



13TH ASIA-EUROPE MEETING (ASEM) SUMMIT

Multilateral Cooperation for a Resilient, Sustainable,
and Rules-Based Future for ASEM



Edited by Anita Prakash





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Message

H.E. Prak Sokhonn

Deputy Prime Minister and Minister of Foreign Affairs and
International Cooperation
The Royal Government of Cambodia



The Asia-Europe Meeting (ASEM) is uniquely placed in fostering inter-regional relations. Asia and Europe need both interdependence and connectedness. The two partners are at a juncture where their opportunities and challenges are more common than ever before.

The 13th ASEM Summit (ASEM13) is a milestone in a quarter of a century of its existence, as the Partner countries are poised to take forward the economic, political, and social-cultural successes of this forum into a future-oriented blueprint of Asia-Europe cooperation and connectivity. The impacts of the COVID-19 pandemic have reached every part of the world. Asia and Europe have borne the economic and social impacts of the pandemic with forbearance and courage. Coming out of the pandemic will be a long and difficult process. The hosting of the ASEM13 in Cambodia therefore assumes great significance. As the ASEM13 Chair, Cambodia brings forth an inclusive and prosperous growth pathway for the Asia-Europe region, through multilateral cooperation and sustainable development.

ASEM's commitment to build a cohesive, competitive, resilient, and sustainable ASEM community for the peoples of Asia and Europe is firm. However, the world that ASEM has to deal with over the next decade will be vastly different from that in which it has conducted its cooperation and connectivity activities thus far. Multiple connectivity plans, changes in multilateralism and global governance, digital transformation and the fourth industrial revolution. The increased role for women and youth in the economy are issues that must be interlinked with economic and social progress. Asia and Europe will also have to manage the risks from economic, technological, public health, and social change. A future-oriented mindset and approach, and a capacity to address changes and disruptions will help make the ASEM better prepared for the future, and ensure the sustainability of ASEM's gains from previous decades.

I congratulate the Economic Research Institute for ASEAN and East Asia (ERIA) for developing this plenary study for the 13th ASEM Summit in Cambodia. The study brings forth ASEM region's preparedness towards the common opportunities and challenges in the focus areas for ASEM, and suggests ways to use ASEM's cooperation and connectivity mechanisms to achieve an inclusive, sustainable, and future-ready ASEM region. I hope that the ASEM Partner countries will use the study widely for reconnecting economies and societies in the post-pandemic world, and in mobilising Asia and Europe towards a connected, sustainable, and inclusive future.

A handwritten signature in blue ink, consisting of several loops and a long horizontal stroke at the bottom.

Foreword

The Economic Research Institute for ASEAN and East Asia (ERIA) is proud to be associated with the Asia–Europe Meeting (ASEM) Summit and ASEM Ministerial meetings.



ERIA has been supporting the ASEM through its research and policy work on connectivity, economic integration, and inclusive growth since 2016 when it supported the Government of Mongolia by writing the ‘*Asia–Europe Connectivity Vision 2025*’, which was presented to the ASEM leaders the 11th ASEM Summit in 2016. Since then ERIA has supported the tasks of the ASEM Pathfinders Group on Connectivity (APGC) in developing the focus areas of cooperation and connectivity.

It gives me great pleasure to share the study ‘13th Asia–Europe Meeting (ASEM) Summit: Multilateral Cooperation for a Resilient, Sustainable, and Rules–Based Future for ASEM.’ This study conjoins Cambodia’s vision for ASEM with priority actions needed within focus areas of ASEM to support the ASEM Partner countries to address the global and regional challenges together.

I am confident that this study will give direction to the future of Asia–Europe relations and bring the peoples of Asia and Europe ever closer. ERIA will remain committed to providing all possible support and expertise that may be required to make the ASEM a responsive and creative platform for connectivity between Asia and Europe.

I believe that this book will contribute to the success of the 13th ASEM Summit (ASEM13) in Cambodia.

A handwritten signature in black ink that reads 'H. Nishimura' in a cursive, flowing style.

Professor Hidetoshi Nishimura

President

Economic Research Institute for ASEAN and East Asia

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Introduction

The Asia–Europe Meeting (ASEM) is a unique cooperation initiative, bringing in scope for transnational cooperation between countries, through regional and sub-regional activities. Since its inception in 1996, ASEM has played a key role as a forum for dialogue and cooperation in connecting Asia and Europe. ASEM is a collective effort towards addressing the demands of greater connectivity amongst the geographies, economies, and peoples of Asia and Europe. ASEM is wide enough to accommodate global and inter-continental development priorities. And yet, it localises connectivity amongst Partner countries for partnerships for economic growth, trade and investment, quality infrastructure, skills development, education, sustainable development, and climate change. As the shadow of the coronavirus disease (COVID-19) pandemic holds sway in both Europe and Asia, Cambodia’s hosting of ASEM13 assumes greater significance as it envisages an inclusive and prosperous growth pathway for the Asia–Europe region, through multilateral cooperation and sustainable development. The 13th ASEM Summit (ASEM13) has a mission to set out the future pathway for ASEM – built on the principles of mutual growth, sustainable development, and rules-based multilateralism.

ASEM has promoted Asia’s integration with Europe through physical, institutional, and social connectivity in which multilateralism and support for global governance play an important role. The different sections of this book offer pathways for ASEM’s vision of inclusive and prosperous Asia–Europe relations. Regional and sub-regional plans for physical connectivity, trade and investment, institutional and regulatory connectivity, enhanced capacities and skills, a common approach towards Sustainable Development Goals (SDGs), and participation in the digital economy are important pillars in this pathway. The theoretical basis for all the chapters is grounded strongly in actual country and/or regional experiences in the respective fields. Since 2016, the Economic Research Institute for ASEAN and East Asia (ERIA) has strived to bring a holistic and synergistic approach to Asia–Europe cooperation and connectivity through its successive studies on ASEM connectivity. The study captures the rich experiences amongst Partner countries that are productive and replicable, and presents it to the ASEM13 chair to build on and expand the Chair’s directions for ASEM. This book fulfills this purpose, and establishes pathways for making ASEM an active, efficient, and influential multilateral platform for cooperation and connectivity between Asia and Europe.

Section 1 describes the concept, features, and plans with respect to Asia–Europe connectivity. Besides covering the essence of ASEM as a multilateral cooperation partnership, both chapters present the physical, institutional, and human development aspects of Asia–Europe connectivity. While Chapter 1 covers the multidimensional nature of ASEM, and the renewed scope for cooperation in a post-COVID-19 phase of growth, Chapter 2 underlines the connectivity policies and infrastructure plans that represent Asia–Europe connectivity in the making. The two chapters are an operational framework for implementation of Asia–Europe connectivity.

Section 2 describes the most important and obvious link between Asia and Europe, namely trade, investment, and economy. Trade facilitation and the free trade agreements are the pillars on which Asia and Europe have witnessed strong growth in merchandise trade, and in foreign direct investment (FDI). Since both pillars of growth require domestic reforms to border and behind-the-border procedures, and improvements in infrastructure and regulatory environment, the first two chapters in this section underline country experiences to show how trade facilitation and free trade agreements can help minimise trade costs and encourage greater trade flows, and can also be a source of competitive advantage amidst changing environments.

Section 2 especially brings out the Asia–Europe region’s preparedness for the digital economy from institutional, infrastructure, and regulatory policy perspective. The digital economy is here to stay. ASEM countries have an opportunity in ASEM, which can become a cooperation platform for greater participation in the global value chains of the digital economy and to foster inclusive digital societies.

Section 3 is devoted to human development issues of gender, youth, and labour mobility. The Cambodia chair is especially tuned towards inclusive development in the ASEM region. Greater participation of women and youth in ASEM economies, and mainstreaming of labour mobility issues are captured in this section.

Section 4 covers the sustainable development experiences in Asia and Europe, with particular attention to energy, water management, and sustainability in connectivity plans.

Section 5 concludes the study and underlines the role of ASEM in supporting a multilateral order, and moving towards for a sustainable, inclusive, and prosperous Asia–Europe region. It captures the unique role and vision of Cambodia as the host of ASEM13, and the need to carry these into the 14th ASEM Summit in Europe.

The study brings together scholars and practitioners from Asia and Europe who have put forth their academic and practical wisdom in their respective chapters and ERIA is proud to assemble their writings under the aegis of this study. The study especially acknowledges the influence of pioneering research of Prof. Fukunari Kimura, Chief Economist of ERIA, in the fields of connectivity and economic integration in ASEAN and East Asia. This study reflects the trust placed in the research capacities of ERIA, which has pioneered several pieces of research on the ASEAN Community, the East Asia region, and connectivity as a development paradigm in Asia, and between Asia–Europe, and Asia–Africa.

ERIA presents its commendations to His Excellency Prime Minister Samdech Akka Moha Sena Padei Techo Hun Sen for chairing the ASEM13. ERIA extends its gratitude to His Excellency Prak Sokhonn, Deputy Prime Minister and Minister of Foreign Affairs and International Cooperation, The Royal Government of Cambodia, for giving the message

for the ASEM13 through this book. ERIA is very grateful for the opportunity given by the The Royal Government of Cambodia to prepare and present this plenary study to the Leaders and Heads of Governments of the Partner countries of 13th Asia–Europe Meeting (ASEM) Summit. ERIA gratefully acknowledges the immense contribution and support of His Excellency Dr. Sok Siphana, Senior Advisor to the Royal Government of Cambodia and ASEM SOM Leader for Cambodia, in steering the book through its conception, development, and finalisation.

This study continues with the unique role of ERIA in providing academic and capacity support to the ASEM process and the ASEM chair. It is our sincere hope that this book will provide substantial ideas and policy directions to the 13th ASEM Summit (ASEM13) and its associated meetings in Cambodia.

ERIA takes this opportunity to wish The Royal Government of Cambodia a successful hosting of the 13th ASEM Summit (ASEM13).

Anita Prakash

Senior Policy Advisor (IEC)
Office of President of ERIA



Political and Physical Connectivity

Asia and Europe in a Changing World: Ensuring a Resilient, Sustainable, and Rules-Based Future

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Connectivity Plans for Asia and Europe: Public Goods and Collective Growth

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Asia and Europe in a Changing World

ENSURING A RESILIENT, SUSTAINABLE, AND RULES-BASED FUTURE

ANITA PRAKASH

In 2021, the Asia–Europe Meeting (ASEM) completes 25 years, during which time Asia–Europe relations have witnessed rapid global changes. ASEM’s core principles – dialogue, informality, flexibility, equality and mutual respect, a spirit of consensus, and mutual benefit – have helped Asia and Europe continue to grow in times of prosperity and adversity alike. ASEM represents a sizeable part of the global community. Since its inception in 1996, ASEM has played a key role as a forum for dialogue and cooperation in connecting Asia and Europe. ASEM is uniquely placed in fostering interregional relations. In the past 24 years, the ASEM process has proved its vitality and relevance through a steady increase in membership; and has enhanced cooperation between the two regions for the benefit of the peoples of Asia and Europe. It currently comprises 51 partner countries (30 European and 21 Asian countries) and two institutional partners: the European Union (EU) and the Association of Southeast Asian Nations (ASEAN) Secretariat. Together, they represent around 62% of the global population, 55% of global trade, 65% of the global economy, and 75% of global tourism. As the main multilateral platform linking Asia and Europe, ASEM represents a significant global weight. It brings forth the combined strength of Asia and Europe to exert a benign influence over the regional and global development process, and is a major voice in global governance.

Asia and Europe present models of development which are unique to each region, yet share the common philosophy of economic integration. Europe has been a driver of internal connectivity over the last decades. Through the creation of the internal market, the EU enabled the free flow of people, goods, services, and capital. EU-wide rules – such as EU State aid control and procurement rules – ensure fair and transparent competition, while EU policies ensure environmental protection, safety, security, as well as social and individual rights (European Commission, 2018). The EU’s connectivity policies aim at promoting efficiency in the EU single market and enhancing connectivity on a global scale, with emphasis on people’s benefits and rights. Asia, on the other hand, has experienced different levels of development in its subregions. East and Southeast Asia have led an economic integration process that was initially based on investments and the location of operations. These economic linkages have created a manufacturing hub, giving rise to the term ‘factory of the world’. Institutional linkages between businesses, governments, and markets have helped the economic integration in this region.

