



**Economic Research Institute of ASEAN and East Asia
(ERIA)**

Academic Advisory Council (AAC)

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The inaugural meeting of the Academic Advisory Council (AAC) of the Economic Research Institute of ASEAN and East Asia (ERIA) was held in Jakarta on 18 May 2009.

Membership

1. Some of my colleagues on the AAC are very familiar to all New Zealanders engaged in official or "Track 2" activities in Asia;
 - i. Peter Drysdale is Emeritus Professor at ANU, well known as the long-time Director of the Australia-Japan Research Centre, Executive Director of the Pacific Association for Trade and Development (PAFTAD) and essentially intellectual "godfather" of Australia's economic relations with Asia.
 - ii. Hadi Soesatro has occupied a similar role in Indonesia, as long-time Executive Director and now Senior Fellow at CSIS; he was a founder of the Pacific Economic Cooperation Council (PECC) and remains a member of the Executive Committee, and he was a founder of PAFTAD of which he is the current chair. He has been appointed by the ERIA Governing Body to chair AAC.
 - iii. Hank Lim was the first Executive Director of PECC and is now Research Director of the Singapore Institute of International Affairs. Like Hadi and me, he has participated in meetings of the ERIA Institutional Network – see below.
2. The other members are new to me.
 - iv. Mohd Radzuan bin Ab Halim is Director, Financial Mediation Bureau in Malaysia.
 - v. Hang Chuon Naron is listed in the papers as Secretary General, the Supreme National Economic Council of Cambodia but his card says Vice-Chairman and also identifies him as Secretary General Ministry of Economy and Finance. He divides his time between the ministry and a think-tank, and led the AAC in efforts to ensure ERIA's research programme encompassed the development ambitions of member countries.
 - vi. Takashi Shiraishi is a relatively new President of the Institute of Developing Economies, (IDE), the research arm of Japan's Ministry of Economy, Trade and Industry, and is also an Executive Member of the Council for Science and Technology Policy. He is a political

scientist, and showed both intellectual interests and knowledge of the Japanese budget system.

3. Two members were unavoidably absent from the first meeting:
 - vii. Rajendra Kumar Pachauri Director General of the Energy and Resources Institute in India, and
 - viii. Yongding Yu, Director General of the Institute of World Economics and Politics in China.
4. The absence of China and India from the discussions was unfortunate.
5. There is also some disadvantage in not having Korea represented on AAC even though the desire to keep the group small is easily understood. Korea is represented on the Governing Board by Mr Suck Rai Cho, Chairman and CEO of Hyosung Corporation and Chairman of the Federation of Korean Industries, and there have been Korean participants in the ERIA Institutional Network (from KIEP, Korean Institute for International Economic Policy) and among the members of ERIA project teams, but the Korean government has not shown great enthusiasm for ERIA as a regional initiative. Whether the current president will be more interested than his predecessor has yet to be determined.
6. No concern was expressed about not all ASEAN members being represented on AAC. As was apparent at the ASEAN-Australia-New Zealand Track 2 dialogue last year, ASEAN is developing its ability to operate as a unit.

ERIA

7. ERIA is wholly funded by Japan, but it is conceived as a regional organization, a research institute which relates to the East Asian Summit. Its management is very proud of its recognition as an "international organization" in an exchange of letters between the Government of Indonesia and the Secretary-General of ASEAN which is a kind of "charter" for ERIA.

8. Japan advocated the establishment of ERIA in 2006, and in 2007 two "test-run research projects" on a roadmap towards East Asian economic integration and Energy Security in East Asia were successfully completed and presented to regional ministerial and leaders' meetings to establish the feasibility of the proposal. At the third East Asian Summit in November 2007, the 16 national leaders agreed to establish ERIA. It was formally established in June 2008 "as a regional organization to conduct policy researches and provide policy recommendations to promote economic integration in East Asia." its fundamental character was set out in a statement, some key provisions being:

- i. ERIA shall function as an independent research institute but shall maintain and develop strong communication ties with policy-making process. The results of its research works shall produce concrete and tangible policy recommendations that shall meet the needs of Ministerial and National Leaders' meetings.
- ii. ERIA shall maintain its highest academic standards in its research activities and provide a tripartite-type forum for policy dialogue and interactions among researchers, policymakers, and civil society
- iii. ERIA shall provide meaningful resource for narrowing development gaps and enhancing research capabilities...
- iv. .. common asset to the ASEAN and East Asian countries... open in cooperation with various prominent economic research institutions and

organizations around the world, just as the East Asian economic integration shall be wide open.

