

**Deepening AOIP Cooperation for the Epicentrum of Growth:  
Commemorating the 50<sup>th</sup> of ASEAN-Japan Friendship and Cooperation**

# **ASEAN-Japan Economic Partnership for a Sustainable and Resilient Future**

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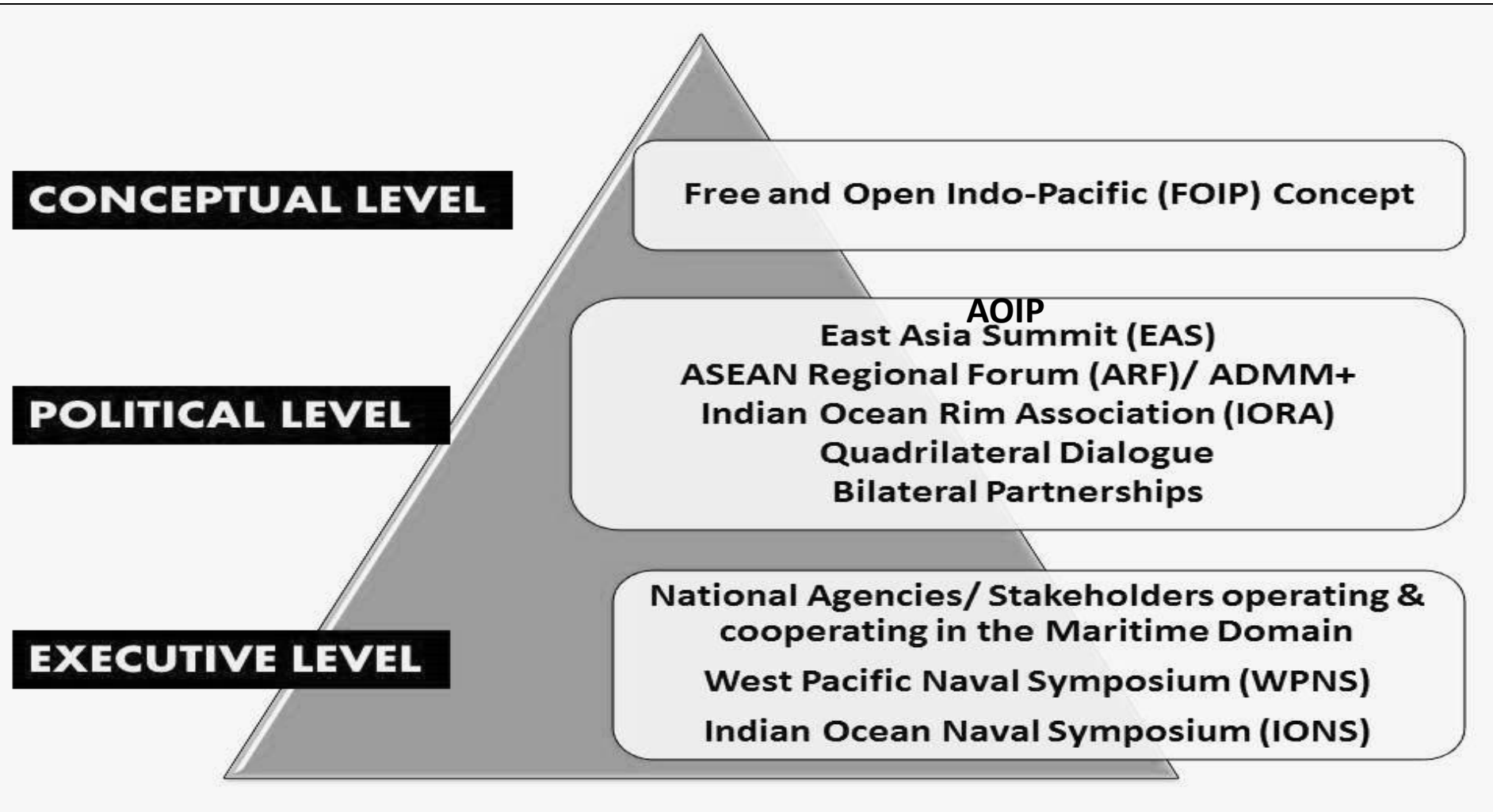
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# The Indo-Pacific Architecture

