

**NEAT Working Group on
"East Asian Cooperation on Enhancing Inclusive, Resilient
and Sustainable Connectivity beyond COVID-19"**

Final Report

Tokyo

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1. Working Group

The objective of this Working Group (WG) is to explore the possibilities of East Asian cooperation on enhancing inclusive, resilient and sustainable connectivity. Noting that connectivity has wide implications, such as physical, institutional and people-to-people, the WG will focus on (1) effectively implementing and extending the “Master Plan on ASEAN Connectivity 2025 (MPAC 2025),”¹ (2) promoting further economic institution building through Regional Comprehensive Economic Partnership (RCEP), Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP, or TPP11) and other frameworks that support “ASEAN Economic Community Blueprint 2025,”² and (3) strengthening people-to-people connectivity through economic activity in the maritime and other domains, such as supporting the recovery of business persons’ cross-border movement, international tourism and economic activity that involves people-to-people contact in the APT region.

2. Background

In East Asia, ASEAN-centered, multi-layered regional frameworks, including APT, the East Asia Summit (EAS) and others, have been the driving force of regional integration and cooperation in various functional areas, such as trade and economy, finance, education, energy, the environment, disaster management, and health. Importantly, ASEAN has led the regional integration and cooperation efforts by establishing the ASEAN Economic Community (AEC), adopting “AEC Blueprint 2025” and “MPAC 2025”, and launching free trade agreement (FTA) processes such as ASEAN+1 FTAs and RCEP. Through these endeavors, East Asia has experienced rapid economic growth and development and formed supply chains within the region and beyond, which has helped deepen regional economic interdependence.

East Asian countries, however, have been severely hit politically and economically by the escalation of US-China trade, technology and security conflict since 2018 and by the COVID-19 pandemic in 2020 which has limited economic activities both regionally and globally. As noted in the “Joint Statement of the Special ASEAN Plus Three Summit on

¹ <https://asean.org/storage/2016/09/Master-Plan-on-ASEAN-Connectivity-20251.pdf>

² https://www.asean.org/storage/2016/03/AECBP_2025r_FINAL.pdf

Coronavirus Disease 2019 (COVID-19),” adopted in April 2020,³ the region needs to strengthen joint efforts toward post-pandemic recovery, stimulate economic development and financial resilience, restore growth, connectivity and tourism, maintain market stability, and prevent potential risks of economic recession.

At the APT Summit held on 4 November 2019, the leaders reaffirmed regional connectivity enhancement by adopting the “ASEAN Plus Three Leaders’ Statement on Connecting the Connectivities Initiative,”⁴ which noted the AOIP’s principles of openness, transparency, inclusiveness and ASEAN centrality and characterized the AOIP’s approach as putting “connecting the connectivities” as a priority area of cooperation. In the trade and investment area, the “Joint Leaders Statement of the 4th RCEP Summit,”⁵ held in November 2020, said that 15 RCEP participating countries signed the RCEP Agreement. It also noted that “the signing of the RCEP Agreement demonstrates our strong commitment to supporting economic recovery, inclusive development, job creation and strengthening regional supply chains as well as our support for an open, inclusive, rules-based trade and investment arrangement. We acknowledge that the RCEP Agreement is critical for our region’s response to the COVID-19 pandemic and will play an important role in building the region’s resilience through inclusive and sustainable post-pandemic economic recovery process.” However, India was not in a position to sign the agreement, and the 15 countries decided that “the RCEP Agreement is open for accession by India from the date of entry into force.” To implement RCEP smoothly, the private sector role is essential and trade facilitation and supply chain connectivity need to be improved in the region.

Thus, it is time for the APT member countries to consider how it can support APT’s and ASEAN’s efforts at “connecting the connectivities,” through enhanced cooperation on physical, institutional and people-to-people connectivity, eyeing the COVID-19 pandemic and beyond.