9. The Governing Board of ERIA consists of 17 members, one from each of the 16 members of the East Asia Summit and the Secretary General of ASEAN. It is chaired by Dr Dinh Van An, President of the Central Institute for Economic Management in Vietnam. The members can be categorized as one minister (from Laos), the Secretary-General of ASEAN, six senior officials or former officials, three academics, and six senior business leaders. The New Zealand member is John Wood, former Deputy-Secretary of Foreign Affairs and Ambassador to the US.

10. ERIA has a Regional Institutional Network, (RIN), consisting of a leading academic/research institution from each of the 16 members of the EAS. The New Zealand participant is NZ Institute of Economic Research. RIN has met twice (in Bangkok) to advise on ERIA's research projects and agendas. Those meetings also involved other regional institutions like the Asian Development Bank as envisaged in ERIA "constitution" quoted in para 8 above. Staff and associates of the member institutes are prominent in ERIA research project teams. ERIA is intended to be an "institute", and it has impressive premises in Jakarta (where the Executive Director also has space in the building of the ASEAN Secretariat and the Secretary-General of ASEAN has an office within ERIA premises). Its current staff is about 30, including 8 economists led by Professor Kimura on secondment from Keio University. It seeks both additional staff, and secondments, especially from members of RIN. Nevertheless, the scale and the nature of its research ambitions both guarantee that it will be a "network" organization. The required range of expertise can never be met in-house, and a centralized institution cannot have the required depth of contact with national policy-making machines. ERIA has to attract and retain the support of RIN (and wider regional networks) in order to achieve its mandate.

11. In Japan there is a Parliamentary League for ERIA with a distinguished membership. Parliamentary support (and even recognition of ERIA) in other members is less formal.

12. The sponsors, governors and managers of ERIA are genuinely concerned that it should be 'international' rather than Japanese. However:

- i. It is wholly funded by Japan, the senior staff is from Japan, the strongest support is from IDE-Jetro and the Keidanren, the Jakarta premises are in a building (which also houses the New Zealand embassy) which was built and is owned and managed by Japanese and is very Japanese in appearance. There is an image issue. The Japanese government has assured the Executive Director that the Japanese financial contribution will be maintained and not reduced should other members choose to make a financial contribution. The senior staff would become more international if non-Japanese members chose to use ERIA for staff secondments which would enhance understanding of regional issues. (There are already some non-Japanese staff in relatively junior positions, and the research teams are genuinely and visibly international.) This can be generalized into the proposition that the image problem would disappear if other members were as enthusiastic and committed as Japan is.