With improved connectivity and dispersion of investments, this growth model is now also visible in South and West Asia, bringing increased incomes and improved development indicators in these subregions.

Asia and Europe have had remarkable economic and social progress during the past quarter century. A number of member states have seen marked economic structural transformation during the period. The new member states have enlarged the economic and political sway of the EU. Asia is home to several developing and least developed countries which have seen a significant rise in their incomes and an increase in productivity during the same period. Asia, and more so Europe, have been drivers of both internal connectivity and interregional connectivity, which have resulted in freer flow of people, goods, services, and capital. The EU in particular has promoted an approach to connectivity which is sustainable, comprehensive, and rules-based; and aimed at promoting efficiency in the EU single market and enhancing connectivity on a global scale, with emphasis on people's benefits and rights. Asia, on the other hand, has promoted interregional connectivity through notable infrastructure plans such as the Master Plan on ASEAN Connectivity, the Belt and Road Initiative, the Asian Highway Network, the India–Myanmar–Thailand Trilateral Highway, and the East–West Economic Corridor. Asia has used trade agreements liberally for economic and institutional connectivity through the ASEAN+1 Free Trade Agreements, the South Asian Free Trade Agreement, and the soon to be concluded Regional Comprehensive Economic Partnership.

The European members of ASEM comprise all EU countries, Norway, and Switzerland. The EU members have varying levels of economic development, progress in social indicators, and domestic institutions, but are bound by common rules and values, the single market, and shared institutions. Asia is represented by members which vary in terms of economy, governance, and institutional mechanisms. Several Asian members have formed regional groups and associations with varying levels of formality and accountability. ASEAN is the most prominent community in Asia, although other regional groups such as the South Asian Association for Regional Cooperation (SAARC) and the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) have attempted subregional connectivity through trade and investment agreements, and economic and technical cooperation, amongst member countries.

Mongolia, as the chair of the ASEM11 in 2016, promoted the Asia–Europe connectivity vision for the next decade to formalise and expand the cooperation activities and institutional linkages between Asia and Europe. This culminated in the development and adoption of the ASEM Principles on Connectivity at the 12th ASEM Summit in Brussels in 2018. At the same summit, the EU presented the building blocks towards EU–Asia Connectivity (European Commission, 2018), based on the EU's experience with connectivity and cooperation. The EU strategy can enable ASEM to promote an approach to Europe's connectivity with Asia which is sustainable, comprehensive, and rules-based. Similarly, the Asian experience of development through

physical, economic, and institutional connectivity, and economic and technical cooperation, is a good template for ASEM in reducing the development gaps amongst subregions and ASEM Partners. Taken together, the two pathways will lead Asia–Europe partnership for an inclusive and future-ready ASEM region, supported by policies on connectivity, trade and investment, sustainable development, digitalisation, human resources and skills, and safeguarding of multilateralism.

The multidimensional nature of Asia–Europe connectivity means that it cannot be captured by a single indicator (Becker et al., 2018). ASEM conjoins the achievements and potential of the two regions, and provides a framework for cooperation and connectivity in important economic and social sectors. A framework of relevant indicators and data can provide the big picture of current cooperation and the approach to future growth. This is based on a common understanding that economic progress is translated into social progress, where the latter is best represented by a marked improvement in incomes, a reduction in the extent of the poverty gap, and other social outcomes such as health and literacy. Importantly, the two regions can work together with a common plan for the digital economy, climate change, and the attainment of the Sustainable Development Goals (SDGs).

Cooperation within ASEM countries in different areas – such as education, research, innovation, migration, the economy, and finance – represent more than half of the ASEM countries’ international connections (Figure 1). Around 70% of the trade in goods of ASEM countries takes place with other ASEM countries more than 60% of ASEM investors choose to invest in another ASEM country, over 60% of internationally mobile students in tertiary education move to another ASEM country, and 80% of international co-patents in ASEM result from collaborations between ASEM countries.

Figure 1: Ties within ASEM are Stronger than with the Rest of the World



ASEM = Asia–Europe Meeting.

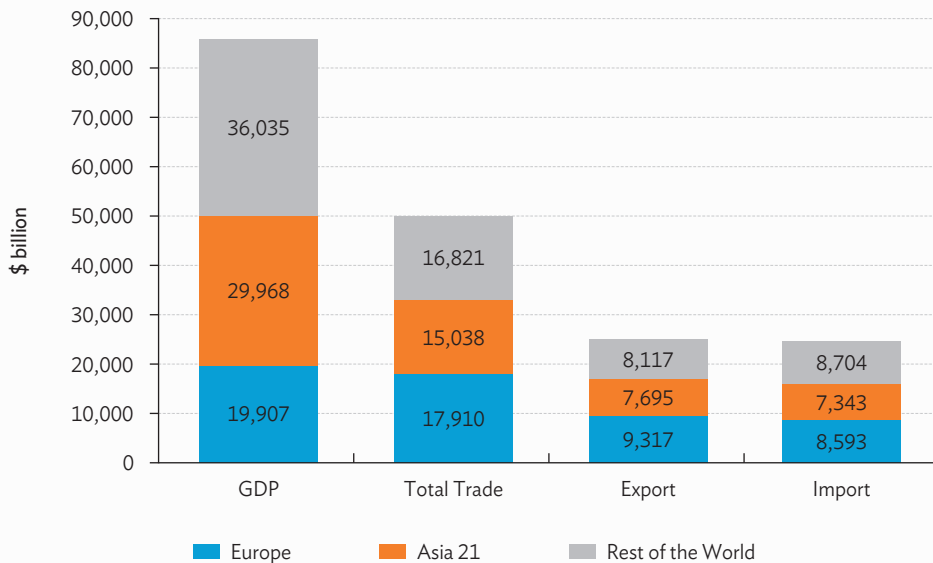
Source: Becker et al. (2018).

These values point to the genuinely positive outcome of Asia-Europe connectivity. They also give an idea of the extent of the untapped potential for boosting tangible cooperation between the two regions. Other important indicators discussed below will enable policymakers and other stakeholders to assess ASEM's achievements and potential, and allow the cooperation framework to evolve and improve based on the needs of ASEM.

Trade, Market, and the Economy

Trade and investment are the backbone of the ASEM region's prosperity and future growth. Asia and Europe must come forward with plans and policies to utilise the potential of a market of nearly 5 billion people, particularly in trade and technological cooperation. Interregional trade has witnessed steady growth in the past decade (Figure 2). However, Asia and Europe had to address the negative effects of global trade tensions, which have been exacerbated by the pandemic-induced shocks to supply chains, disruptions in production, and the prospect of a global recession.

Figure 2: GDP and Trade Volume of ASEM Partner Countries Relative to the Rest of the World, 2018 (\$ billion)



ASEM = Asia-Europe Meeting, GDP = gross domestic product.

Source: World Bank Data (2020b, 2020c, 2020d).

Cooperation activities for the promotion of investments and the removal of non-tariff barriers are the two most important measures before ASEM. The rapid spread of the coronavirus disease (COVID-19) since the end of 2019 has put immense pressure on economies in Asia and Europe. With tightened border controls, disruption of production, and shocks to the global value chains (GVCs), trade between Asia and Europe will diminish in the short term. Micro, small, and medium-sized enterprises (MSMEs), services trade, and tourism will be the most affected. The sizeable infusion of liquidity in the advanced economies will result in reverse trends in financial capital flows into the developing countries (OECD, 2020). The services sector is highly impacted by the ongoing pandemic. Goods trade, which was diminished by the trade tensions in 2019, requires substantial service inputs. ASEM must cooperate in a whole new way, in which mutual trust and mutual benefit will return the goods and services trade to a stable level.

In Asia and Europe, intraregional trade is the key factor driving economic growth – showing how GVCs in both regions are mostly regional by nature. Manufactured goods represent the largest share of trade between Asia and Europe. At present, China is the EU's biggest source of imports and its second biggest export market. The EU is ASEAN's second largest trading partner after China, accounting for around 13% of ASEAN trade. There are strong indications that a prolonged demand shock may weaken, or even decay, the supply chains between Asia and Europe. Gross domestic product (GDP) growth in 2021 is beset by uncertainties as the pandemic unfolds. Short-term difficulties will be natural and inevitable in all plans. These difficulties should not prevent ASEM from cooperating on a long-term strategy that is bold, all-encompassing, and forward-looking.

Digital Economy

In this decade, the digital transformation will accelerate further and have far-reaching effects on the economies of Asia and Europe. The digital economy will affect the patterns and geographical locations of industries, employment, trade, and economic growth (Prakash, 2019). The ASEM region must reap the benefits of this progress, but also ensure that digitalisation promotes inclusiveness, especially for the youth and women. Asia and Europe have different levels of digital infrastructure capacity and connectivity. The development of services, regulations for data protection, and taxation require greater cooperation and are explained in greater detail in the next chapters.

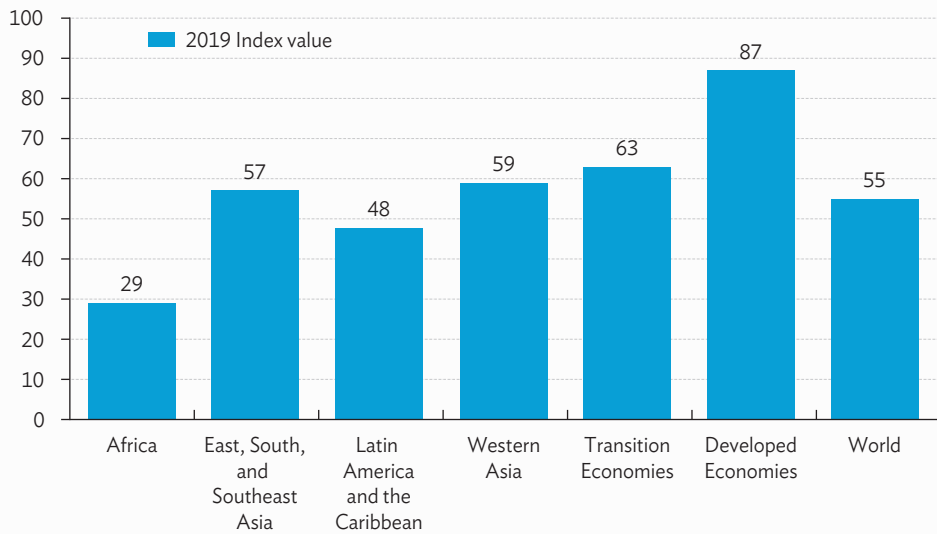
Structural transformation and employment generation in Asia and Europe must prepare for and respond to the new digital economy, as the latter will affect the patterns and geographical locations of industries, employment, trade, and economic growth. The new digital economy has arrived more abruptly in developing Asia, especially for parts which are not deeply integrated in the regional production networks.

Participation in GVCs is important for growth and employment generation. These regions need greater integration into the digital economy, as global demands for industries are driven by new technologies, new skills, and an entirely new set of business ecology (Prakash, 2019). Asia and Europe have huge opportunities for mutual growth through cooperation and investment in digital infrastructure, education, and skilling; and investments in physical and institutional connectivity. Pilot projects for technology leapfrogging in less developed countries, setting up innovation hubs, and regulatory cooperation on trade and investment liberalisation and facilitation, especially in services and e-commerce, should define a future-ready ASEM. Further, ASEM must revive policy measures for trade facilitation and the movement of skilled workers for the digital economy. Policies for consumer protection and privacy, competition policy, taxation, and cybersecurity also require greater attention and global calibration.