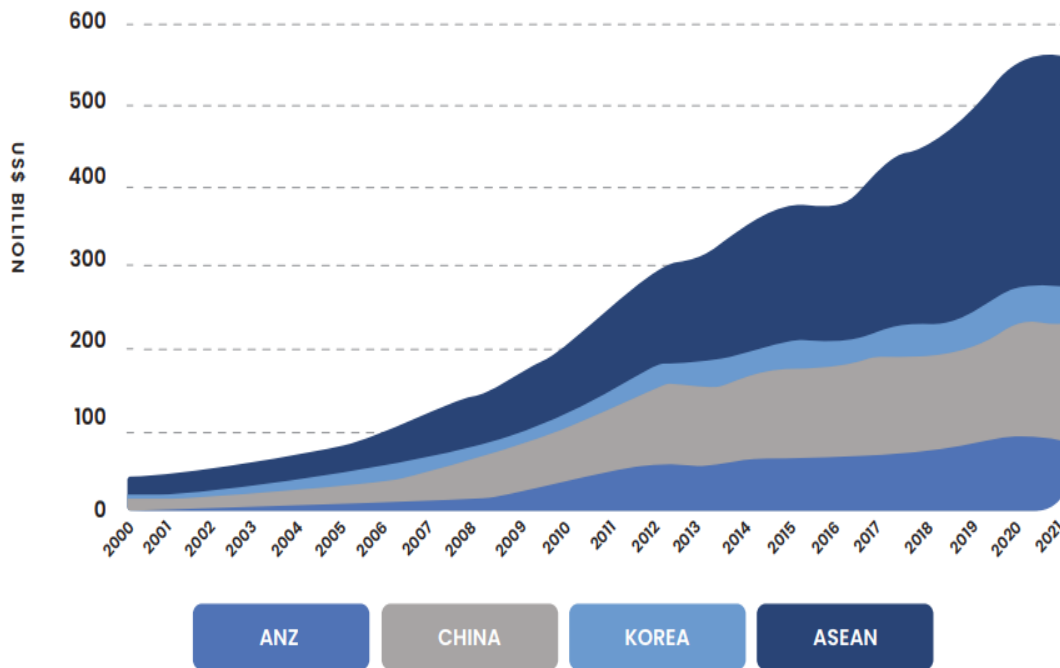


# Indo-Pacific - a Heterogeneous Region Driven by Developing Countries and LDCs

Group	Developed	Developing	LDC
Africa		Kenya, Mauritius, Seychelles, South Africa	Comoros, Madagascar, Mozambique, Somalia, Tanzania
Latin America		Colombia, Ecuador, Peru, Mexico, Chile	
North America	USA, Canada		
Oceania	Australia, New Zealand	Fiji, Papua New Guinea	
East Asia	Japan	China, Korea, Russia	
Middle East/West Asia		Iran, Oman, UAE	Yemen
South Asia		India, Sri Lanka, Pakistan, Maldives	Bangladesh
Southeast Asia		Brunei, Malaysia, Philippines, Indonesia, Singapore, Thailand, Vietnam	Cambodia, Lao PDR, Myanmar
<b>Total (43)</b>	<b>5</b>	<b>28</b>	<b>10</b>

# Mega Trends in Japan – ASEAN Economic Cooperation : Regional Supply Chain

Japan's Outward Foreign Direct (FDI Stock in US\$ billion)



- The first trend is the increasing diversity of consumers and the progress of industry technology.
- The second trend is an increase in supply chain risks.
- The third trend is the rise of new social ideals as human rights