- ii. ERIA was initially proposed by Japan along with the Closer Economic Partnership for East Asia, (CEPEA). ERIA has been developed as part of the promotion of East Asian economic integration in general, including CEPEA but without giving it an exclusive role. Nevertheless, ERIA remains clearly linked to the East Asia Summit, making the prime unit of East Asia the 10 ASEAN members, China, Japan and Korea in North East Asia, India, Australia and New Zealand. There are competing conceptions of Asian economic integration.
- iii. One still hears anxiety about the “centrality” of ASEAN, of its position in the “driver’s seat” for integration, and of its responsibility to lead creation of an Asian community. This sometimes gets translated into preserving a clear sequence of integration: ASEAN, ASEAN plus one, ASEAN plus three, ASEAN plus Six, trans-Pacific. Among those directly involved with ERIA, any anxiety about undermining ASEAN has been overcome through proximity and good working relations with the ASEAN secretariat, and through the leading role of Dr Surin Pitsuwan, Secretary General of ASEAN, in the governance and management of ERIA. However, it remains present elsewhere. As it has existed ever since the initial discussions of APEC over 20 years ago, and as it is continually refueled by navel-gazing within the region and pontificating from outside over whether ASEAN should not be more like the European Union, it is not likely to disappear quickly. Indeed, one might suspect that a big element in it is simply disguised debate about the pace of ASEAN integration. ASEAN will remain a convenient mechanism for collaboration among China, Japan and Korea if, and only if, the pace of ASEAN integration matches the ambitions of those major economies. Furthermore, there is not a clear ASEAN interest in giving integration with China - a major element of ASEAN plus one - priority over dealing jointly with China, Japan and Korea, ASEAN plus three.
- iv. EAS is sometimes seen as Japan’s preferred structure while ASEAN plus Three is China’s. We can probably relegate to the sphere of journalistic imagination any simple idea of bringing in India to ensure that Japan is not swamped by a single much larger member, but EAS is a more “maritime” unit than the “continental” ASEAN plus Three. Nevertheless, it is likely that the unit for Asian economic integration will be determined, not by great power rivalry, but by topic and will not always be the same. ASEAN plus Three has “pole position” in discussions of monetary integration.
- v. The role of the US will continue to be discussed. (The parallels between ERIA and PECC are very obvious, and there are equally clear parallels between East Asia integration and the Asia Pacific Economic Co-operation (APEC) process. ERIA has more resources than PECC, and there is more momentum behind East Asian integration than there is behind APEC. However, when Japan assumes the chair of APEC in 2010, and even as Japan works with Singapore as the chair of APEC in 2009, ERIA will be keen to exploit synergies with the APEC process. The Obama Administration is more inclined to engage with Asia than its predecessor was, but it is unlikely that the US will want to be a full member of EAS or any East Asian institution any more than it wants to be a member of the EU. However, just as it seeks a leadership role in a North Atlantic institution like NATO, so it will seek a leadership role in any trans-Pacific institution or processes. Some complexity arises

from a lack of congruence between security and economic integration. The desire for a single Asian architecture is a distraction. Many academics and officials are much more comfortable with discussion and analysis of political and security integration than economic integration - even APEC tends to be assigned to foreign and trade ministries rather than ministries of finance or economics. In Asian security issues - which tend to dominate high-level "political" discussion - the US plays a central role. In Asian economic integration, the US is important but not central. A further implication of the same set of reflections is that Asian integration and the building of an Asian community is primarily an economic process. Any Track 2 processes, whether ERIA or PECC, have to be economically literate although the economists involved have to be able to engage with policy processes and with business interests.

- vi. The Asian Development Bank (ADB) is emerging as a key institution in Asian economic integration. (It shares some of the image problems of Japanese domination with ERIA, and as with ERIA, the problems are image rather than real.) ADB is increasingly seeking to work across the major components of its region, which it conceives as Central Asia, South Asia, South-east Asia, and North-east Asia. This poses some challenge to New Zealand - and to Australia.
- vii. It is obviously in New Zealand's interests that key debates and decisions should be made in the wider forum of the EAS in which New Zealand has a seat rather than in any process from which New Zealand is excluded, such as ASEAN plus Three. (It is equally obvious that New Zealand's interest is in maintaining trans-Pacific relations so that it seeks compatibility between EAS and APEC.)

ERIA is directed primarily to EAS. That is unlikely to change, but it will no doubt work with subsets of EAS members according to their interests.

13. Japanese Prime Minister Aso has been a public champion of ERIA. He advocated its role in his speech to the World Economic Forum in Davos earlier this year in which he set out Japan's response to the international economic and financial crisis. He was even more specific in a speech he made to the National Press Club in Tokyo on 9 April 2009. Aso asked ERIA to create a "comprehensive development plan" for East Asia and has made additional funding available for the purpose. The meaning of "comprehensive development plan" is not clear, especially as in his speech Prime Minister Aso expressed concern about "excessive financial capitalism", observed that Italy, Netherlands and Britain all surrendered world economic leadership as they ceased to dominate world manufacturing and trade, and suggested that Japan reached its present eminence through "sweat" and operating as "a team with organizational power" which may now be threatened by increasing individualism. Perhaps a "comprehensive development plan" should focus on the growth of the services economy, and how an appropriate balance of freedom and order can be secured in networks organized more loosely than teams? Prime Minister Aso also referred to elucidating the role of safety nets. It is interesting that he related them to giving middle classes the security to expand consumption rather than to poverty alleviation.