ASEM members have their respective national strategies and have achieved varying levels of success in creating their digital economies (Prakash, 2016). ASEM partners also participate in regional digital economy initiatives. An 'accessible, inclusive and affordable digital economy' is a key outcome of the ASEAN ICT Masterplan 2020 (ASEAN, 2015: 12). Europe's Digital Single Market strategy aims to open up digital opportunities for people and business and to enhance its position as a world leader in the digital economy. The EU is keen for its policies to embody societal values and promote inclusiveness. The ASEM Pathfinder Group on Connectivity adopted a connectivity plan in 2018 which lists focus areas of connectivity. Cross-border e-commerce, including the involvement of MSMEs, is listed as a focus area for ASEM Partners to encourage MSME participation in cross-border e-commerce business opportunities and integration into global supply chains. The E-commerce Index developed by the United Nations Conference on Trade and Development (UNCTAD) shows the gaps between Asia and Europe in some of the sectors relevant for successful participation in the digital economy. The E-commerce Index is the average of four indicators: (i) the share of internet users, (ii) the share of individuals with accounts, (iii) secure internet servers, and (iv) the postal reliability score (Figure 3). The policy challenge facing Asia and Europe is to ensure that the digital economy does not promote uneven development and that it provides the impetus for greater investment in less developed firms, regions, and countries.

Asia and Europe have benefitted from the growing digital economy, including lower barriers to entry, reduced transaction costs, and improved productivity. However, they are also facing challenges related to international taxation and domestic resource mobilisation. At the 12th ASEM Summit, leaders recognised the need to review two key aspects of the existing tax framework – profit allocation and nexus rules – with a view to aligning taxation with value creation (ASEM, 2018). ASEM's solutions will contribute to global discussions within the United Nations (UN), the Group of Twenty (G20), and the Organisation for Economic Co-operation and Development (OECD); and provide consensus-based solutions to address the impacts of the digitalisation of the economy on the international tax system.

Figure 3: E-Commerce Index, 2019



Source: UNCTAD (2019).

Cooperation in Human Capital

Human capital is central to the growth ecosystem, especially in the digital age. The world of work is changing due to advancements in technology, innovation, automation, robotics, digital platforms, and greater connectivity. The effect of the digital economy is most advanced in corporate applications and industrial systems; therefore, on hiring, skills training, and employment facilitation policies (Prakash, 2019).

Asia has a young population and a growing labour force – highly valuable assets in an ageing world. Developing Asia has the largest regional labour force in the world, with nearly 2 billion workers. The Asian labour force is projected to grow by 0.5% annually from 1.9 billion in 2015 to 2.1 billion in 2030 and 2.2 billion in 2050 (ADB, 2018). India is projected to account for 30% of the regional labour force by 2030, and countries with relatively young populations will experience larger increases in their labour force and need policies to ensure an adequate number of productive jobs.

ASEM activities that promote learning in schools, universities, and vocational training institutions will therefore be important to equip people with the skills needed to be more productive. ASEM cooperation programmes for the promotion of science, technology,

engineering, entrepreneurship, and mathematics in formal education are a must, as they will help develop the region's flexibility, productivity, and ability to innovate. This includes building capacities for entrepreneurship and self-employment through business training, skills upgrading, and vocational and on-the-job training. Investors value the skills and productive capacity of companies. The supply of skills is an important consideration for investment decisions, since a trained (or trainable) labour force helps increase productivity and streamline operations.

Stepping up investment in people's skills and education is the key to future growth that is both inclusive and resilient. ASEM's initiatives in human resources development and fostering joint innovation and research efforts is still cast in an old mould and is proving to be insufficient to meet the challenges and opportunities ahead. The existing ASEM-DUO education programmes, training of diplomats, and other Asia-Europe Foundation (ASEF) activities reflect this situation. For example, ASEM-DUO is an umbrella programme with six individual programmes from the Republic of Korea, Singapore, Thailand, Sweden, Belgium, and India, which are the contributing member countries. The details of the programmes are prescribed by the contributing members. In 2017, six professors and 205 students availed of the exchange programmes of the six countries (Secretariat for ASEM-DUO Fellowship, 2017). Similarly, the ASEF Classroom Network Conference under the Education for Sustainable Development programme covers experiential teaching, learning, and capacity building. These programmes reach a limited number of participants over a short period of 1 or 2 weeks (ASEF, 2019). Other education programmes reported in the ASEF annual report clearly show that Asia and Europe need more robust and multidimensional programmes of human resources development which make an impact at ground level in addressing employment, innovation, income, and increased productivity. However, the existing ASEM platforms for education and skills development can be redrafted and energised to address the real needs of skilling and education, including joint research amongst the youth of the ASEM region. The effect of the digital economy is most advanced in corporate applications and industrial systems – hence, on investments, hiring, skills training, and education. ASEM must give top priority to training and skills programmes, and joint education and research activities, amongst universities and training centres in Asia and Europe.

As part of the efforts to achieve Sustainable Development Goal 8 – to 'promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all' – the international community must substantially reduce the proportion of youth not in employment, education, or training (NEET); and develop and operationalise a global strategy for youth employment. The International Labour Organization (2020) showed that these targets will be missed (Table 1). Asia and Europe have to redouble efforts for inclusive growth which generates decent jobs for the next generation of workers. The youth labour markets around the world will be especially affected by the slowdown in economic activity induced by the COVID-19 pandemic. ASEM education and skilling programmes must address the future of youth in both regions. ASEM cooperation programmes for human resources development have to ensure equality between women and men, as well as rights and equal opportunities for all. This is both a societal imperative and an economic asset for all.

Table 1: Youth Labour Force Participation Rates (%) and Gender Gaps (percentage points): Asia and Europe, 1999 and 2019

Region	Subregion	LFPR 1999			LFPR 2019			Gender gaps (male/female), percentage point	
		Total	Male	Female	Total	Male	Female	1999	2019
Asia and the Pacific	East Asia	67.0	67.3	66.6	45.2	46.5	43.8	0.7	2.7
	Southeast Asia and the Pacific	57.6	64.7	50.4	47.4	54.5	39.9	14.3	14.6
	South Asia	44.9	65.0	23.1	31.6	47.4	14.2	41.9	33.2
Europe	Northern, Southern, and Western Europe	47.9	51.6	44.1	43.8	46.1	41.4	7.5	4.7
	Eastern Europe	41.9	45.9	37.7	32.2	35.9	28.3	8.2	7.5
World		53.1	62.2	43.7	41.2	49.1	32.8	18.5	16.2

LFPR = labour force participation rate.

Source: International Labour Organisation (2019).

Sustainable Development and Inclusive Growth

Asia and Europe have to promote inclusiveness and sustainability when addressing the impacts of technological evolution and climate change. The effects of climate change are increasingly visible and pervasive, calling for greater international cooperation and multilateral action. While Europe is leading the way in the transformation of its own economy and society to achieve climate neutrality, countries in Asia are making progress in a way that takes account of national circumstances and social and economic costs. Asia and Europe can face climate transition in tandem with the Paris Agreement.

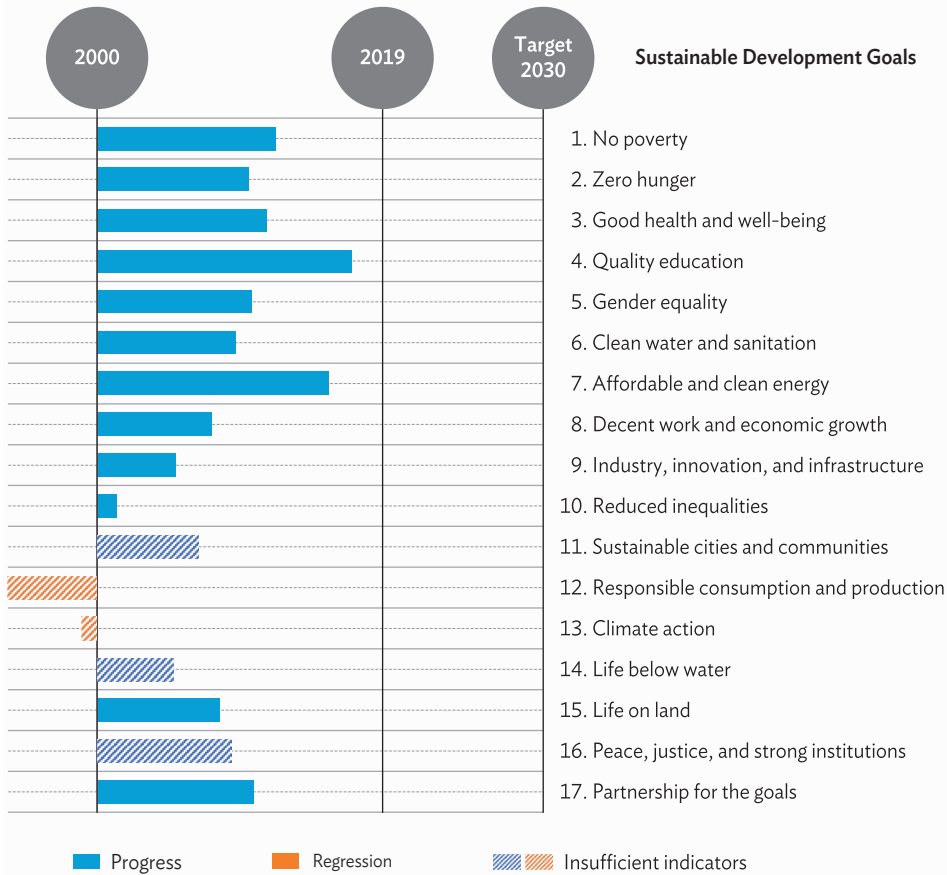
ASEM is suitably placed to set actions to improve the environment in cities and the countryside, enhance the quality of air and water, and promote sustainable agriculture, which is vital to guaranteeing food safety and fostering quality production. ASEM countries must lead efforts to fight the loss of biodiversity and preserve environmental systems, including oceans. ASEM recognised the global mandate for sustainable development in

its summit statements in 2016 and 2018, where ASEM leaders recommended greater engagement with the UN Global Compact on the 2030 Agenda. The progress of ASEM partners towards achieving the SDGs (Figures 4 and 5) underlines the advantages of the ASEM dialogue mechanism to support the pursuit of sustainable development in Asia and Europe, including through its connectivity agenda.

Figure 4: Overview of EU 27 Progress towards the SDGs over the Past 5 Years, 2020



Figure 5: SDG Progress in 2019 – Asia-Pacific Region



SDG = Sustainable Development Goal.
Source: UNESCAP (2020).

ASEM has shown a special commitment to gender equality and the empowerment of women and girls, who are crucial to sustainable development. ASEM’s efforts must be geared to mainstream gender equality in all three pillars of ASEM – political, economic and financial, and social-cultural. Women’s empowerment drives growth and productivity, and leads to an inclusive society. When ASEM champions female leadership, Asia and Europe can ensure full participation of women in political and economic processes, and formally recognise their contribution to society.

Multilateralism and the Rules-Based International Order

ASEM has always expressed its readiness to work together for peace and security, inclusive and sustainable development and growth, and the promotion and protection of human rights, on the basis of the UN Charter and in compliance with international law. At the 11th ASEM Summit in Mongolia in July 2016, ASEM leaders noted and forewarned against the global headwinds that are challenging policies aimed at promoting openness and growth in the global economy. The leaders recognised that risks to the global outlook persist in the context of economic and geopolitical uncertainty, continued financial volatility, global excess capacity in industrial sectors, the challenges faced by commodity exporters, and persistent low inflation. The challenges faced by multilateral agencies are slowing down the response mechanisms of partner countries. ASEM leaders have reaffirmed that they stand ready to use all policy tools – monetary, fiscal, and structural – individually and collectively, as necessary, to foster confidence and achieve strong, sustainable, and balanced economic growth. To achieve this, cooperation amongst the multilateral institutions of Asia and Europe is important.