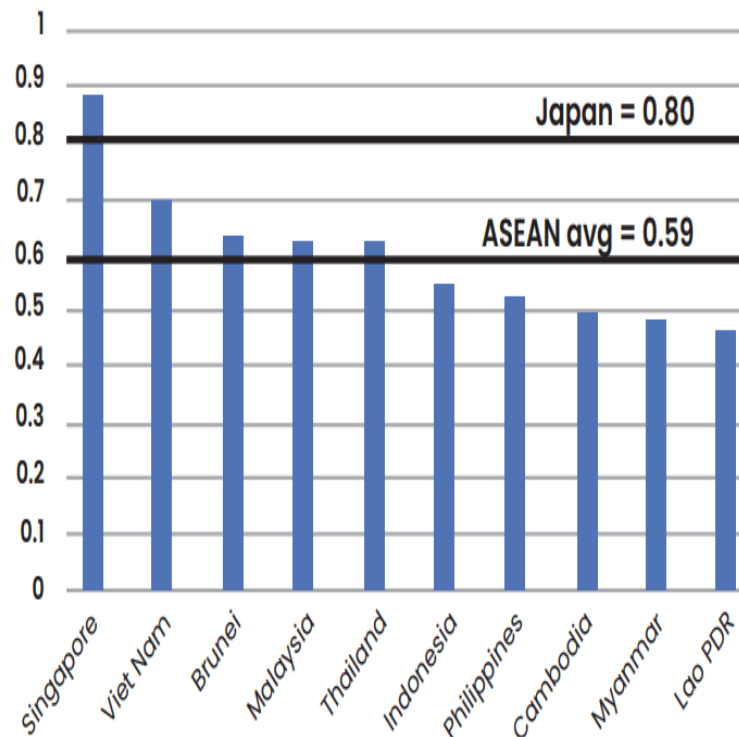
ANZ = Australia and New Zealand, ASEAN = Association of Southeast Asian Nations.

# Social Ideals of Japan and ASEAN

Country	Health Expenditure (% of GDP)	Average Life Expectancy (years)	Out-of-Pocket Costs (% of total health care expenditures)
Indonesia	2.90	72	34.76
Malaysia	3.83	76	34.57
Philippines	4.08	71	48.56
Singapore	4.08	84	30.15
Thailand	3.79	77	8.67
Viet Nam	5.25	75	42.95
Germany	11.70	81	12.82
Japan	10.74	85	12.91
United Kingdom	10.15	81	17.07

ASEAN = Association of Southeast Asian Nations, GDP = gross domestic product.  
Source: Humphrey et al. (2020).

## Human Development Index



ASEAN = Association of Southeast Asian Nations, Lao PDR = Lao People's Democratic Republic.  
Source: World Bank, Human Capital Index, Data, <https://data.worldbank.org/indicator/HD.HCI.OVRL> (accessed 30 November 2022).

# Difficulties in Doing Business

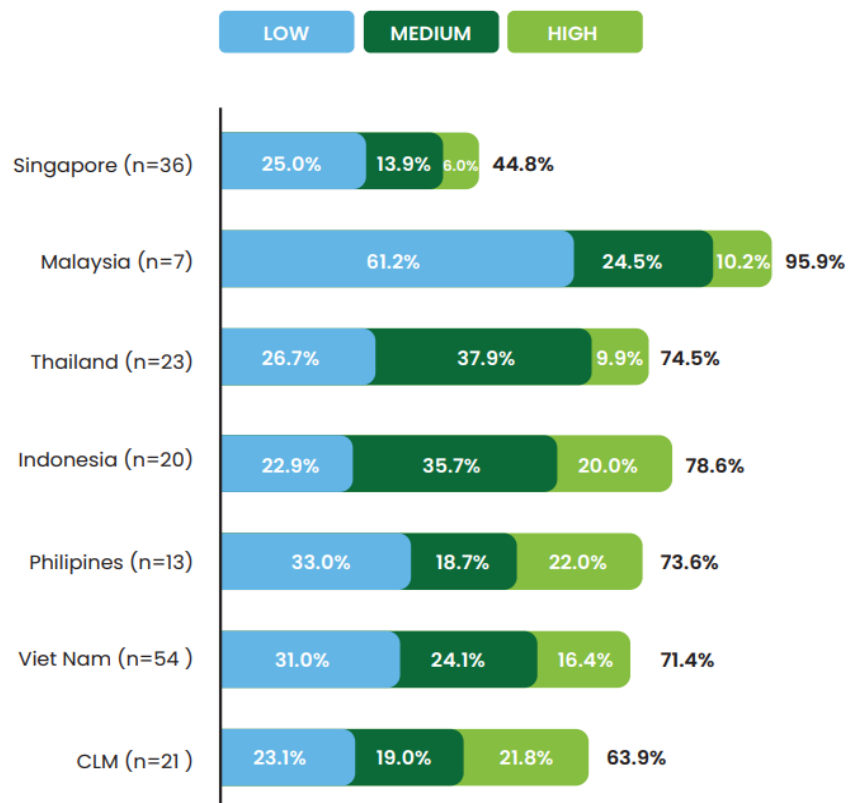
Difficulty	SGP	MYS	THA	IDN	PHL	VNM	CLM
Starting a business	8.3%	14.3%	17.4%	45.0%	23.1%	27.8%	9.5%
Integrating a sustainability agenda into business	33.3%	0.0%	34.8%	45.0%	46.2%	22.2%	19.0%
Getting credits	2.8%	14.3%	17.4%	15.0%	15.4%	16.7%	14.3%
Paying taxes	2.8%	57.1%	47.8%	90.0%	76.9%	55.6%	52.4%
Enforcing contracts	5.6%	14.3%	8.7%	45.0%	38.5%	27.8%	23.8%
Contracting with governments	8.3%	28.6%	13.0%	40.0%	23.1%	14.8%	38.1%
Closing businesses	2.8%	0.0%	17.4%	15.0%	38.5%	13.0%	23.8%
Others	11.1%	0.0%	0.0%	5.0%	0.0%	0.0%	4.8%

