

# **Network of East Asian Think-Tanks (NEAT)**

## **Memorandum No. 10**

### **Introduction**

1. The Network of East Asian Think-Tanks (NEAT) held its 19th Country Coordinators Meeting (CCM) and 11th Annual Conference (AC) in Kuala Lumpur, Malaysia on 26-27 August 2013. Attending these two events were the representatives of all 13 ASEAN Plus Three (APT) countries.

2. Following the decision taken at the APT Senior Officials Meeting (SOM) on 18 May 2013 to form a closer linkage with the NEAT, Track I officials participated and interacted with Track II. NEAT is highly appreciative of the APT SOM decision and the attendance of members of the APT SOM and the ASEAN Plus Three Macroeconomic Research Office (AMRO).

### **Moving East Asia Forward: Vision, Goals & Challenges**

3. NEAT reaffirms that the goal of community building in East Asia is to promote the welfare and well-being of its peoples by realising the East Asian Vision of Peace, Prosperity and Progress.

3.1 In order to promote an East Asia that is peaceful, community building must be based on universal values, including good governance, the rule of law, democracy, human rights and international law and norms. East Asian countries should promote these values as common goals.

3.2 In order to promote an East Asia that is prosperous, community building must be based on development that is not just impactful but also inclusive, socially just and sustainable.

3.3 In order to promote an East Asia that is progressive, community building must be open to the world at large, pragmatic, future-oriented, rational and scientifically and technologically based.

4. Importantly, the inter-relationships among the factors promoting peace, prosperity and progress must be recognised – one cannot be attained, nor can it be pursued, at the expense of the others. All three are needed to impart a strong sense of well-being, security and confidence to the region.

5. The realisation of this vision for East Asia faces opportunities as well as challenges, both internally and externally.

5.1 East Asia is characterized by diversity. Differences in size, resource endowment, human capability, levels of economic development and standard of living can bring about opportunities as well as challenges. So do other factors, such as forces of globalization. It is important to manage these factors well while respecting diversity so as to make them better serve regional community building.

5.2 East Asia must thus build engaging, creative and dynamic diplomatic, economic and social institutions that can facilitate the process of moving the region forward. These rely heavily on political and economic initiatives but should be broadened to the intellectual and social as well.

6. NEAT discussed these and other opportunities and challenges facing East Asia at its CCM and AC The following are the main findings:

6.1 The importance of coordination between NEAT and APT SOM is to be stressed. The participation of Track I officials in the 11<sup>th</sup> Annual Conference has proved to be a success and a good start, and should be continued in future Annual Conferences.

6.2 The NEAT Chair should be invited to APT SOM meetings in the future as an observer.

6.3 Given the complex political and economic realities in East Asia, the promotion of rule-making, along with common values and norms, is important in ensuring that the region continues to be stable and secure.

6.4 NEAT should rise to the challenge of broadening its research activities beyond functional cooperation to include political and security matters. This should be done in a constructive manner.

6.5 In the financial arena, NEAT noted the good progress in the Chiang Mai Initiative Multilateralization (CMIM) and the key role that the AMRO played in ensuring confidence in the East Asia region.

6.6 While APT countries must continue to assume the primary responsibility for their stability by adopting prudent macroeconomic policies, there is broad agreement that both the CMIM and AMRO needs to be developed and strengthened further.

6.7 The pursuit of sustained dialogue is the best way to ensure peace in the region. East Asia should review and further streamline its regional institutions in order to form a more cohesive regional identity beyond functional cooperation.

6.8 The broadening and deepening of East Asian integration requires bridging development gaps, improving soft and hard infrastructure and supporting existing institutions towards more inclusive growth. In this regard, the developing countries of Cambodia, Laos, Myanmar and Vietnam should be given emphasis.

### **NEAT Working Groups**

7. NEAT respectfully submits recommendations in the following three areas for the consideration of the APT:

7.1 Connectivity Cooperation in East Asia : Financing Infrastructure Connectivity in East Asia: Problems and Solutions

- 7.2 Enhancing People-to-People Connectivity – Education, Tourism and Cultural Exchange
- 7.3 Social Welfare Policies in East Asia: Sharing Experiences for a New Ground of Regional Cooperation

### **Connectivity Cooperation in East Asia: Financing Infrastructure Connectivity in East Asia: Problems and Solutions**

8. Regional connectivity has a strategic role in furthering and enhancing trade and investment, narrowing development gaps and facilitating people-to-people contacts. It is widely anticipated that infrastructure investment can be a new driver for growth but the limited sources of infrastructure financing are a matter of concern.

9. The following are key recommendations to mobilize private investment and turn the region's savings into infrastructure investment in an efficient manner:

- 9.1 Establish the East Asian Infrastructure Partnership Forum (EAIPF). The EAIPF would be a major coordinating mechanism among APT countries to carry out exchange and cooperation on infrastructure planning, align national infrastructure development plans with the region's connectivity targets, lay down a strategic master plan on East Asian infrastructure development and investment, and coordinate and oversee the implementation of the Plan. Study Groups under the EAIPF can be established to consolidate the concept and make feasible recommendations to push forward APT Partnership on Connectivity.
- 9.2 Upgrade the existing financing cooperation mechanism from the ASEAN Infrastructure Fund (AIF) to the East Asia Infrastructure Fund (EAIF). Such expansion can be developed together with Plus Three countries in terms of contribution, membership in Board of Directors, project selection criteria and project operation and administration.
- 9.3 Conduct a feasibility study for a new financial institution specialized in infrastructure investment in the APT region to add capacity to the existing regional financial institutions. The initial conception will involve a two-tier equity structure allowing the separation of the decision-making right from the return right. The mode of investment will mainly include loans and guarantees.
- 9.4 Facilitate financing through full use of the Asian bond market by:
  - 9.4.1 Separating the infrastructure connectivity bonds from corporate bonds and relaxing the issuer restraints on the infrastructure connectivity bonds;
  - 9.4.2 Securing a higher credit rating than an individual sovereignty credit rating. For this, credit guarantees for regional connectivity projects should enlist joint credit ratings by the project-domiciled countries or regional financial institutions;