The uncertainties created by Brexit in Europe and the withdrawal of the United States from the Comprehensive and Progressive Agreement for Trans-Pacific Partnership are still being assessed for their impact on regional investment and trade. These are further clouded by the tariff barriers being put in place by several countries around the world. The rising support for trade restrictiveness is compounded by rising controls at borders against the movement of people. In a scenario where globalisation and its benefits are being questioned, global governance and multilateral systems are also under strain. Currently, the multilateral system of trade governance and cooperation for economic growth is under stress, induced mostly by large economies. Individual positions on trade, tariffs, disputes, and cooperation are overshadowing the multilateral governance systems. Trade facilitation measures, long considered the pathway to improved prosperity, are at risk of being delayed or even overlooked. This would be detrimental for developing and developed countries alike in Asia and Europe. The smaller and more economically vulnerable countries are at greater risk of being left behind.

Multilateral bodies, such as the World Trade Organisation (WTO), and intergovernmental and less formal platforms, such as the G20, are leading their member countries and regions to participate in trade, investment, and economic integration. In December 2019, the ASEM Foreign Ministers Meeting statement stressed the need to address pressing common global challenges, on the basis of a strong commitment to multilateralism. At a time when the international order based on the rule of law and international law is being challenged, ASEM partners reiterated their resolve to uphold and strengthen cooperative, multilateral, and plurilateral approaches. Ministers prioritised enhanced ASEM cooperation for ambitious climate action and called for accelerated action to implement the 2030 Agenda

for Sustainable Development. ASEM reiterated the need to uphold, strengthen, and reform the rules-based multilateral trading system with the WTO at its core (ASEM, 2019). ASEM should reflect this inclusive strategy in its workings, especially in its connectivity mechanisms. Asia–Europe connectivity is capable of supporting global governance and cooperation programmes and multilateralism itself to help countries become more inclusive in practice. ASEM’s activities can contribute directly to the workings of the WTO and the G20, and support mechanisms for further deepening economic connectivity and GVCs between Asia and Europe.

ASEM’s Connectivity and Security Challenges

ASEM has always affirmed its commitment to maintaining peace and stability and ensuring maritime security and safety. Opportunities and challenges facing Asia and Europe in a world of accelerating change are many. ASEM’s foremost cooperation is in freedom of navigation and unimpeded economic activities, which are in the interests of all Partner countries. ASEM’s commitment to peaceful settlement of disputes in accordance with international law and respect for diplomatic processes are the bases on which to promote confidence-building measures in the region.

ASEM has listed infectious disease control as an important focus area for ASEM Partners to exchange lessons learnt and best practices on how to counter the increasing risks of pandemics of infectious diseases and how to ensure better international cooperation. The current pandemic has brought home the significant need for ASEM’s cooperation in health-related services, investment in production, and trade in pharmaceuticals and medical equipment. This also includes cooperation in research for disease control. The COVID-19 pandemic, in particular, should prompt ASEM to initiate a time-bound action plan for the development and distribution of vaccines through fast bilateral and multilateral arrangements between Asia and Europe.

The COVID-19 pandemic has also highlighted the importance of food security. The ASEM partners must create mechanisms to ensure food security for future generations, including research and development in agricultural productivity, farm practices, conservation of agrobiodiversity, and the use of advanced technologies to mitigate the effects of climate change.

ASEM’s cooperation on information and communication technology (ICT) and digital connectivity for a global, peaceful, open, stable, and secure ICT environment has been deemed essential for protecting human rights and freedoms online and respecting applicable domestic and international legal frameworks. The need for stability and security in cyberspace on the basis of applicable international law, universal norms, and rules and principles for responsible state behaviour are essential for a future-ready ASEM.

At a time when digitalisation is transforming every aspect of our economies and societies, data are increasingly becoming an important source of economic growth and social well-being, and their effective use should contribute to Asia–Europe connectivity and mutual growth. ASEM is home to excellent examples of data protection and cybersecurity in the EU, the United Kingdom, India, Australia, and Japan. ASEM connectivity can and must be a useful regional forum to promote data security and data free flow with trust, respecting applicable domestic and international legal frameworks for privacy and data protection. This will minimise the risk of conflict stemming from the use of ICT.

Strategic Vision for the ASEM Community: Comprehensive, Sustainable, and Rules-Based Connectivity

When the 13th ASEM Summit is held in 2021, the COVID-19 pandemic will have ravaged a large number of people and impacted economic growth negatively in most parts of the world. Asia and Europe must therefore plan for a future in which technological, security, and sustainability challenges, and the shocks created by the COVID-19 pandemic, have been addressed through collective action. To renew the basis for long-term sustainable and inclusive growth and strengthen cohesion amongst partners, ASEM requires the convergence of its economies to address common challenges through comprehensive and rules-based connectivity. Rules and regulations are required for people, goods, services, and capital to move efficiently, fairly, and smoothly. Internationally agreed practices, rules, conventions, and technical standards – supported by international organisations and institutions – enable the interoperability of networks and trade across borders. Non-discrimination and a level playing field for enterprises, and an open and transparent investment environment, are part of the rules-based ecology. Europe and Asia must establish partnerships for connectivity which are based on commonly agreed rules and standards enabling better governance of flows of goods, people, capital, and services. This would include improved mobilisation of resources, and reinforced leveraging of and strengthened international partnerships (European Commission, 2018).

ASEM can foster common values underpinning democratic and societal models which are the foundation of the freedom, security, and prosperity of the people of Europe and Asia. The rule of law is a key guarantee for protecting and nurturing these values. European and Asian perspectives on integration are different, but both regions are committed to promoting and protecting human rights, democracy, and the rule of law. The EU, in particular, is committed to defending human rights through active partnership with partner countries, and international and regional organisations. ASEM has the opportunity to become a platform for the promotion of human rights – especially the rights of women, children,

minorities, and displaced persons – which are at the heart of EU relations with other countries and regions (EU, 2020). ASEM can also act as a platform for achieving the targets of goals 16 (peace, justice, and strong institutions) and 17 (partnerships for development) of the SDGs in Asia and Europe.

ASEM in 2021 and Beyond

Cooperation and partnership for strong and effective multilateralism and the rules-based international order are the guiding spirit of ASEM. The three pillars of ASEM connectivity – physical, economic and financial, and social-cultural – have helped ASEM achieve its objectives of peace and security, inclusive and sustainable development and growth, and the promotion and protection of human rights, in compliance with international law. As nations emerge from the COVID-19 pandemic, their economies and peoples will require an inclusive and distributive approach to future growth, health and safety, youth employment, and care for the elderly; and a renewed effort to strengthen and reform the rules-based multilateral trading system. A crucial partnership for research and development in public health, the production and distribution of vaccines and medical equipment, and building resilient supply chains between Asia and Europe will be at the core of ASEM activities in the next years. Emerging from the pandemic, Asia–Europe relations and ASEM activities must strengthen their resilience and reach, and bring in women, youth, and the unreached into their cooperation and partnership activities.

Prior to the COVID-19 pandemic, international trade and the cross-border movement of people were the edifice of global connectivity. Now, all regions of the world are facing disruptions in, and the breakdown of, supply chains, as well as restrictions on the cross-border movement of people. Economic activities are severely affected. In the latest World Economic Outlook, the International Monetary Fund (IMF) states that ‘this year the global economy will experience its worst recession since the Great Depression, surpassing that seen during the global financial crisis a decade ago’ (IMF, 2020: v). The future course of the pandemic is uncertain. However, it is important to remind ASEM Partner countries of the prosperity that connectivity has brought to the world. Moving forward into 2021, and beyond, it is imperative to reconsider the resilience and sustainability of ASEM connectivity. ASEM’s future lies in a rules-based, resilient, and inclusive partnership between Asia and Europe.

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Connectivity Plans for Asia and Europe

PUBLIC GOODS AND COLLECTIVE GROWTH

ANITA PRAKASH

FRANS-PAUL VAN DER PUTTEN*

Regional connectivity is on the rise worldwide. Asia, Africa, Europe – and the other continents – are becoming increasingly interlinked through pan-regional initiatives. Asia is the trailblazer in this regard, and most connectivity plans have Asia at its core. Asia is also the centre of pan-regional connectivity initiatives. The Masterplan on ASEAN Connectivity (MPAC), Belt and Road Initiative (BRI), Asia–Africa Growth Corridor, and Asia–Europe Meeting (ASEM) – all connectivity plans – aim to deepen Asia’s economic dynamism and extend it to trans-regional partners. Mega-regional integration initiatives such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership and the Regional Comprehensive Economic Partnership are also integral to this region.

The need for strengthened connectivity between Asia and Europe has been recognised by ASEM since the 10th ASEM Summit in 2014 in Italy. ASEM is a collective effort towards addressing the demands of greater connectivity amongst the geographies, economies, and peoples of Asia and Europe. At the 10th ASEM Summit in 2014 in Italy, ‘Leaders underscored the significance of connectivity between the two regions to economic prosperity and sustainable development’ (ASEM, 2014: para. 7). The 11th ASEM Summit in 2016 in Ulaanbaatar agreed to make ASEM responsive to emerging demands and the need for connectivity, and to this end established the ASEM Pathfinders Group on Connectivity (APGC).

ASEM Connectivity Plan: Its Origin, Progress, and Current State

The Asia–Europe Cooperation Framework (AECF) 2000 set out the vision for Asia–Europe connectivity in the ASEM context. It identified three priority areas for ASEM cooperation: political, economic, and social-cultural. It specified detailed mechanisms for coordinating, focusing, and managing ASEM activities. Most of ASEM’s current ministerial and senior officials’ meetings, which coordinate ASEM connectivity outcomes, were laid out in the AECF 2000.

* The section on the Belt and Road Initiative was written by Frans-Paul van der Puten, Clingendael Institute, with background research conducted by Xiaoxue Martin, Clingendael Institute.

Adopted at the third ASEM Summit in the Republic of Korea (henceforth, Korea) in 2000, the AECF recognised that ASEM was initiated with the aim of strengthening links between Asia and Europe. The ASEM Partners agreed to work together for promoting conditions conducive to sustainable economic and social development. ASEM leaders envisaged Asia and Europe as an area of peace and shared development, with common interests and aspirations – upholding the purposes and principles of the United Nations Charter; respect for democracy, the rule of law, equality, justice, and human rights; concern for the environment and other global issues; eradication of poverty; protection of cultural heritage; and the promotion of intellectual endeavours, economic and social development, knowledge and educational resources, science and technology, commerce, investment, and enterprise. To this end, ASEM laid out a blueprint for Asia and Europe for building a comprehensive and future-oriented partnership. Dialogue and joint endeavours in relation to political, economic, social, cultural, and educational issues were outlined. Importantly, ASEM Partners recognised the need to work together in addressing the new challenges posed by, amongst other things, globalisation, information technology, e-commerce, and the New Economy, now more commonly known as the digital economy.

In the political field, ASEM efforts were focused on issues of common interest, but guided by a process of consensus building. Conscious of being an informal platform, ASEM's objective of political connectivity was to be realised through mutual awareness and understanding between partners. All issues were on the table, but wisdom and judiciousness were exercised in selecting the topics for discussion and cooperation. The political dialogue conducted by ASEM Partners was to be characterised by principles of mutual respect, equality, the promotion of fundamental rights and, in accordance with the rules of international law and obligations, non-intervention, whether direct or indirect, in each other's internal affairs.

Key priorities were (i) high-level political dialogue at the senior officials' meeting (SOM) level on issues of common interest arising in the context of relevant international institutions; and (ii) enhancing informal political dialogue on regional and international issues of common interest at informal ASEM seminars and workshops proposed by individual partners and endorsed by the SOM in the fields of international relations, politics, and economics. Global issues of common concern for ASEM were:

- strengthening efforts in the global and regional context towards arms control, disarmament, and non-proliferation of weapons of mass destruction;
- promoting the welfare of women and children;
- enhancing the ASEM dialogue and cooperation on other global issues such as human resources development, community health care improvement, and food security and supply;
- tackling global environmental issues, striving for sustainable development, and supporting the work of the Asia–Europe Environmental Technology Centre;

- managing migratory flows in a globalised world;
- combating transnational crime, including money laundering, the smuggling and exploitation of migrants, human trafficking (particularly women and children), international terrorism and piracy, and fighting the illegal drug trade; and
- combating racism and xenophobia.