CLM = Cambodia, Lao People's Democratic Republic, and Myanmar (n = 21); IDN = Indonesia (n = 20); MYS = Malaysia (n = 7); PHL = Philippines (n = 13); SGP = Singapore (n = 36); THA = Thailand (n = 23); VNM = Viet Nam (n = 54).

Note: Q18-1. Other than the previous questions, please select any difficulties that you experience in doing business within the country in which your company is located.



# Difficulties in Trading across Borders by Country in ASEAN



Despite the country's high degree of economic development, Malaysian enterprises face greater trading costs.

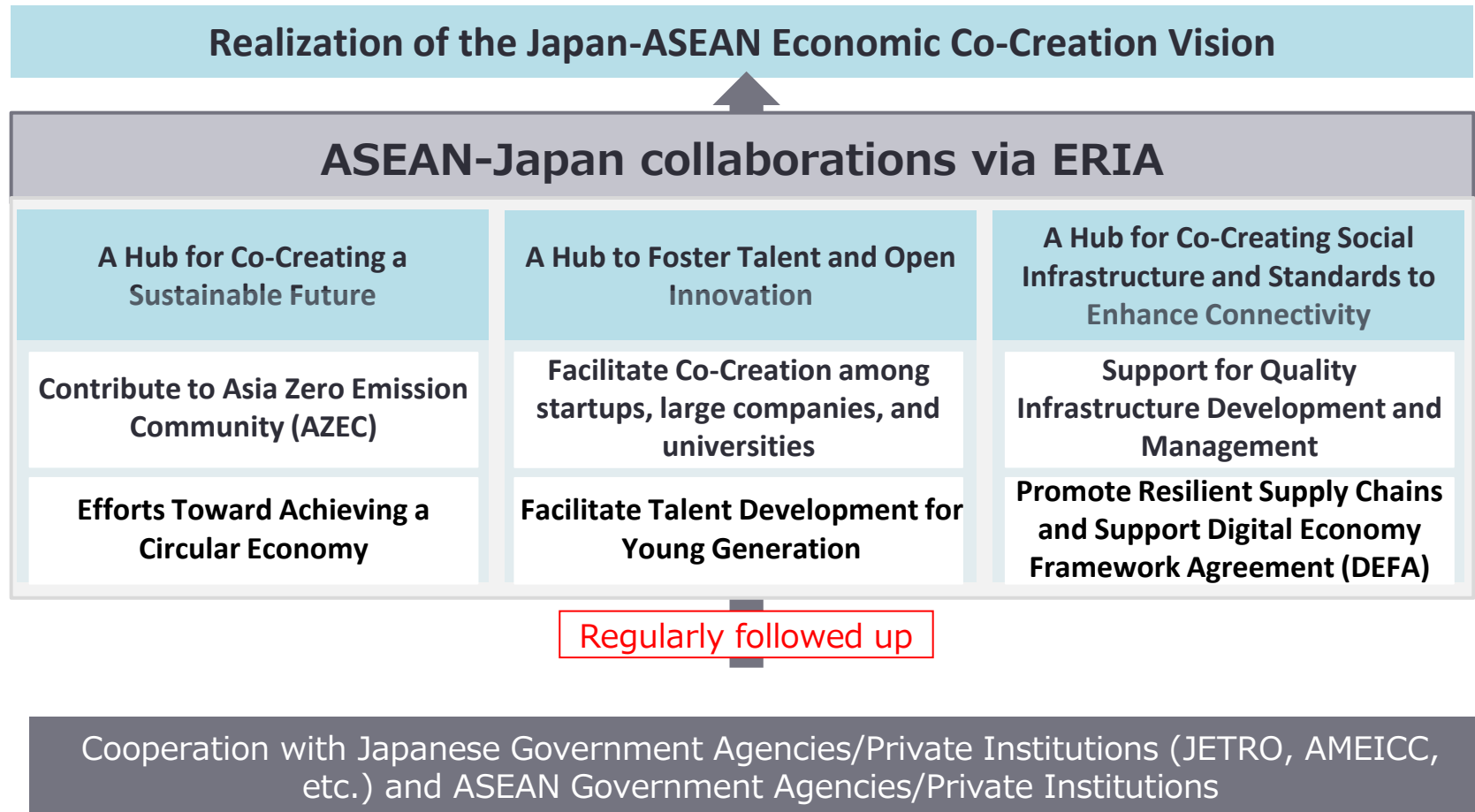
Malaysia presented the most significant difficulties with 95.9% of respondents indicating issues; However, it should be noted that the responses from Malaysia were limited (n=7).