Terms of Reference of AAC

14. "The Council provides advice and support to the Office of the Executive Director on the following matters:

- Advices on the annual work programme.
- Review and evaluation of the research outcome.
- Review and evaluation of the performance of researchers."

ERIA's Research Activities in the Year April 2008-March 2009

15. ERIA's research has been organized under three "pillars":

1. Deepening Economic Integration
2. Narrowing Development Gaps
3. Sustainable Economic Development

In addition, the work programme includes seminars focused on capacity building, especially in the CLMV countries. These have been well-supported and are well-designed to secure continuation of that support. Their topics are chosen in discussion with local governments, and their content draws on experts from throughout East Asia and beyond. The overall intent is to facilitate participation in processes of East Asian economic integration and they seek to enhance understanding among officials and regulators from a wide variety of agencies.

16. Each of the pillars of the research programme in 2008-9 had several projects.

Deepening Economic Integration

17. Deepening East Asian Economic Integration. The first part of the project aimed to develop quantitative measures for key components of the ASEAN Economic Community blueprint, services liberalization, trade facilitation and investment liberalization. The second part of the project was to analyse econometrically the impact of integration on the performance of firms. Topics analysed included fragmentation, learning-by-exporting, vertical and horizontal spillovers and firms' responses to policy reforms.

18. Services liberalization varies by both economy and service - medical services, health services, banking services, insurance, and logistics services. Investment liberalization has some way to go in market access in Myanmar, Thailand, Malaysia and Laos, in screening and appraisal in Indonesia, Cambodia, Myanmar and Laos, in national treatment in Brunei and Malaysia, and in the services sector generally. Econometric analysis established the profitability of production fragmentation, the importance of "absorptive capacity" for learning-by-exporting, and that the benefits of FTAs favour larger firms. Policy recommendations follow more or less immediately.

19. The project team was led by Professor Jenny Corbett of ANU, and involved researchers from the ASEAN secretariat, Australia, Indonesia, Japan, Korea, Singapore, Thailand, and Vietnam.

20. Developing Internationally Comparable Industrial Statistics in East Asia

The intent is self-evident, and if the need is even greater in services than in industry, the latter is an obvious starting point. A Steering Committee includes Professor Kimura, and the study team has members from Japan, Indonesia, Philippines, Thailand and Vietnam. The Hitachi Research Institute provides a secretariat.

21. Establishment of a Safe and Highly Reliable Market Place in ASEAN and East Asia.

One sub-project dealt with Strengthening Information Security in the Business sector. It explored the applicability of the Information security management (ISM) Benchmark and included a survey of 48 companies in 6 economies. Most found the ISM benchmark effective in evaluating enterprise information security, and there was general support for a common ISM benchmark but not all cases could be covered by that benchmark alone. The project continues. The team is led from Thailand, and includes members from China, Japan, Korea, Malaysia, and Singapore.

22. Another sub-project dealt with Establishment of a Secure and Safe E-commerce Marketplace. The long-term aim is harmonization of legal systems, but in the immediate future the focus is on standardization and visualization of comparative information. Despite limitations, the immediate focus is on the possibility of adapting European systems for handling cross-border customer complaints which are known to work better in cases of miscommunication than in cases of fraud. (There could well be value in injecting into the regional discussion the CER experience that it is more fruitful to focus on barriers than on harmonization per se.) The project team includes both officials and academics, and has members in Japan, Malaysia, Singapore, Thailand, and Vietnam.