In the economic and financial fields, ASEM efforts focused on strengthening dialogue and cooperation between the two regions, with a view to facilitating sustainable economic growth, contributing together to the global economic dialogue, and addressing the impact of globalisation.

In this context, key priorities included dialogue at the Economic Ministers' Meeting and Senior Officials' Meeting on Trade and Investment (SOMTI), with particular regard to strengthening the open and rules-based multilateral trading system embodied in the World Trade Organization. Strengthening two-way trade and investment flows between Asia and Europe was the key action plan, notably through the implementation and enhancement of the trade facilitation and investment promotion action plans. The role of the Asia–Europe Business Forum, and its importance in facilitating two-way dialogue between governments and the business/private sector was also underlined by ASEM, especially for addressing the problems faced by small and medium-sized enterprises. Enhancing dialogue and cooperation in priority industrial sectors, focusing on high technology sectors of common interest – e.g. agro-technology, food processing, biotechnology, information technology and telecommunications (including e-commerce), transport, energy, and environmental engineering – were outlined for ASEM.

The economic connectivity also sought close dialogue at the Finance Ministers' Meeting and Finance Deputies' Meeting, with particular regard to enhancing dialogue on global financial issues, including the international financial architecture; enhancing cooperation, inter alia, on technical assistance; enhancing macro-economic policy consultation; strengthening customs cooperation; cooperation to combat money laundering; and broad-based dialogue on key issues relating to the sustained development of the two regions and the global economy, including important socio-economic issues.

In the social, cultural, and educational fields, ASEM agreed to focus on promoting enhanced contact and strengthened mutual awareness between the people of the two regions, with a view to helping people in Europe and Asia to be more aware of the common issues affecting their future, and to better understand each other through dialogue. In this context, ASEM Partners extended strong support for the Asia–Europe Foundation, which is an important vehicle to promote and catalyse cultural, intellectual, and people-to-people exchanges. Key priorities included enhancing contacts and exchanges in the fields of education, inter-university cooperation, and increasing student exchanges between the two regions;

dialogue and cooperation in the protection and promotion of the cultural heritage; promoting networking and sharing of experience in the social sciences, arts, humanities, and sports; encouraging a broad-based dialogue and networking amongst all sectors of society, including parliamentary representatives; and improving dissemination of information about ASEM in the public and about the importance of closer Asia–Europe relations.

These priority areas of cooperation eventually evolved under the three pillars of ASEM connectivity (political, economic and financial, and social-cultural) to form the basis of 2-year work programmes drawn up by foreign ministers at each summit, and reviewed and updated at the Foreign Ministers' Meetings between summits. The heads of state and government were updated on the progress of the connectivity activities at the ASEM Summits.

24 years of Asia–Europe Connectivity

The need for strengthened connectivity between Asia and Europe has been recognised by ASEM since the 10th ASEM Summit in 2014 in Italy. The 11th ASEM Summit in 2016 in Ulaanbaatar agreed to make ASEM responsive to emerging demands for connectivity within a framework of economic prosperity, institutional linkages, and social-cultural exchange and cooperation; and to this end established the APGC.

The APGC was tasked with providing concrete details on ASEM connectivity, which included a commonly agreed definition of connectivity, a list of activities that meet this definition, undertaking specific connectivity activities, providing key elements for an ASEM connectivity plan of action, and providing a realistic assessment of ASEM's value proposition regarding connectivity. The APGC was given a 2-year mandate to provide a platform for coordinating engagement and activity on connectivity, and to explore ASEM's added value in this area.

The APGC agreed to a definition of connectivity at the 13th ASEM Foreign Ministers' Meeting in Myanmar in November 2017. Thereafter, as stipulated in the APGC terms of reference, ASEM Partners explored potential areas of focus and developed a joint framework for possible 'Tangible Areas of Cooperation in the Field of Connectivity' (TACC) that could serve as a guiding tool for the competent ASEM bodies to take the Asia–Europe connectivity forward and conduct activities aimed at pragmatic results within their areas of expertise.

The APGC is co-chaired by the European External Action Service (EEAS) and the European Union (EU) presidency for the European group, and China and Japan for the Asian group.

ASEM Connectivity Review of 2018

The EEAS commissioned a review of connectivity and cooperation activities in ASEM in 2018 to support the tasks of the APGC and to set out a roadmap for ASEM's activities in its third decade. The Economic Research Institute for ASEAN and East Asia (ERIA) and the Clingendael Institute conducted the review for the EEAS. The review brought out the gaps in the current state of plans and suggested several opportunities that could make Asia–Europe connectivity future-ready and responsive. In view of the unique institutional nature of ASEM, and diversity in the areas of cooperation, developing the direction of and framework for policy processes of ASEM's Asia–Europe connectivity activities was also an important outcome of the review. It was noted that the strength of ASEM's connectivity plans lies in the considerable number of ASEM activities that touch upon one or more of the three connectivity pillars. However, the relevance and contribution of these activities to advancing physical, institutional, or people-to-people connectivity in pountries were not fully evident. Uneven distribution of events over time and topics, inadequate follow-up, and indeterminate implementation of outcomes were prevalent in activities under the three pillars of ASEM. The high number of activities under the three pillars was being interpreted as evidence of their strong contribution to connectivity between Asia and Europe.

The review found that the formal structures of ASEM – such as the ministers' meetings and summits – have been results-oriented. These structures constitute ASEM's strength and provide clear guidance and directions to ASEM's activities, especially for Asia–Europe connectivity. The hard aspects of ASEM connectivity – transport, the economy, and finance – benefited particularly from ministerial meetings and SOMs. The review study recommended ministerial-level meetings and SOM processes for most of ASEM's activities to help connectivity plans for Asia and Europe to become focused, sustainable, and upscalable.

ASEM's capacity to draw concrete action points from its connectivity-related activities has been very limited over the years. Given that ASEM has a geographic stretch from the Atlantic to the Pacific, governments across Asia and Europe recognised the growing importance of connectivity. The APGC was supported by the political momentum attained through ministerial meetings and SOMs for transport, the economy, and finance to provide a roadmap for ASEM connectivity in the current decade. Accordingly, connectivity themes were expanded to include areas such as trade and investment, energy, the digital economy, financial management, and cooperation through more formal processes involving governments and other stakeholders. The Sustainable Development Goals gave a new impetus to interlink and connect activities across the three ASEM pillars. Cooperation from multilateral development banks (MDBs) and international financial institutions (IFIs) should be synthesised for practical use in the Asia–Europe connectivity context, as financing of connectivity plans and growing debts may undermine longer-term connectivity planning.

At the 12th ASEM Summit held in October 2018, the ASEM Focus Areas of Connectivity and Cooperation were adopted, based on voluntary participation. The six areas of focus are (i) connectivity policies; (ii) sustainable connectivity (the promotion of quality infrastructure; sustainability of financing; sustainable supply chains; free, open, and safe maritime transportation; and clean energy technologies); (iii) trade and investment connectivity (free, open, and vibrant trade and investment; customs clearance facilitation; and the promotion of transport connectivity); (iv) future connectivity and the digital economy (the digital economy and digital infrastructure, and cross-border e-commerce); (v) people-to-people connectivity (internationalisation and mobility in education, facilitating the international travel of tourists and sustainable tourism, mobility of cultural professionals and artists, empowerment of women, and a common response to global ageing); and (vi) security challenges linked to connectivity (strengthening security against extremism, infectious disease control, and food security).

The APGC has defined and detailed focus areas of connectivity for the ASEM. The AECF 2000 laid down the wider principles of ASEM cooperation and connectivity. The challenge for ASEM now is to make ASEM connectivity relevant and useful for governments and people and to ensure that the ASEM activities contribute to policy processes in partner countries.

Is ASEM Connectivity Losing Momentum?

ASEM connectivity processes underwent extensive evaluation and restructuring from 2016 to 2018. With the finalisation of the TACC and the recommendation to wind up the APGC upon fulfilment of its mandate, it was expected that ASEM connectivity and cooperation would find assured direction from Partner countries in terms of both the quality and quantity of activities. Tangible deliverables and follow-up of the outcomes were also expected.

However, since the 12th ASEM Summit, there is very little evidence of activities organised around the TACC focus areas. The important events recorded on the ASEM InfoBoard pertain to issues of innovation and development, digitalisation and education, single window cooperation on customs, sustainable digital connectivity, global ageing, etc. All these events are conducted in seminar mode, with little change in the mode of delivery that was highlighted in the review of ASEM activities in 2018. Most events still do not have an outcome document. Programme, agenda, and registration papers are the commonly displayed information. The Asia–Europe Innovation & Development Forum, held by China in 2019, had a similar result. Even where outcome papers exist, they are not shared with the ASEM stakeholders via the InfoBoard. Effectively, the ASEM connectivity activity processes and outcomes still carry the old problems.

Some of the important decisions of ASEM which were expected to rejuvenate the core of Asia–Europe connectivity are in suspended animation. With trade and investment at the core of Asia–Europe connectivity, the SOMTI was revived at the 11th ASEM Summit in Mongolia in 2016 after a gap of 12 years and held in Korea in 2017. However, to date, ASEM has not been able to convene another SOMTI. Follow-up on the decisions and roadmap set for Asia–Europe economic connectivity, which included important tasks for digital connectivity, is therefore missing. The ASEM Economic Ministers' Meeting has met a similar fate. Clearly, ASEM connectivity is still not equipped to deal with hard aspects of inter-regional connectivity, and the approach to global issues remains in the realm of voluntary activities such as discussions and seminars, with little input into formalising and strengthening ASEM connectivity plans.

The spirit of the AECF 2000 and the ASEM connectivity objectives are also examined in the different connectivity plans in Asia and Europe, in the following section. The approach towards studying the connectivity plans is to create collective or public goods for Asia and Europe, conforming to the development priorities of the two regions.

EU–Asia Connectivity Strategy

Until 2018, ASEM connectivity was the more widely used concept of connectivity between Asia and Europe. The EU is the co-chair of ASEM on the European side and has deep trade and economic linkages with Asia. As a significant partner of Asia, the European Commission has put in place building blocks towards an EU strategy connecting Europe and Asia, with concrete policy proposals and initiatives, which were introduced in September 2018 alongside the 12th ASEM Summit in Brussels (European Commission, 2018a).

The introduction of an EU strategy for connecting Europe and Asia is a recognition of the global significance of ties with Asia, which accounts for 35% of the EU's exports (€618 billion) and 45% of the EU's imports (€774 billion). For both Europe and Asia, growing global interdependence is an opportunity for increased cooperation, peaceful political cooperation, fair and stronger economic relations, comprehensive societal dialogue, and collaboration on international and regional security. For the EU, connectivity with Asia is seen as a partnership of global significance in which Europe and Asia, together, can be the engines of a more cooperative approach to world politics, global stability, and regional economic prosperity.

The EU–Asia connectivity strategy is built on the belief that the EU and Asia should ensure efficient and sustainable connectivity because it contributes to economic growth and jobs; global competitiveness and trade; and the movement of people, goods, and services across and between Europe and Asia. It has outlined concrete policy proposals and initiatives to

improve connections between Europe and Asia, including through interoperable transport, energy, and digital networks. The EU promotes an approach to connectivity with Asia which is sustainable, comprehensive, and rules-based:

- Sustainable connectivity envisages that connectivity has to be economically, fiscally, environmentally, and socially sustainable in the long term.
- Comprehensive connectivity is about networks; and the flow of people, goods, services, and capital that pass through them. It emphasises the crucial human dimension and people's interests and rights, which should be at the core of connectivity.
- International rules-based connectivity is required for people, goods, services, and capital to move efficiently, fairly, and smoothly. Internationally agreed practices, rules, conventions, and technical standards – supported by international organisations and institutions – enable the interoperability of networks and trade across borders.