CLM = Cambodia, Lao People's Democratic Republic, and Myanmar.

Notes: Brunei Darussalam is excluded since no responses were obtained. The countries are in order by gross national income per capita. (Q8. Do you have difficulties or issues in trading across borders? If you have those, please select the impact of each on profits of your business as follows: (1) high, (2) medium, (3) low, or (4) never recognized as difficulties or issues.)

Source: ERIA, 2023.

# ERIA's Contribution to ASEAN-Japan Co-Creation Vision





# Project 2045 For 'Joint Partnership' towards Our Common Future: A Joint Project of Two Maritime Democracies

Challenge 1. Sustaining Democracy and a Diverse Society

Challenge 2. Enhancing Maritime Security and Rule Based International Order

Challenge 3. Strengthening Regional and Global Supply Chains

Challenge 4. Developing Infrastructure

Challenge 5. Strengthening the Economy through Investment

Challenge 6. Developing Human Resources

Challenge 7. Vitalising the Rural Economy

Challenge 8. Towards an Equitable Society

Challenge 9. Digital Technologies to Improve Quality of Life

Challenge 10. Resiliency to Natural Disaster, Tackling Climate Change, and Managing Natural Resources



# Study 1: ASEAN-Japan Economic Partnership for a Sustainable and Resilient Future

## 1. Promote Trade and Investment

- (1) Upgrade AJCEP
- (2) Introduce a fast-track trading scheme
- (3) Improve customs compliance
- (4) Build a data supply chain ecosystem
- (5) Fully digitalize trade operations
- (6) Build a supply network for alternative sources

## 2. Encourage a Digital and Innovative Economy

- (1) Build an ASEAN-Japan-wide entrepreneurial ecosystem
- (2) Promote citizen-driven smart cities
- (3) Establish a unified scheme for IP protection
- (4) Create an ASEAN-Japan collaborative regulatory sandbox

# Study 1: ASEAN-Japan Economic Partnership for a Sustainable and Resilient Future

## 3. Aim for a Sustainable Future

- (1) Prioritize development for carbon neutrality
- (2) Finance energy-transition technologies
- (3) Introduce emissions trading schemes
- (4) Promote carbon credit initiatives;
- (5) Provide technology and know-how for circular economy
- (6) Reform the food and agriculture sector
- (7) Increase inclusive health care
- (8) Endorse sustainable tourism
- (9) Close the digital divide among MSMEs

## 4. Build a Professional Workforce for the Future

- (1) Address the mismatch between human resource skills and industry needs
- (2) Foster inclusive education
- (3) Ease the mobility of human resources

# Study 2: Digitalization of Supply Chain in ASEAN and Japan

## Objective

ASEAN and Japan face challenges related to emerging supply chain issues. To overcome challenges collaboratively, ERIA provides a dialogue platform for stakeholders to discuss benefits through data-sharing across supply chains.