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<https://asean.org/storage/2020/04/Final-Joint-Statement-of-the-Special-APT-Summit-on-COVID-19.pdf>

4 <https://www.mofa.go.jp/files/000534506.pdf>

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<https://asean.org/storage/2020/11/RCEP-Summit-4-Joint-Leaders-Statement-Min-Dec-on-India.pdf>

3. Agenda

What can APT members do to support APT itself and ASEAN in “connecting the connectivities” in the post- pandemic era? Basically, they can support ASEAN in helping to deepen AEC, enhancing inclusive, resilient and sustainable connectivity, and broadening the areas of economic cooperation within APT.

NEAT Japan proposes three areas of focus for this purpose: enhancing physical, institutional and people-to-people connectivity from economic perspectives. When tackling each of these three areas, there is a need to consider two key issues: how the economic impact of COVID-19 can be mitigated and a recovery from economic downturn can be accelerated; and how the economic gap among the ASEAN countries can be reduced. To achieve a deeper AEC through greater connectivity, the existing disparity between the advanced members of ASEAN and the lagging members, i.e., CLMV (Cambodia, Laos, Myanmar and Vietnam) needs to be reduced. The CLMV countries have much lower per capita incomes, less diversified industrial structures, narrower fiscal and debt space, and more limited institutions and human resources than advanced members of ASEAN and thus face the challenge of catching up with their more advanced peers if ASEAN wishes to pursue deeper economic integration in the form of AEC. Each of the three areas to be examined requires sufficient attention to be paid to how much it would contribute to the mitigation of, and a recovery from, economic downturn and the reduction of the development gap for CLMV so that ASEAN can move toward a truly integrated economic unity.

First, APT can focus on strengthening physical connectivity in the APT region in an inclusive, resilient and sustainable manner. In addition to existing physical connectivity initiatives via “MPAC 2025” and others, this WG will examine the ways to expand ASEAN’s connectivity to the APT region while strengthening the current efforts of connectivity within ASEAN and ASEAN+1 frameworks. In the era of COVID-19, inclusive and resilient digital connectivity is crucial for health, education and economic activity, and such efforts need to be reinforced in the post-pandemic era. To help reduce economic disparities within ASEAN, stronger support for GMS connectivity is particularly important. Better connectivity for GMS will induce Myanmar to be more involved with other GMS countries and also promote CLMV’s

economic development, thus helping deepen AEC and APT integration and cooperation.

The WG will discuss ways to implement “high quality infrastructure,” design public private partnership (PPP) to mobilize project funding, and collaborate with the existing frameworks such as the Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area (BIMP-EAGA) and the GMS.

Second, with the deepening of AEC and the importance of the abovementioned stronger physical connectivity in mind, APT can promote institutional connectivity in the form of FTAs and economic partnership agreements (EPAs) to lower barriers on trade and investment and set higher-level trade and investment rules and support the supply chains of the 21st century. In East Asia, various FTAs and EPAs, such as AFTA and ASEAN+1 FTAs, have been in effect. RCEP which has been signed will be one of the world’s largest comprehensive economic partnerships that includes all APT members, Australia and New Zealand (with India encouraged to join), and CPTPP (or TPP11), which is already effective and of higher level than RCEP with four ASEAN countries, Japan, Australia and New Zealand as its members, aims to expand its membership. The APT countries are urged to make joint efforts at maintaining free trade in medical equipment, food and other essential products to cope with COVID-19 and promoting post-pandemic recovery through greater trade and investment and more resilient supply chains.

The WG will examine the ways to deepen APT’s economic institutional connectivity, for example by implementing RCEP and enlarging CPTPP to embrace more APT countries and beyond. Also, the WG will explore a strategy to support CLMV development so that they can be more closely integrated with the APT region.

Third, to help deepen AEC and East Asian economic integration, APT can explore how people-to-people connectivity can be further promoted. There are many ways to enhance people-to-people connectivity from economic perspectives. One way is to support the recovery of business persons’ cross-border movement and international tourism for the post-COVID era. Another way is to foster economic activity that intensifies cross-border contact of people. One such example is the development of the blue economy, which aims at sustainable economic development through the utilization of marine resources and the protection of the existing maritime environment. As the ocean is a rich source of foods, natural resources and energy

supplies, the blue economy aims to develop related industries, such as fishery, culture, seafood processing, transport and shipbuilding, maritime tourism, and renewable and non-renewable energy, in a sustainable way. Creation of supply chains in the fishery product industry, maritime tourism, etc. do encourage people-to-people interactions. Most maritime countries of APT consider the development of the blue economy as a priority area and Lao PDR which is the only land-locked country in APT faces the challenge of developing a blue-river economy out of the Mekong River.