In addition, priority transport corridors, digital links and energy cooperation at the service of people and the respective economies, establishing partnerships for connectivity based on commonly agreed rules and standards, and contributing to address the sizeable investment gaps through improved mobilisation of financial resources and strengthened international partnerships, are important features.

The EU will engage with its Asian partners along three strands:

- (i) by contributing to efficient connections and networks between Europe and Asia through priority transport corridors, digital links, and energy cooperation at the service of people and their respective economies;
- (ii) by establishing partnerships for connectivity based on commonly agreed rules and standards, enabling better governance of flows of goods, people, capital, and services; and
- (iii) by contributing to addressing the sizeable investment gaps through improved mobilisation of resources, reinforced leveraging of the EU's financial resources, and strengthened international partnerships.

For building efficient connections between Europe and Asia, the EU–Asia connectivity strategy envisages physical connectivity (air, land, and sea transport). The EU would work towards connecting the well-developed Trans-European Transport Network (TEN-T) framework with networks in Asia. The EU has extended the TEN-T to the Western Balkans, and agreed on the extension of the TEN-T with six Eastern Partnership countries (Armenia, Azerbaijan, Belarus, Georgia, Moldova, and Ukraine) (European Commission 2018b). Both the North–South rail connections and the East–West rail connections could play an important role in the future. The EU–China rail connection, in particular, has been experiencing strong growth. The EU is supporting the Unified Railway Law initiative of the

United Nations Economic Commission for Europe, which is seeking to unify the legal regime for the carriage of goods by rail across the Eurasian continent. The EU will work with relevant rail transport organisations to extend the application of the EU's technical specifications and safety management frameworks.

While the EU–Asia strategy covers air and sea connectivity in some measure, road transport receives more attention as it is deemed to make more sense over medium distances (such as to Central Asia) and as a secondary transport network in combination with other modes of transport. Promoting road safety by sharing best practices, furthering the exchange of customs information, and developing cooperation on transit (both bilaterally and through the World Customs Organisation) are important policy measures for road transport.

Digital and energy connectivity are also envisaged as important for this plan. High-capacity network links are critical to support the digital economy. Backbone network links with Asian and other third countries will contribute to a fully meshed network, providing the required bandwidth and other quality criteria for this critical infrastructure. In its relations with Asian countries, the EU strategy promotes a peaceful, secure, and open information and communication technology environment, while addressing cybersecurity threats and protecting human rights and freedoms online, including the protection of personal data. The EU–Asia connectivity has provisioned for a coherent regulatory approach in digital connectivity, as it is critical to support private and public investment in the digital infrastructure. It also underlines policies and incentives to bridge the digital divide, particularly in remote regions or landlocked countries. The EU's Digital4Development strategy in Asia will be pursued to promote digital technologies and services to foster socio-economic development.

The EU proposes to promote regional energy connectivity platforms that focus on market principles, encourage modernisation of the energy system and the adoption of clean (decentralised) solutions, promote energy efficiency, and support energy connectivity both between and with partners in Asia.

Some other important features of the EU's strategy for connectivity with Asia include actions that build on existing bilateral, regional, and international cooperation programmes and activities in Asia.

Bilateral cooperation. The EU is a major development and investment cooperation partner in Asia. The EU and its Asian partners can work better together to improve the regulatory environment, public financial management, and the mobilisation of domestic resources. Technical assistance to develop and implement sustainable connectivity projects, policies, and regulatory regimes is important in this partnership. Bilateral cooperation with individual countries would be adapted to their specific situation. Expansion of the existing transport

dialogue with China, Japan, and Singapore is planned. The EU also plans to expand the dialogue on sustainable connectivity with other partners including Afghanistan, India, Indonesia, Iran, Pakistan, Russia, Korea, Turkey, and countries of Central Asia, as well as Australia and the United States, as it will provide synergy to the EU–Asia connectivity strategy.

Regional cooperation. Asia has several international organisations and mechanisms with mandates touching upon connectivity. The EU strategy supports the MPAC 2025 and the convergence of standards within it, including via the ongoing transport dialogue. In Central Asia, promoting regional cooperation on sustainable connectivity would be a key strategy. The Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation, Central Asian Regional Economic Cooperation, South Asian Association for Regional Cooperation, South Asia Subregional Economic Cooperation, and the Shanghai Cooperation Organisation are some of the other regional initiatives identified by the EU for such cooperation in Asia.

International cooperation. The European Commission has extended cooperation to work with international organisations and the relevant industries to review the need for connectivity-related standards in the fields of climate change, environmental degradation, market access, free and fair trade, and the interoperability of networks. Securing the commitment of key third countries for those standards and their wider adoption is an important target.

Financing the EU–Asia Connectivity

The EU–Asia connectivity strategy does not aim at establishing an investment plan yet, although the EU’s existing and future financial instruments could likely support private investment in connectivity-related projects. The EU already supports connectivity through the Neighbourhood Investment Facility, the Investment Facility for Central Asia, and the Asia Investment Facility, mostly by providing financing and technical assistance for infrastructure and connectivity. The Asia Investment and Central Asia Investment facilities, alone, leveraged more than €4.2 billion of investments from 2010 to mid-2018 through blending of grants and loans. The Investment Plan for Europe also presents concrete opportunities for co-investments in Europe.

For the next multi-annual financial framework (2021–2027), the European Commission proposal includes an investment framework for external action, building on the current European Fund for Sustainable Development. Within the EU, closer concertation of activities with EU member countries’ public and private finance institutions, including sovereign funds, has been suggested. The EU has highlighted the need for international cooperation to mobilise a combination of funding sources that includes increased private investment and the optimal use of existing instruments such as the European Fund for Sustainable Development.

The action plan for Financing Sustainable Growth promotes sustainable finance and sustainable management of the financial systems, and is an important part of the connectivity strategy. The action plan recommends EU and European lending institutions to improve dialogue with the public and private financial institutions of third countries; and encourages cooperation on sustainable finance and the exchange of best practices between European banks, including public banks, and other non-EU country banks. The EU will support processes in the Group of Seven (G7), Group of Twenty (G20), and the Organisation for Economic Co-operation and Development (OECD), to align the lending practices of public finance institutions with the principles of sustainable connectivity.

The EU–Asia connectivity strategy depends on international partnerships in finance, as IFIs and MDBs are a central component of the global architecture for financing connectivity. The European Investment Bank and the European Bank for Reconstruction and Development have been identified as investment partners. The International Monetary Fund and the World Bank are important partners for cooperation in debt sustainability and connectivity. Importantly, the EU has sought to deepen its cooperation with the Asian Development Bank (ADB) and the Asian Infrastructure Investment Bank, while ensuring that EU priorities are fully respected in these relationships. MDBs will be instrumental in implementing the G20 ‘Roadmap to Infrastructure as an Asset Class’ and the ‘G20 Principles for Quality Infrastructure Investment’.

The EU strategy on connecting Europe and Asia does not consist of any blueprints or projects at this time. It spells out the directions of the EU’s connectivity plans with Asia and reminds the Asian counterparts that all future activities will be undertaken under the principles of sustainable, comprehensive, and international rules-based connectivity. The strategy paper specifies the partners, both bilateral and regional, and the initial programmes under which connectivity with Asia will be fostered. The strategy is influenced by the need for greater stakeholding in Asia – strengthening the EU’s partnerships with third countries, regions, and international organisations in Asia, hitherto unaddressed in EU plans for international cooperation. The strategy allows the EU and its member countries to achieve better communication, branding, and marketing of their ways of accomplishing connectivity projects and programmes with Asian partners.

Asian Initiatives for Asia–Europe Connectivity

Asia is home to several connectivity plans and projects. After the launch of the MPAC, the Association of Southeast Asian Nations (ASEAN) was credited with identifying connectivity plans with economic growth and community building in the Southeast Asian region. Other important regional connectivity plans in Asia include the Greater Mekong Subregion Economic Corridors, the Asian Highway Network, the India–Myanmar–Thailand Trilateral Highway, the Indonesia–Malaysia–Thailand Growth Triangle, the Central Asia Regional Economic Cooperation Program, and the South Asia Subregional Economic Cooperation Program.

The EU has achieved a seamlessly connected and comprehensively integrated European Community. Several bilateral trade and economic cooperation, and institutional connectivity, plans exist between the EU and Asian countries. However, intercontinental connectivity plans that link Europe and Asia are few. Importantly, it is the Asian side which has concrete projects under implementation. The European strategy for EU–Asia connectivity is detailed in its approach, but specific projects are not yet being implemented.

1. The Belt and Road Initiative

President Xi Jinping launched the BRI as a signature foreign policy initiative during his official visit to Kazakhstan in 2013. The BRI is envisioned as a grand development plan to increase global connectivity, with China at its centre. According to ‘Vision for Maritime Cooperation under the Belt and Road Initiative’, released by the Government of China in 2015 (*Xinhua*, 2017):

The connectivity projects of the Initiative will help align and coordinate the development strategies of the countries along the Belt and Road, tap market potential in this region, promote investment and consumption, create demands and job opportunities, enhance people-to-people and cultural exchanges, and mutual learning among the peoples of the relevant countries, and enable them to understand, trust and respect each other and live in harmony, peace and prosperity.

Figure 1: Belt and Road Initiative Snapshot

2013	The year the BRI was first announced
2017	The year the BRI was officially enshrined in China’s constitution
138	The number of countries officially part of the BRI
451	The number of projects that are part of the BRI (as of December 2019)
1 trillion	The amount of US dollars that China has pledged in the BRI funding
80 billion	The amount of US dollars that China has directly invested in the BRI

BRI = Belt and Road Initiative, US = United States.

Source: Authors.

The aim of improving connectivity across Asia–Europe is at the core of the initiative. The majority of projects and activities under the BRI are focused on transportation infrastructure within and between Asia and Europe. Still, it should be noted that the BRI's geographic scope is near-global, as it also encompasses Africa, Oceania, and Latin America. Moreover, apart from transportation connectivity, energy and communication infrastructure are also key BRI sectors. The BRI has major implications for economic and financial integration, multilateral governance, and people-to-people ties across Asia–Europe and beyond. Many, though not all, countries in Asia and Europe have concluded bilateral memoranda of understanding with China for closer cooperation on BRI-related activities (Green Belt and Road Initiative Center, 2020).

While the BRI is a top-level plan, as President Xi's signature foreign policy, it is not a centralised strategy. Rather, it features a mixture of – sometimes conflicting – top-down and bottom-up interactions between a wide range of actors within China. This stems from its origin of subnational ideas and practices, which the BRI elevates to the national level (Summers, 2016). A central task force – the Leading Small Group on Advancing the Construction of the Belt and Road – was created in 2015 to improve BRI coordination amongst various Chinese actors involved in the BRI. However, despite these efforts, the BRI at times still suffers from coordination issues due to its scope and the multitude of actors involved.

BRI funding is fragmented (Summers, 2020) and budget estimates vary widely. Funding comes from several sources, of which state-owned banks, policy banks, sovereign wealth funds, and IFIs are the most important contributors. Chinese state-owned banks and investment funds hold the largest share of funding (Dossani, Bouey, and Zhu, 2020). China Development Bank, the Export–Import Bank of China, the Silk Road Fund, the Asian Infrastructure Investment Bank, and the New Development Bank are the key financiers (US–China Economic and Security Review Commission, 2018). Over time, China's financial role has shifted somewhat as foreign banks have become more involved. Furthermore, China's regulations for BRI project financing are becoming increasingly stricter.