Narrowing Development Gaps

23. Development of Regional Production and Logistics Networks in East Asia

A subproject scrutinized how agglomerations generated industrial upgrading and innovation and the effects of upgrading transport infrastructure. It used questionnaire surveys, econometric modeling and a geographical simulation model. It found that most ASEAN firms rely less on inhouse R & D than on information and technologies from outside and on production linkages. Linkages and communication with partners are crucial. The geographical simulation model shows that the East-West corridor mainly benefits Laos, Vietnam and Northern Thailand and affects food and textiles & garments more than electronics. Policy recommendations include considerations for the selection of corridors, advocacy of freer flow of R & D related goods, services and people through economic integration, and dialogue mechanisms. The team is led from Thailand, and includes members from Brunei, Indonesia, Japan, Philippines, Thailand, and Vietnam.

24. Another subproject deals with the Mekong India Economic Corridor Development. Initial work was done by Indian consultants, and will be considered by a team led by Professor Kimura and including members from Cambodia, India, Japan, Thailand, and Vietnam. It will generate practical recommendations as well as feed into the wider Industrial Corridors project.

25. Research on Development Strategies for CLMV Copuntries

The focus is on how CLMV countries can participate in MNE production networks and form competitive industrial clusters. The research team has conducted interviews and firm-level questionnaires, the work being done by CLMV research institutes. The overall result is that there is more prospective gain from general policies than specific interventions.

Sustainable Economic Development

26. Comprehensive Asia Environment Policy Review

One subproject deals with 3R Policies for Southeast and East Asia, (Reduce, Reuse and Recycling). It surveyed the range of policies and agencies used and concluded that national policies cannot be exclusive to any single agency. A great deal can be learned from comparing national experiences. The team is led from

Indonesia, and includes members from Japan, Malaysia, Philippines, Singapore, Thailand, and Vietnam.

27. A second subproject deals with Mainstreaming Sustainable Development Policies in East Asia. The objective is to mainstream policy processes which simultaneously deal with all of poverty alleviation, economic development and environmental protection. The project employs an Integrated Policy assessment Model based on a computable general equilibrium model but also employs “thematic models” to deal with the distinct elements which need to be reconciled. The work in 2008 was on conceptual design and country reviews. The project is led from the Philippines, and has members from the ASEAN Secretariat, China, India, Indonesia, Japan, Korea, Laos, and Thailand.

28. Sustainable Automobile Society in East Asia

The project explores the current state of energy and environment issues, sets out to integrate emission regulations and fuel quality requirements, and will seek to develop countermeasures. The immediate effort was database building, while a supporting study was made of air pollution in Bangkok. The team is led from Indonesia, and includes members from Australia, China, India, Japan, Korea, Malaysia, Philippines, Singapore, Thailand, and Vietnam.

29. Energy Efficiency, Biomass, and Bio-fuels

A subproject seeks to analyse energy saving potential by building scenarios for “business as usual” and “alternative policy scenario” using the IEEJ Energy Outlook model. Members of the team comes from Australia, Brunei, Cambodia, China, India, Indonesia, Japan, Korea, Laos, Malaysia, Myanmar, Philippines, Thailand, Vietnam, and the Asia Pacific Energy Research Centre of APEC. (It is noticeable that New Zealand is the only non-participant. NZIER provided the team with some information and with contacts in relevant ministries and research organizations.)

30. Another project aims at a sustainability assessment of biomass utilization in East Asia. A 2007 ERIA Working Group developed principles for biomass energy which were endorsed by an EAS Energy Ministers meeting in Bangkok in August 2008. Six individual studies are now being conducted by collaborating research institutes. Members of the working group come from India, Indonesia, Japan, Malaysia, Philippines, Singapore and Thailand.

31. A third sub-project deals with benchmarking biodiesel fuel standardization. The objective of using biodiesel to reduce emissions will be frustrated if diesel quality is lowered. The project team includes members from Australia, China, India, Indonesia, Japan, Korea, New Zealand, Philippines, Singapore, Thailand and Vietnam. The New Zealand member is Ms Philippa Blunden of MED.