The WG explores how people-to-people connectivity can be enhanced in an inclusive, resilient and sustainable way from economic perspectives. Examples include the promotion of cross-border movement of business persons, international tourism and economic activity that intensifies the cross-border exchanges of people in the APT region, particularly as a part of strategy for post-pandemic economic recovery, while paying adequate attention to its potential for ASEAN's less developed members.

4. Task of the Working Group

The task of the WG, as Track II apparatus, is to produce policy recommendations to help deepen AEC—the symbol of ASEAN's economic integration—and enhance APT connectivity and economic cooperation, while narrowing ASEAN's development gap and addressing the challenges of mitigating the economic impact of COVID-19 and promoting post-pandemic recovery. The objective of the policy recommendations is to encourage the APT member countries to enhance inclusive, resilient and sustainable connectivity by building on the on-going regional efforts.

5. Discussions at the Working Group meeting

Twenty-three experts from APT member think tanks and the sponsoring organization, the Japan Forum on International Relations (JFIR), took part in a working group meeting online on 5 November 2020 and topics regarding “inclusive, resilient and sustainable connectivity beyond COVID-19” were discussed. The titles of presentations made by the representatives were as follows (in the order of presentation):

1. Lye Liang FOOK (Singapore). "Promoting Connectivity as New Growth Area: A Singapore Perspective."
2. Rathanaksabath LY (Cambodia). "Current Status of Infrastructure Connectivity in Cambodia."
3. Shofwan Al Banna CHOIRUZZAD (Indonesia). "COVID-19 and Connectivity in East Asia: Developing a More Sustainable and Inclusive Connectivity in Post-Pandemic East Asia."
4. NISHIZAWA Toshiro (Japan). "Enhancing Inclusive, Resilient and Sustainable Connectivity."
5. Nuanvilay RATTANAKON (Lao PDR). "Regional Connectivity through the Development of Land Transport Infrastructure: Implications, Challenges and Recommendations."
6. Juita MOHAMAD (Malaysia). "Enhancing Inclusiveness in the Digital Economy Post Pandemic."
7. Khin Ma Ma MYO (Myanmar) "Enhancing Inclusive, Resilient and Sustainable Connectivity in East Asia: Myanmar's Cooperation in Regional Physical Connectivity."
8. ISHIKAWA Koichi (Japan). "Promoting Institutional Connectivity in the form of FTAs and EPAs."
9. KIM Hyung Jong (Korea, Rep. of). "COVID-19 and the ASEAN Plus Three: Human Security and Connectivity."
10. Nisit PANTHAMIT (Thailand). "APT: Boosting Trade and Investment Cooperation in GMS."
11. ZHA Daojiong (China). "Solidifying Humanity-driven Connectivity through APT Framework."
12. KOBAYASHI Masanori (Japan). "Fostering a Sustainable Blue Economy."
13. Chu Minh THAO (Vietnam). "Context of COVID-19 Recovery."

6. Policy Recommendations

Based on the discussions during the meeting on above topics, the Working Group on "East Asian Cooperation on Enhancing Inclusive, Resilient and Sustainable Connectivity beyond COVID-19" summarized the main policy recommendation as follows:

Strengthen APT cooperation for physical, institutional and people-to-people connectivity

to not only overcome the negative socio-economic impacts of COVID-19 but also rebuild the economy forward to a more resilient, sustainable and inclusive growth path from the perspective of enhancing human security

More detailed policy recommendations are as follows:

1. Increase the resilience of connectivity to economic, natural, health and other adversity from an integrated physical, institutional and social point of view. Address disparities within and across countries to ensure that physical resilience of connectivity to various types of adversity leads to social resilience and inclusiveness. Strengthen institutional resilience to promote the uninterrupted sharing of knowledge and information.
2. Strengthen APT cooperation to respond effectively to the COVID-19 pandemic and public health emergencies in line with the “Special ASEAN Plus Three Summit on Coronavirus Disease 2019 (COVID-19).” More specifically, support ASEAN's initiatives on COVID-19 such as the ASEAN Comprehensive Recovery Framework and the COVID-19 ASEAN Response Fund and initiate an East Asia cooperation framework for Infectious Disease Control and Public Health to not only overcome COVID-19 but also prepare for future pandemics including the establishment of early warning systems. Harmonize rules for the accessibility and affordability of safe and effective vaccines approved by national authorities and recognized by the international health community.
3. Enhance connectivity by investing in infrastructure with emphasis on quality, particularly inclusiveness, resilience and sustainability, and in light of the nature of public services. Maximize the positive economic, environmental, social and developmental impact by pursuing quality infrastructure investment in line with the “G20 Principles for Quality Infrastructure Investment” to ensure an efficient and effective allocation of a limited amount of financial resources in advancing the post-pandemic recovery going forward, as the pandemic challenges may lead to a smaller size of infrastructure investment.
4. Promote institutional connectivity by deepening economic integration in East Asia through further trade and investment liberalization and by strengthening the resilience and sustainability of supply chains to ensure the smooth movement of essential goods

(particularly food, medical supplies and pharmaceuticals), services, capital, and people (particularly business persons and students) and information for a post-pandemic economic recovery. Embark on air travel bubble arrangements within and beyond the APT region in a safe and controlled manner and harmonize rules for cross-border travel. Pursue unilateral approaches to promote connectivity to complement or reinforce the principles of globalization and the multilateral trading order.

5. Enhance APT cooperation to further trade facilitation with a view to reducing trade cost and time by accelerating the implementation of the existing initiatives. In addition, eliminate NTMs, improve logistics services, harmonize standards and strengthen customs cooperation to contribute to greater flows of goods and more resilient supply chain connectivity.
6. Accelerate the digitalization of trade-related procedures for customs clearance, as it is an effective measure to prevent the spread of the pandemic by minimizing physical contact and to enhance competitiveness and efficiency by lessening transactions costs through speedier customs clearance and release of goods. Adopt Digital Economy Agreements (DEAs) between two or more economies in the APT region to establish enhanced digital trade rules and standards, promote digital economy cooperation and complement the existing network of free trade agreements and other digital cooperation initiatives. Fully implement and expand the existing regional mechanisms such as ASEAN Single Window.
7. Provide capacity building support for customs officials of CLMV to narrow the logistic gap and enable equitable development within ASEAN. Create Co-Special Economic Zones (C-SEZs) for the CLMV as a priority pilot project and embrace the CLMV in the global and regional supply chains through the linkage of the C-SEZs.
8. Reinforce sustainability as a guiding principle in fostering a blue economy (which includes sustainable fisheries and onshore/offshore aquaculture, elimination of illegal, unreported and unregulated [IUU] fishing, blue tourism, renewable energy development, low carbon maritime transport, and marine plastic elimination) and supporting a blue recovery amid and beyond COVID-19 in East Asia, as a sustainable blue economy that is also inclusive and resilient is one of the vehicles to support economic growth and enhance the well-being of people in the region. Conserve ocean and marine resources and use ecosystems sustainably

for all, including the present and future generations.

9. Build institutional networks of research institutes, universities and think tanks for East Asia to promote a sustainable, resilient and inclusive socio-economy through innovation, partnership, and multi-stakeholder involvement. Utilize such networks to identify ways to improve the functions of the existing economic, social, environmental, health, and natural disaster management systems and advance human resource development and human-centered policy-making. Adopt cross-sectoral, trans-spatial, interdisciplinary, and science-based approaches to overcome sectoral boundaries and focus on capacity building support for less advanced ASEAN member countries such as CLMV.

[END]

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