related to energy consumption, resource demand, and divergent regulations. The establishment of reverse logistics systems and cross-border trade of circular products face obstacles due to differing definitions, classifications, and regulatory frameworks.
14. To address these issues, CE in the EAS region requires an integrated approach supported by digital innovations. There must be collaborative efforts to promote circular design, investment policies, fair trade elements, and digital ecosystems. Strengthened cooperation, knowledge sharing, and support for MSMEs are essential for successful circular and digital transformations. Based on this understanding, the new Centre aims to provide a platform to discuss appropriate CE-related policy interventions to reduce the following three inter-linked gaps for the CE transition:
 - (1) knowledge gaps,
 - (2) decision-making capacity, and
 - (3) access to technology and resources.



The Centre will also provide a platform to assess possible synergies across different sectors and stakeholders to identify collaborative actions to promote the adoption of CE in AMS.

15. It should be noted that despite the complexities, the combination of circular and digital technologies holds tremendous potential for long-term development and sustainability in the EAS region, including economic growth and opportunities for digital start-ups applying low-carbon circular business models.

Immediate objective of the new Centre (3) – Establishing an entrepreneurial ecosystem aligned with ASEAN environment

16. The advent of digitalization has transformed the nature of innovation, moving it from an incremental to a disruptive paradigm. Digital businesses have transitioned from merely facilitating market connections to actively driving the advancement of all industries, even traditional industries. The proliferation of digital technology has unlocked extensive opportunities for new ventures, and the utilization and integration of digital technology itself can serve as a lucrative business endeavour. Emerging economies, in particular, possess significant potential to leverage their 'advantage of backwardness' by rapidly catching up with and even surpassing higher stages of development.
17. Indeed, the digital-enabled innovation in ASEAN is truly remarkable. In 2020, Southeast Asian tech start-ups demonstrated their exceptional potential by raising approximately US\$8.2 billion, surpassing the performance of most other emerging markets. As of 2021, there were already over 30 ASEAN unicorns—start-ups valued at US\$1 billion or more—and this number continues to escalate rapidly (Ajmone Marsan, 2022). To ensure that this trend becomes a permanent presence in an entrepreneurial ecosystem aligning with the unique context of ASEAN rather than a fleeting phenomenon, the new Centre will undertake the following actions:
 - (1) study the innovation-driven entrepreneurial ecosystem that is flourishing within ASEAN. In contrast to research and development (R&D)-driven entrepreneurship, innovation-driven entrepreneurship relies heavily on novel business creations, such as innovative business models, which have not been extensively studied or measured. This research will aim to deepen the comprehension of innovation-driven entrepreneurship and actively contribute to informed policy-making processes.
 - (2) provide an inclusive platform for entrepreneurs and relevant stakeholders, fostering collaboration and knowledge exchange. The platform will host a wide array of startup events and conferences, facilitating networking opportunities for businesses, investors, and incubators. By actively promoting networking and collaboration, this initiative will provide robust support and empowerment to entrepreneurial talents and startups within the ecosystem.



Immediate objective of the new Centre (4) – Studies to commemorate 50th year of ASEAN-Japan Friendship and Cooperation

18. In commemorating the 50th year of ASEAN-Japan Friendship and Cooperation, the new Centre will provide actionable policy recommendations to advance future economic cooperation between ASEAN and Japan, which include the following:
 - (1) conduct a comprehensive study on the ASEAN-Japan Economic Partnership for a Sustainable and Resilient Future and support the discussion between ASEAN and Japan on their future cooperation, which will be outlined in the forthcoming publication 'ASEAN-Japan Economic Co-Creation Vision'.
 - (2) promote supply chain digitalization in ASEAN and Japan. Recognizing the challenges posed by the global trend of increasing and diversifying supply chain risks, carbon neutral, circular economy, and human rights issues, it is imperative for ASEAN and Japan to establish end-to-end supply chain data-sharing mechanisms. A stakeholder discussion could be conducted to explore the benefits of data-sharing and devise practical use cases for its implementation.
 - (3) undertake comprehensive research on the circular value chains of electrical and electronic equipment (EEE) in ASEAN. The establishment of a circular economy is a paramount agenda in ASEAN, and addressing the challenges associated with EEE is particularly urgent due to its dual nature as both a valuable resource and potential source of environmental and health impacts. Through this study, the Centre aims to uncover existing deficiencies in the capabilities of EEE collection, recycling, and remanufacturing within ASEAN. Recognizing the significance of collaboration, the private sectors of both ASEAN and Japan will play a vital role in bridging these gaps and driving sustainable solutions.

Recommendations of the Governing Board Members

International Trade Governance:

19. Address current challenges in ASEAN and East Asia through fact-based research on emerging issues, like the ASEAN-Australia-New Zealand free trade agreement and the ASEAN-China Free Trade Areas 3.0 upgrade negotiations.
20. Act as a think-tank to raise awareness about new mercantilist policies and investigate industrial policies promoting innovation in neglected sectors.
21. Contribute to upgrading the ASEAN Trade in Goods Agreement with policy recommendations emphasizing supply chain resilience.
22. Conduct research to serve as the basis to invite new countries to join the Regional Comprehensive Economic Partnership (RCEP) to foster diversity and inclusiveness.
23. Expand cooperation with international organizations and politicians to promote multilateralism.
24. Continue to support trade-related activities in Cambodia, focusing on structural transformation around the RCEP agreement and free trade agreement rules, and contribute to capacity development.

Digital Transformation:

25. Focus on ASEAN digital transformation, collaborating with the ASEAN Secretariat to identify areas for capacity enhancement.
26. Explore the link between digitalization and sustainability, particularly in the context of the circular economy.

Inclusiveness:

27. Balance digitalization and inclusiveness, strengthening ASEAN and East Asia cooperation in capacity building to avoid widening the digital divide.
28. Foster a strong relationship with the Asia-Pacific Economic Cooperation while researching topics like women's inclusion and economic subsidies.

Sustainability:

29. Contribute to ASEAN's energy transition efforts by supporting the Asia Zero Emission Community.
30. Assess the feasibility of nuclear energy development in the region with objective evaluation.
31. Develop country-specific action plans for pressing issues such as climate change and energy transition.

Others:

32. Gather evidence to assess whether the current situation is a 'better normal' or a 'worse normal' after the pandemic, considering policy reversals and their impact on stability and governance.
33. Conduct work on good regulatory practices to help ASEAN and East Asian governments identify areas for improvement and catch-up with in comparison to neighboring countries.
34. Produce policy briefs to capture policymakers' attention. Explore insights from other regional institutions.
35. Be more ambitious in publications by increasing partnerships with reputable publishers.
36. Address the challenge of sustaining funding for the Centre amid changing priorities.



References

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