Key BRI Elements

Transport infrastructure plays a central role in the BRI's connectivity approach. Activities under the BRI relating to transport infrastructure can be subdivided into financing and construction, rail transport, maritime transport, and air transport. In addition to transport infrastructure, the digital domain is a key connectivity feature of the BRI.

a. Transport Infrastructure Financing and Construction

Chinese actors usually play a dominant role in projects aimed at building transportation and energy infrastructure within the BRI framework. Of the top 10 global contractors in 2019, seven are Chinese firms (ENR, 2019):¹

In 2018, Chinese contractors captured 24.4% of international construction revenue (Kurimoto, 2019). Asia, Africa, and the Middle East are the main regions where Chinese contractors are involved (Morris, 2020). Europe and Latin America see less project activity. Focus areas for Chinese contractors in Asia–Europe outside China are Southeast Asia, South Asia (especially Pakistan), the Middle East, and Europe (the Western Balkans).

The Export–Import Bank of China and China Development Bank are the main financiers of BRI construction projects, funding about \$334 billion in infrastructure projects at different stages of development (Research and Markets, 2019). In addition to these two banks, Chinese and international commercial banks are often involved in infrastructure financing.

Progress. From the announcement of the BRI in September 2013 to 2019, more than \$500 billion of Chinese construction contracts were signed (e.g. ports, railways, motorways, airports, bridges, power plants, and dams) (AEI, 2020). Annual financing peaked in 2014 at around \$95 billion, then dropped somewhat to \$76 billion in 2018. Many projects take longer than expected to complete. This trend has been more evident since the coronavirus disease (COVID-19) pandemic.

b. Transport Infrastructure Management and Use: Rail, Maritime, and Air

BRI freight rail is operational between Asia and Europe – the main corridor connects multiple Chinese and European cities via Kazakhstan, Mongolia, Russia, and Belarus. Other corridors connect China to Europe via Central Asia and the Middle East.

BRI freight rail between Europe and China is heavily subsidised by central, provincial, and local Chinese governments, which helps the trains operate and establish new routes. Both Chinese and non-Chinese railway service companies are eligible for subsidies. Besides the central and provincial governments, China State Railway Group Co. Ltd. and international railway service companies manage the railway routes. In 2022, subsidies are to be abolished as freight traffic should be able to operate without subsidies (Leng, 2019).

¹ Companies are ranked according to the construction revenue generated outside each company's home country in 2018 in millions of United States dollars: (i) State Construction Engineering Corporation Ltd.; (ii) China Railway Group Ltd.; (iii) China Railway Construction Corporation Ltd.; (iv) China Communications Construction Group Ltd.; (v) Power Construction Corporation of China; (vi) China Metallurgical Group Corporation; and (vii) Shanghai Construction Group Co. Ltd.

Progress. In the first quarter of 2020, China–Europe freight trains made 1,941 trips, marking a 15% year-on-year increase since the China–Europe rail service was initiated in 2011. More cargo is transported from China to Europe than vice versa.

Port development and terminal management along the Maritime Silk Road is the most important aspect of maritime projects in the BRI. Major terminal operators in the BRI are based in China (including Hong Kong) (Duchâtel and Duplaix, 2018: 14), although the Singapore authority (the largest terminal operator worldwide), Dubai Ports World, AP Moller Terminals, CMA CGM, Evergreen, and Eurogate are also active. The Maritime Silk Road is under implementation across Asia, the Middle East and North Africa region, Europe, and East Africa.

Given the shortage of infrastructure investment to meet the needs of developing nations across the Indian Ocean region, most nations have welcomed the opportunity to bid for Chinese funding (Green, 2018). China’s major state-owned terminal operators have access to low-interest loans from Chinese state banks and BRI financing from China Development Bank (Johnson, 2018). Chinese port operators have internationalised rapidly since 2010 to become strong competitors to the dominant global terminal operators.

Since 2015, aviation has officially been part of the BRI, though it is not a dominant feature (CAPA Centre for Aviation, 2018). Chinese companies are active but do not play a dominant role in air services connectivity across Asia–Europe. Chinese airlines have only gradually expanded their coverage. In many BRI countries, China Southern Airlines is the sole Chinese operating airline.

From 2013 to 2019, Chinese firms invested \$21.57 billion in global aviation. In the same period, \$9.68 billion in Chinese construction contracts in global aviation were signed with partner countries (AEI, 2020). China has become a major origin and destination of air traffic. Air transport passengers from China increased from 352.79 million in 2013 to 611.43 million in 2018 (World Bank, 2020b). The COVID-19 pandemic interrupted the former trend, while China–Europe air cargo has increased due to the transport of medical equipment and pharmaceuticals (Knowler, 2020).

c. Digital Infrastructure

The digital component of the BRI, or Digital Silk Road (DSR), was first announced in 2015. The DSR aims at improving global digital connectivity, with China at its centre, through building digital infrastructure and expanding e-commerce offerings, amongst others.

Chinese actors play a dominant role here – as manufacturers of products sold through e-commerce, as e-commerce platforms, and as logistics and transport providers to BRI countries. The main players are Chinese private technology giants such as Alibaba, Tencent,

JD.com, Baidu, Huawei, and ZTE, which are part of the DSR, promoting global e-commerce and digital infrastructure. While many are private companies, they often receive policy support from the government for their international operations. Chinese banks provide funding for these activities (State Council, 2016; *The Economist*, 2020; Triolo et al., 2020).

d. The Way Forward for the BRI

While China continues to develop the BRI, recalibrating the initiative as it moves ahead (Rolland, 2019), two challenges stand out as highly relevant for Asia–Europe connectivity. First, cooperation between Chinese and other international actors engaged in financing and constructing infrastructure is still relatively limited. Many projects involve a dominant role for either Chinese or other international actors. Projects in which Chinese financiers and contractors are strongly represented are often closely linked to bilateral government-to-government relations. To achieve a significant degree of mutual strengthening between BRI and non-Chinese connectivity initiatives, which could bring advantages of synergy and efficiency, requires the convergence of standards for transparency, fair competition, and corporate social responsibility for infrastructure financing, construction, and management. This applies to transport, energy, and digital infrastructure alike.

Second, a notable increase in geopolitical tensions amongst great powers drives a process of politicisation of international economic relations. This makes it more complicated for Chinese and non-Chinese governments and companies to cooperate with each other on large-scale connectivity initiatives. A certain level of separation between politics and economics is necessary to enable government agencies, financial institutions, companies, and local stakeholders to focus on maximising international cooperation for infrastructure development and connectivity.

Improved Asia–Europe connectivity contributes to ASEM’s goals of inclusive and sustainable growth. China’s BRI is not the only connectivity initiative, but it is the most ambitious one in terms of its scope. ASEM can make a major contribution to Asia–Europe connectivity by facilitating engagement between the BRI and other initiatives. It could do this by developing common connectivity standards for Asia and Europe and by providing a depoliticised platform for multilateral cooperation on Asia–Europe connectivity.

2. EU–Japan Partnership on Sustainable Connectivity and Quality Infrastructure

Japan’s plan for quality infrastructure and sustainable development is the basis of its connectivity partnerships in the region. Quality infrastructure is central to all of Japan’s infrastructure and connectivity initiatives. In 2019, Japan and the EU affirmed their commitment to establishing a connectivity partnership based on sustainability as a shared value, quality infrastructure, and their belief in the benefits of a level playing field.

In the EU–Japan Partnership on Sustainable Connectivity and Quality Infrastructure, the EU and Japan intend to work together on all dimensions of connectivity, bilaterally and multilaterally, including digital, transport, energy, and people-to-people exchanges (Ministry of Foreign Affairs, Japan, 2019). The connectivity plans will fully take into account partners’ needs and demands, and pay utmost attention to their fiscal capacity and debt sustainability. The EU and Japan will coordinate their respective cooperation on connectivity and quality infrastructure with partner third countries, notably in the regions of the Western Balkans, Eastern Europe, Central Asia, and the Indo-Pacific, as well as Africa.

In view of their commitment to promoting rules-based connectivity globally, both sides intend to cooperate in international and regional bodies, including international fora such as the G7, G20, the OECD, the World Bank, the International Monetary Fund, the European Bank for Reconstruction and Development, and ADB. Together with the Japan–EU Economic Partnership Agreement, promoting regulatory cooperation for free, open, rules-based, and fair trade and investment is an important institutional component of this connectivity partnership. Both sides have underlined the positive contribution of sustainable connectivity to the implementation of the 2030 Agenda for Sustainable Development, and recall their readiness to support partner countries in creating an environment that stimulates investment.

Both EU and Japan have underlined digital connectivity as a powerful enabler of inclusive growth and sustainable development, including through digital and data infrastructure as well as policy and regulatory frameworks, in developing countries. Japan and the EU emphasise that the development of a digital economy depends on an open, free, stable, accessible, interoperable, reliable, and secure cyberspace; and on ‘data free flow with trust’ (as declared by the G20 leaders in Osaka). Japan and the EU intend to work together to further elaborate, promote, and operationalise the concept of ‘data free flow with trust’, including with a view to enhancing trust concerning data security and privacy, while respecting each other’s respective regulatory framework.

Japan and the EU plan to use the existing Japan–EU Transport Dialogue as a framework for engaging in and cooperation on all modes of transport and horizontal issues. Enhancing the sustainable transport connectivity, through deeper cooperation and synergies of regulatory frameworks, interconnection of transport corridors, and enhancement of safety and security of transport, will be central to this connectivity partnership. Cooperation plans and projects in the framework of the connectivity partnership will be identified through existing dialogues and cooperation frameworks, in particular in the Japan–EU Strategic Partnership Agreement and the Economic Partnership Agreement. The Joint Committee established under the Japan–EU Strategic Partnership Agreement will review the progress on a regular basis. Furthermore, the Japan–EU High Level Industrial, Trade and Economic Dialogue can function as a platform for strategic discussions under the connectivity partnership.

3. Greater Tumen Initiative

The Greater Tumen Initiative (GTI) (originally known as the Tumen River Area Development Programme) is an intergovernmental cooperation mechanism amongst four countries: China, Mongolia, Korea, and Russia, supported by the United Nations Development Programme (Dulambazar, 2015).

In 1995, the member governments signed agreements to establish the GTI mechanism, aimed at strengthening economic and technical cooperation, and attaining greater growth and sustainable development in Northeast Asia, especially the Greater Tumen Region (GTR). The GTI focuses on the priority areas of transport, trade and investment, tourism, agriculture, and energy, with environment as a cross-cutting sector.

The GTI has become an effective platform for regional economic cooperation between neighbours in Asia and Europe – expanding policy dialogue, improving business environments, and contributing to peace and stability (Dulambazar, 2016). In addition, the GTI works closely with important international partners to jointly promote the region, and hosts both the Northeast Asia EXIM Banks Association as a regional development financing mechanism, and the Local Cooperation Committee in support of cooperation initiatives amongst local governments in Northeast Asia.

The member governments of the GTI prioritise development options for economic cooperation in the GTR, aimed at developing proper transport infrastructure and a logistical network to support economic cooperation amongst the GTI countries. The GTI effectively converges the BRI initiated by China, the Eurasia Initiative proposed by Russia, and the Grassland Road by Mongolia, in building the China–Russia–Mongolia transport corridor in the GTR. In 2001, the Transportation Subcommittee of the Northeast Asia Economic Conference Organizing Committee identified nine Northeast Asia transport corridors that all countries of the region can use as major international corridors. Six of these nine corridors have been identified as Trans-GTR transport corridors. Some of the important projects in the Trans-GTR Transport Corridor are the Tumen Road Corridor, Tumen Rail Corridor, Suifenhe Transport Corridor, Siberian Land Bridge, Dalian Transport Corridor, Korean Peninsula West Corridor and East Corridor, and China Land Bridge Transport Corridor connecting Asia with Europe via Kazakhstan. In 2013, two additional transport channels between Ulaanbaatar and Bichigt were added in the Tumen transport area.

The GTI Strategic Action Plan, 2017–2020 is expected to promote the construction of basic transportation infrastructure and major transportation hubs to support economic cooperation and development and the movement of goods and people. Intergovernmental boards/committees in the six sectors (Transport Board, Tourism Board, Trade Facilitation Committee, Energy Board, Environmental Board, and Agricultural Committee) were created

to institutionalise the GTI operations in these sectors and to coordinate specific sectoral cooperation activities and projects. The GTI Common Fund, contributed by the member countries, is a United Nations Development Programme Trust Fund to finance the operation of the GTI Secretariat. The Association of GTI EXIM Banks, created in 2012, is instrumental in regional development financing mechanisms to support future projects (GTI programme website, 2020).