Suppliers  
(Tier 2~)

Supplier  
(Tier 1)

Company

Logistics

Retail

Status of goods and resources in end-to-end supply chain

- CO2/GHG emissions
- Environmental issues and circular economy

- Human rights
- Safety issues
- Other (e.g. food loss)

Addressing compliance and ESG issues in the supply chain

# Study 2: Digitalization of Supply Chain in ASEAN and Japan

## Method

**“Start small, grow big”** strategy – gradually expand target regions and industries

## Immediate focus: target countries, industries, and experts

### Indonesia (Automotive)

Nita Kartikasari (KADIN)

### Singapore (Logistics)

Teng Theng Dar (BASE)  
Ariel Goh (ITE College East)

### Thailand (Automotive)

Archanun Kophaiboon  
(Thammasat U)  
Piti Srisangnam  
(Chulalongkorn U)

### Viet Nam (Electronics)

Le Thi Thu Thuy (VCCI)  
Truong Gia Binh (FPT)

## Progress and next step

- ✓ Identified **SC pain points** and **potential use cases** (e.g. carbon footprint)
- ✓ Completed the interim report on the **vision for SC digitalization**.
- ✓ Form **sub-discussion groups** to discuss more specific use cases

# Study 3: Circular Value Chains of Electrical and Electronic Equipment (EEE) in ASEAN

## Objective

Establishing a circular economy is a crucial agenda in ASEAN. To determine what ASEAN and Japan should do collaboratively, ERIA conducts comprehensive studies on the current circular value chains of EEE and discusses the associated challenges.

## Method

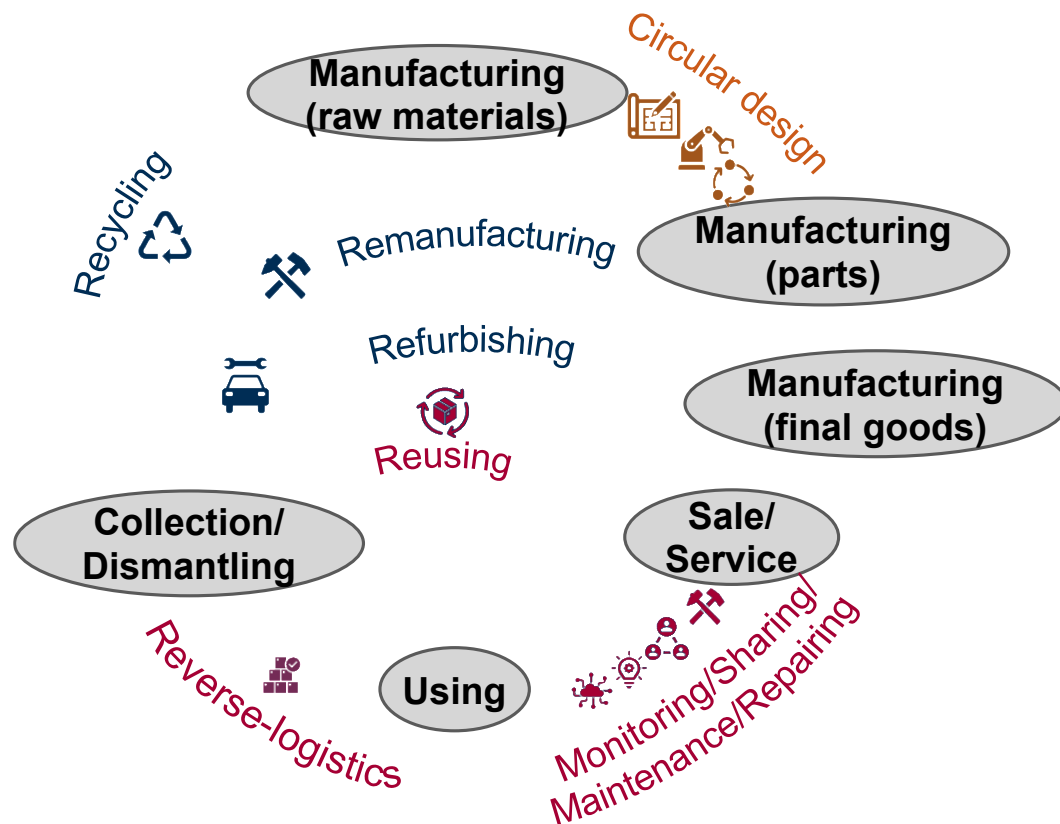
Gap analysis on circular value chains (reuse, collection, dismantling, sorting, recycling, remanufacturing, etc.) and related laws and regulations