ERIA’s Research Proposals for April 2009-March 2010

32. ERIA proposes to continue using the same three pillars.

33. Deepening Economic Integration

The project will focus on linkages between real and financial economies, analyse productivity impacts of trade and investment liberalization using firm data, and continue to develop scorecards for service liberalization and trade and investment facilitation. The work on internationally comparable statistics will focus on industrial censuses and surveys. Work will continue on secure and reliable market bases including IT security and cross-border e-commerce.

34. Narrowing Development Gaps

The corridors study will continue. ERIA will work with ADB and the ASEAN Secretariat to prepare a coherent master plan “which would contribute to coordinate, expedited, upgrade, and expand subregional initiatives and promote private sector participation.” Work will also continue on the development strategy of CMLV countries including production networks of specific industries and production and science & technology linkages in industrial agglomerations.

35. Sustainable Economic Development

ERIA will support interdisciplinary efforts for environment and energy security through comprehensive analysis and policy reviews. Existing projects will be continued.

AAC Discussion

36. ERIA has been managed very effectively, using some preliminary projects to show that ERIA can be effective, getting endorsement from EAS leaders, and reporting to economic and energy ministers with more or less “practical” recommendations which are relevant to the concerns of those ministers. It has shown genuine commitment to both “independent” research, and “strong connections with the policy-making process”. Effort has been put into the academic support network.

37. ERIA research reports amount to an impressive body of new knowledge. It is “weighty” in both physical and intellectual terms. Professor Kimura has provided a superb one-man quality assurance mechanism. He has been assiduous in attending meetings of research project teams, in reading draft material and in injecting questions where there is an opportunity for the project output to contribute more to ERIA objectives. The project teams, including ERIA staff, have generated good material for Professor Kimura to work with. It is well varied, including material which feeds directly into economic analysis of economic integration, material that contributes to national development planning, and material that engages with business concerns to make economic integration practical.

38. It will come as no surprise to anybody who knows the history of the Institute of Policy Studies in New Zealand, the Australia and New Zealand School of Government in the trans-Tasman and Australian contexts, and discussion of the impact of think-tanks everywhere, that AAC discussion focused on the connection between research and policy impact. Researchers everywhere find it hard to believe that research results do not feed immediately and directly into policy decisions. Even some ERIA staff referred to research outputs and “by-products” such as policy briefs and information services. Those materials are not “by-products” but central to the concern of ERIA to be policy-relevant.

39. After many years, and at the risk of offending academic colleagues, I have come to conceive of research reports as a quality assurance mechanism in the policy process. They do not contribute to policy development; they are important because if there is cause to question the intellectual basis of policy it must be possible to re-examine the reasoning and evidence from which it was derived. Policy development, however, proceeds on the basis of oral advice to those who have the authority to make collective decisions, oral advice that rests much more on assurance from those who are aware of conclusions emerging from research and who are able to assess the reliability of those conclusions. Interaction is much more important than reading research reports.

40. ERIA has an especially challenging task because it relates to the 16 members of the EAS. One of the suggestions from AAC was that the RIN should be asked to review the 16 processes by which key policy decisions are made. In many cases, available documentary sources permit statements of how policy processes are intended to function - through interdepartmental and often wider consultation, cabinet committees, executive decisions, parliamentary appropriation, and so on, but national institutes are in a good position to explore and advise on where and by whom the key decisions tend to be made. In some ways this would be a generalization of the work being done by ERIA on sustainability policies.

41. It was also suggested at AAC that ERIA should make more use of consultants and other research organizations to provide quality assurance and ensure that ERIA output cannot be dismissed as inadequate. I would add that quality assurance is best done as the research proceeds rather than left to be applied as quality control on a final report. Despite the difficulties which are inherent in an "assess and assist" role, there is likely to be better advice from somebody working at an organization like the ADB on a related topic than from somebody asked after the event to fit in to their schedule a summative judgment on the quality of a completed piece of research.