- 9.4.3 Improving the clearance system for the infrastructure connectivity bond market and establishing an integrated East Asian clearance institution for the infrastructure connectivity bonds;
- 9.4.4 Prioritising the private market and asset-backed securities market, and bringing in various investors with customized contracts and a more flexible interest repayment structure; and,
- 9.4.5 Enhancing cross-border supervision of the Asian bond market. This will include the establishment of an information sharing and consultation mechanism, an integrated system of supervisory indicators and a mechanism of risk isolation that separates risks in Asian bond market from that in the national financial markets by better supervising the market players and business operations.

### **Enhancing People-to-People Connectivity – Education, Tourism and Cultural Exchange**

10. NEAT believes that education, tourism and cultural exchanges are very important elements for the formation of the ASEAN community as they are strongly related with the people's mobility and connectivity. As such, the following are key recommendations for enhancing people-to-people connectivity:

- 10.1 Expand and support the current higher education network system among ASEAN+3 countries; i.e. enlargement of Campus Asia Project by Japan, China and South Korea to ASEAN Countries, and partnership enlargement of ASEAN University Network (AUN) to the East Asian countries under ASEAN+3 University Network (ASEAN+3 UNet) with a characteristic of multi-layered system. To transform the existing ASEAN + 1 international exchange and cooperation programmes into the ASEAN+3 framework;
- 10.2 Promote systematization of regional quality assurance and credit transfer systems of higher education in ASEAN+3 with cooperation of current systems, i.e. ASEAN University Network – Quality Assurance (AUN-QA), ASEAN Quality Assurance Network (AQAN), Asia Pacific Quality Network (APQN), ASEAN Credit Transfer System (ACTS), and Collective Action for Mobility Program of University Students (Campus Asia);
- 10.3 Promote cultural exchanges through regional common projects such as the designation each year of one city in East Asia countries as the “East Asian Cultural City” which was launched during the ASEAN Plus Three Commemorative Summit in Phnom Penh, Cambodia on 19<sup>th</sup> November 2012 to attract people's concern to the Asian culture including popular culture;
- 10.4 Develop cultural exchanges among youth to act together towards fostering a sustainable development within regional society. The exchanges should include “study tours”, “green tourism” or “rural tourism” which will provide the participants with the opportunities to interact with local community, to be exposed to rich traditions, as well as to enjoy diverse natural environments;

- 10.5 Enhance institutional building and people skills for cultural exchange and tourism, i.e. to establish a regional language training framework and to create knowledge sharing system on culture and tourism of ASEAN + 3 countries;
- 10.6 Develop academic collaborative research on historical artifacts and to promote preservation and protection of cultural assets and cultural heritage, and cultural industry development by making visible systems and capacity building of human resource;
- 10.7 Establish a trans-national collaborative higher education and research institution in East Asia on regional and global issues like "APT Cyber University" that was originally proposed by the NEAT Korea to foster understanding of different cultures and diversity; and
- 10.8 Establishing a regional financial support system to encourage people's connectivity through educational and cultural exchanges including tourism.

### **Social Welfare Policies in East Asia: Sharing Experiences for a New Ground of Regional Cooperation**

11. Social welfare is an important element of inclusive growth which will contribute to a more sustainable future of the development of APT Countries. With the growing interconnectedness created by globalization, social welfare policies should be a new area for regional cooperation in order to build a stronger foundation for an East Asian Community.

12. Below are key recommendations to promote cooperation on social welfare policies among the APT Countries:

- 12.1 Mainstream social welfare as key priority of the national development strategies of APT Countries.
- 12.2 Create more opportunities and initiate efforts at regional level to facilitate exchanges of information, capacities, technology, experiences and resources in order to develop effective domestic policies on social welfare.
- 12.3 Promote more bilateral and multilateral cooperation among APT countries on social welfare (not only policies) such as the Japan-Indonesia collaboration in implementing the Mother and Child Record Book.
- 12.4 Identify means to improve the social welfare system in each country to create a more resilient society.
- 12.5 Formulate collaborative research agenda to tackle social welfare policies and issues in APT countries that can be used to draw-up policy recommendations for regional cooperation on the improvement of social welfare system in APT countries.
- 12.6 Support reforms on the social welfare systems in APT countries, including in the efforts to include those in the informal sectors.

- 12.7 Strengthen institutional capabilities and coordination among government agencies and ministries related to social welfare policies in the APT Countries.
- 12.8 Identify and support programs and initiatives to help vulnerable/marginalized groups in the APT countries.
- 12.9 Showcase good practices and successful examples of social welfare policies in the APT countries.
- 12.10 Recognize, involve and encourage stakeholders such as organizations and individuals to contribute to broad-based participation in implementing social welfare policies in APT countries.
- 12.11 Incorporate social welfare considerations, wherever possible, into regional economic cooperation mechanisms.