## Key Findings and Recommendations

- ✓ Many AMS have significantly inadequate capacity of recycling and remanufacturing.
- ✓ ASEAN and Japan should encourage the private sector to build its capacity.

# Study 3: Circular Value Chains of Electrical and Electronic Equipment (EEE) in ASEAN

## Identified Processes to be Addressed



## Recommended Actions

1. Japan should **share its experiences and best practices**
2. Foster **ASEAN-Japan business collaboration**
3. In closer **alignment with international rules and standards**, and **advance trade openness between ASEAN and Japan**



# Key Findings and Policy Implications

## **Trading across borders**

- High uncertainty in trade costs
- Long lead time in trading
- Risk of supply chain disruption due to sudden customs closure

## **Human resource development**

- Lack of middle management necessary for medium- to long-term business growth
- Mismatch between educational curriculum and skills required by companies
- Mobility of human resources with advanced skills

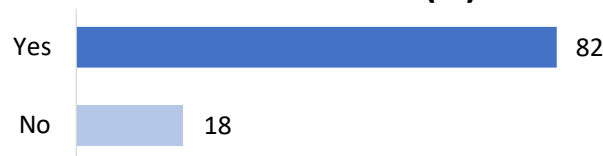
## **Supply chain resilience**

- Necessity of more collaboration among stakeholders across supply chains

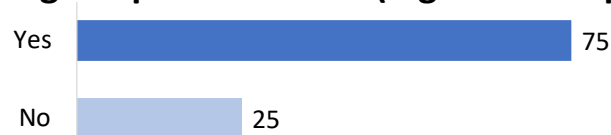
# Mismatch Between Educational Curriculum and skills required by Companies

- Companies think there is a gap between required skills and educational curriculum (e.g. internship and reskilling).
- Lack of experienced engineers to teach skills is also to be addressed.

**Gaps between required skills and educational curriculum (%)**

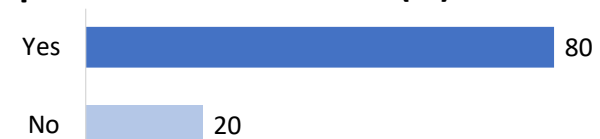


**Lack of experience for students to sublimite their knowledge to practical work (e.g. internship) (%)**

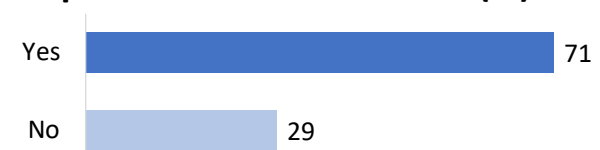


Notes: Questionnaire survey results conducted by ERIA.