42. AAC members also commented on the need to engage with ministers and officials on what research really contributes to their concerns. Furthermore, the research results have to be available when they can be influential. If ERIA waits for officials and ministers to issue an invitation to submit a report on a specific topic, and only then begins to assemble a project team, define research questions, collect and synthesise evidence, and create relevant knowledge, the report is likely to reach its intended audience long after interest in it has passed. On the other hand, asking officials and ministers (or any other research user) to start cold and define what research they will want in two-three years' time will probably generate a wish-list with little relation to decision-making. ERIA has to invest time and expertise in interacting with policy networks, using the standard tools of horizon-scanning, inferring its own view of where the policy process is heading, testing that view against those of other observers and participants and refining the agenda as a result. Even then, we can be sure that officials and ministers will complain that resources are being wasted on academic topics, and that their needs should have been better anticipated but the appropriate standard is the best feasible rather than perfection. (ERIA has an advantage in that its 16 principal users include a higher proportion of leaders, minister and officials who respect professional policy development and the place of research in it than is true of some national governments.)

43. AAC members generally endorsed the three pillars of ERIA research. Without constraining the way well-connected and informed researchers have formulated the projects, ERIA should refine how it thinks each of the three principal lines of enquiry respond to high-level policy choices.

- i. In the case of regional economic integration, the underlying policy issue is to promote integration while retaining popular and political support. In the current international context, a specific component of this is to avoid protectionism - and the tendency until now to think that resort to protection is prospective rather than immediate has come under pressure. Economic integration, including the well-chosen key issues of services and trade and investment facilitation, should be promoted as part of a positive adjustment to changed economic circumstances which is preferable to

- protection of existing activities. Establishing secure and reliable markets should be put into the same context. In both these project areas, there is an admirable concentration on showing the connection between aggregate trends and firm-level experiences. Emphasising what appeals to business should be part of the work on comparable statistics too. The intended emphasis in 2009-10 on industrial surveys is welcome, especially if it includes how surveys of business intentions can contribute to both aggregate forecasting and to reducing co-ordination problems - where one industry is unnecessarily deterred by uncertainty about the plans of complementary firms or industries.
- ii. In Narrowing Development Gaps, it will be important to think not only of poverty alleviation, but also of social resilience. Prime Minister Aso spoke of the need for confidence if consumption expenditure is to be a driver of economic growth. There is also the more general point that while recessions generate a lot of talk about social cohesion, the usual experience is of disparate experiences and tensions resulting from concern about the possibility of moving into a more disadvantaged group. Social tension rises; alleged social cohesion is a defensive rationalization. More credit should be claimed for the capacity building initiatives undertaken by ERIA, and they should include explicit attention to the ability of officials to respond to new challenges to social resilience. As several members of AAC commented, there should be closer integration of seminars with research projects (although some members were perhaps optimistic in the extent to which they thought researchers were always good communicators to policy audiences).
 - iii. There is a noticeable absence from the Sustainable Economic Development agenda. It is hard to believe that policy processes are not going to give a lot of attention in the short and medium term to climate change, or more specifically, not to the science of climate change, but to elucidation of what it is sensible to do in response to the (uncertain) effects of climate change. The agenda of UN conferences guarantees that, and the East Asian community must be a significant player in the international setting. The existing Sustainable Economic Development research agenda is sensible, but there needs to be more attention paid to how it will relate to policy processes.

44. Anticipating the demands of policy processes is only one of the pressures on the ERIA research agenda. Any research agenda generates its own prolongation, and. ERIA staff showed themselves to be alert to the need to manage the balance of change and continuity. In addition to doing more itself to discern relevant policy demands, ERIA has also to construct a better system for collecting regional research priorities. Simply collecting research ideas from the Research Institutes Network is unlikely to make close connections with the policy process, and nor will it facilitate a coherent research agenda. What is required is interaction with RIN, explaining the constraints which result from ensuring that projects contribute to a defined programme, but nevertheless providing opportunities for research institutes to exploit their individual strengths and satisfy their national stakeholders.

Conclusion

46. ERIA is well established as a regional institution. AAC provides opportunities for significant contributions to regional economic integration. It will meet infrequently, but its members and the Executive Director, General Manager and

Chief Economist, all expressed a desire for continual interaction mostly by e-mail to the end that ERIA resources should make the maximum possible impact.

Views expressed in this paper are personal to the author and are not to be taken as representing those of the Asia New Zealand Foundation