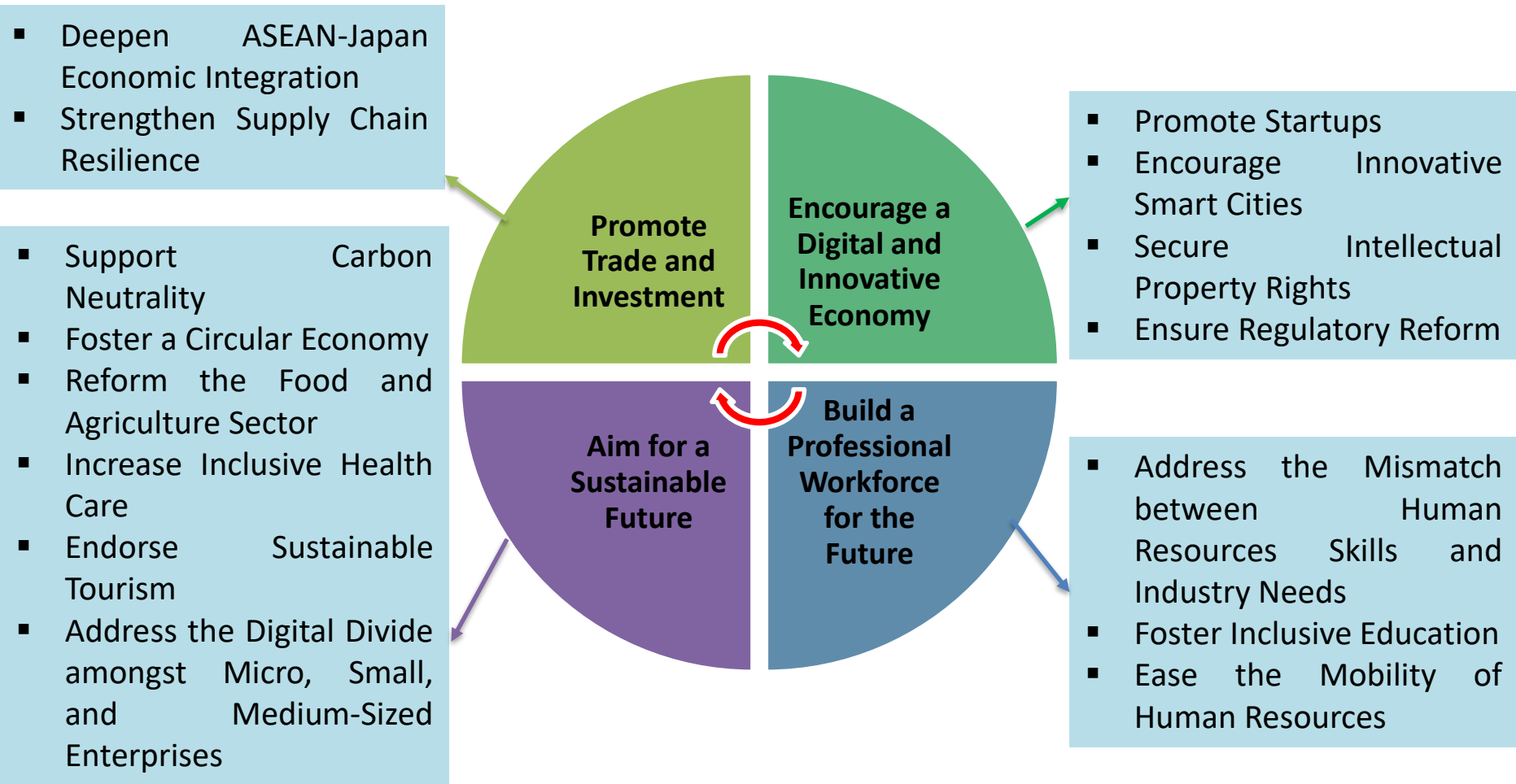
**Lack of opportunities for working professionals to reskill (%)**



**Lack of experienced engineers to train students into potential skilled workers (%)**



# Recommendations for the ASEAN–Japan Economic Partnership for a Sustainable and Resilient Future



# ASEAN Japan Economic Partnership for Sustainable and Resilient Future



## **Section 1: Review of ASEAN-Japan Economic Relations and On-going Initiatives**

Chapter 1 Deepening ASEAN-Japan Economic Integration (AJCEP Study)

**Chapter 2 Questionnaire Survey on Doing-business environment in ASEAN**

**Chapter 3 Study on ASEAN-Japan Cooperation in New Emerging Agenda**

## **Section 2: Programme Development and Implementation**

Chapter 4 Survey on International Economic Cooperation

Chapter 5 Economic Partnership for Sustainable and Resilient Future

## **Section 3: Recommendations for future economic partnership programme**

Chapter 6 Recommendations for future economic partnership programme

<https://www.eria.org/uploads/media/Books/2023-ASEAN-Japan-Economic-Partnership-for-a-Sustainable-Resilient-Future/ASEAN-Japan-Economic-Partnership-for-a-Sustainable-and-Resilient-Future-rev2..pdf>



# Thank You

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