Connecting the Different Initiatives: Creating Collective Goods for Europe and Asia

The challenge is how to ensure greater coordination amongst the connectivity initiatives in the region. If well managed, this could result in inclusive and sustainable development, increased social well-being for citizens, and deepened trust amongst partners. A roadmap for developing synergy amongst the connectivity plans and measures must therefore be at the centre of the policy agenda.

‘Connectivity’ has always existed as an idea, but making practical use of it to determine development strategies and influence international relations is a recent phenomenon (Hawke and Prakash, 2016). In a global milieu, the connectivity plans are competing for space, influence, and results (usually for the promoting country). The transformational changes in global governance, international relations, the aspirations of young demography, technological connectivity, and the future of work are driving the current discourse on connectivity. For this reason, free and open Indo-Pacific, ASEAN–India connectivity, the MPAC, the BRI, and EU–Asia connectivity plans are seeking greater emphasis on governance, standards, transparency, and accountability. Financing of infrastructure in Asia and Europe have different estimates. There is also the need to include climate adaptation and mitigation costs in the connectivity plans.

Seeking convergence amongst competing connectivity plans is based on the notion that all connectivity plans have similar objectives. The contours of the MPAC, BRI, and other connectivity plans will show that this is not always the case. There are inherent differences in each of these plans, given their origins, partnerships, resources, and the political and economic priorities of the promoters. Primarily, financing of connectivity plans, transparency in project preparation, and accountability in project execution are important global concerns emerging from the implementation of connectivity plans. The example of the BRI is important, as it has drawn global attention towards issues of planning and project design, financing, and debt sustainability (Prakash, 2019). The practical aspects of trans-regional connectivity – such as technical specifications, safety management frameworks, the social and economic well-being of workers in the sector, competition policy, and customs cooperation – call for a unified or common regime for the carriage of goods and people across continents.

Since the need for collective and public goods must be realised amidst competitive differences, a consensus amongst governments, businesses, and people is emerging to establish governance mechanisms that would place different connectivity plans behind globally agreed development goals and standards. Several guidance principles have emerged from the G20, OECD, and ADB on quality infrastructure and the financing of connectivity projects. This will help to create common objectives and create synergies amongst the different connectivity plans. Setting global standards for connectivity projects and activities is difficult but not impossible. Global development programmes and the impetus for multilateralism can provide the way to create greater interlinkages between connectivity plans through governments, and regional and multilateral institutions. A multilateral cooperation process for investment facilitation could reduce multiplicity, and create synergy and common purpose amongst different infrastructure plans. A multilateral cooperation framework would promote and build transparency amongst competing initiatives, and investors would be able to make informed decisions (Prakash, 2020).

The plans must be compatible with the financial, governance, and development priorities of Asia and Europe, and the benefits of the plans must reach the people. Ultimately, connectivity plans must become collective public goods aimed at the development of people and regions. ASEM's cooperation agenda for the next decade should provide direction for turning Asia–Europe connectivity plans into collective or common goods for all people.

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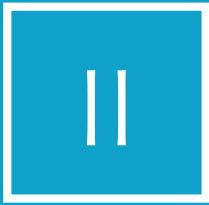
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Economic and Financial Cooperation

Asia–Europe Cooperation on Trade Facilitation

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The European Union– Viet Nam Free Trade Agreement: Process, Impacts, and Major Lessons

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The Asia–Europe Meeting’s Role in Promoting E-commerce

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An ASEM Model of Cooperation in Digital Economy Taxation: Digitalisation and New Technologies

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Asia–Europe Cooperation on Trade Facilitation

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Introduction

Trade is an important aspect of the linkages between the countries of Asia and Europe. The total merchandise trade between the two regions reached US\$1.5 trillion in 2018, accounting for half of the world's merchandise trade.¹ Although Germany and China alone account for a significant portion of the inter-regional trade, many countries are linked to this trade flow through international production networks centred in the two hubs.

Over the past 25 years, there has been a significant shift in the international trading system. Although tariffs have fallen to historically low levels, avoidable trade costs arise during the process of transporting goods from the origin to the destination. These costs are related to compliance with trade-related rules, regulations, and procedures, which cause delays and give rise to time and monetary costs. While many rules and regulations serve legitimate interests, they could be designed and implemented in a way that minimises the cost of compliance for traders. It is estimated that the benefits from reductions in non-tariff trade costs exceed further reductions in tariffs.

Trade facilitation entails domestic reforms to border procedures as well as behind-the-border procedures (Persson, 2008), touching upon improvements in port infrastructure, customs administration, services infrastructure, and domestic regulatory environment. By improving the efficiency of different components that make up international trade processes, trade facilitation can help minimise trade costs and encourage greater trade flows, and can also be a source of competitive advantage amidst changing environments.

Even though steps towards trade facilitation must be taken by each country on its own, there are many areas of cooperation between Asia–Europe Meeting (ASEM) countries. The benefits of individual action are greater if trade partners make concerted efforts to improve their trade environment simultaneously. Likewise, the impetus for accelerated reforms can come from regional and global agreements. With the benefits of more seamless trade in mind, the World Trade Organization (WTO) completed negotiations on trade facilitation and officially added a Trade Facilitation Agreement (TFA) into its founding document in 2013 to oblige member countries to embark on trade facilitation.

¹ <https://www.weforum.org/agenda/2019/05/ways-asia-and-europe-together-connected/>

Effective and rapid implementation of this agreement by all countries remains a major challenge. Nonetheless, the specific and actionable measures identified in the WTO–TFA are conducive to the coordination (both domestic and international) and measurement of progress.

A number of indicators related to the status of trade facilitation in various countries show that ASEM countries in Europe have a greater rate of implementation of trade facilitation measures compared to their Asian counterparts. Gross domestic product (GDP) per capita is a strong predictor of the rate of implementation of trade facilitation measures. Some low-income countries in the Association of Southeast Asian Nations (ASEAN) have accelerated reforms, encouraged by the ASEAN regional agreements. The ASEAN Economic Community (AEC) Blueprint envisions seamless trade facilitation within the region, and policymakers have set ambitious targets for trade cost reductions. One benefit of existing ASEAN initiatives is that ASEAN Member States (AMS) have been quite ahead of other comparable countries in their status of trade facilitation initiatives. UNESCAP and ADB (2019: 9), in their report on the status of trade facilitation in the region, note that ‘the ASEAN regional integration processes appear to have played a significant and positive role in trade facilitation implementation’.

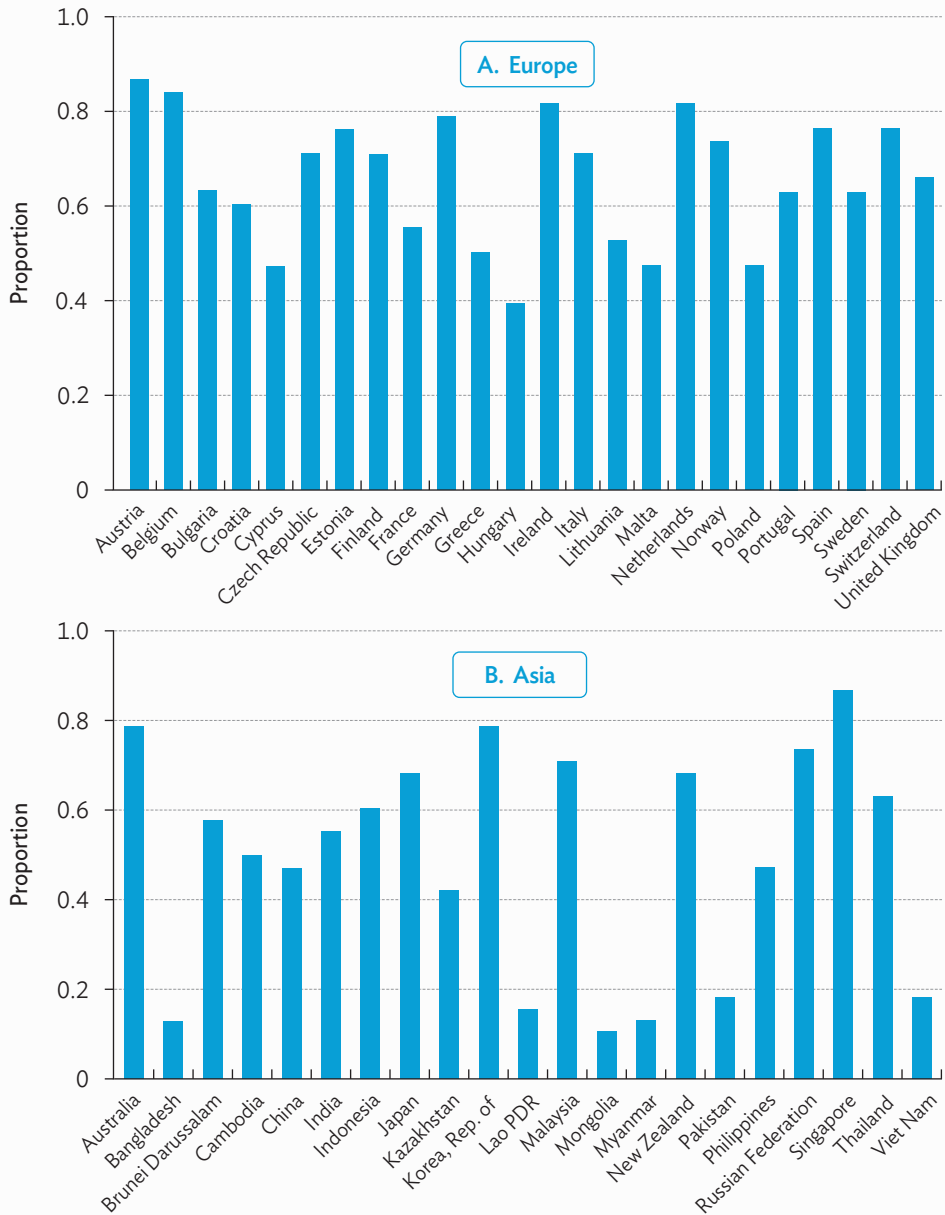
ASEM leaders have ‘reaffirmed strong support for preserving and strengthening the rules-based multilateral trading system centred on the World Trade Organization’ and ‘underlined the importance of implementing and enforcing obligations under the WTO by its members, including the ongoing work to implement its Trade Facilitation Agreement.’² The ASEM process can help accelerate the implementation of trade facilitation agreements by coordinating strategy, sharing knowledge, providing technical support to one another, and prioritising trade facilitation in bilateral agreements.

Trade Facilitation in Asia and Europe

The WTO–TFA comprises 12 broad measures/provisions for ‘expediting the movement, release and clearance of goods, including goods in transit, plus customs cooperation’. The measures are: (1) publication and availability of information; (2) opportunity to comment, information before entry into force and consultations; (3) advance rulings; (4) procedures for appeal or review; (5) other measures to enhance impartiality, non-discrimination, and transparency; (6) disciplines on fees and charges imposed on or in connection with importation and exportation and penalties; (7) release and clearance of goods; (8) border agency cooperation; (9) movement of goods intended for import under customs control; (10) formalities connected with importation, exportation, and transit; (11) freedom of transit; and (12) customs cooperation. These measures relate to concrete policies that need to be implemented by each country, and thus allow the measurement and monitoring of progress.

² ASEM Chair’s Statement. <https://cdn.aseminfoboard.org/documents/ASEM12-Chairs-Statement.pdf> (accessed 26 June 2020).

Figure 1: Proportion of Trade Facilitation Measures Fully Implemented in 2019 amongst Selected ASEM Countries



ASEM = Asia-Europe Meeting.

Note: Only countries for which data are available in the UNTF survey are included.

Source: Author's calculation from UNTF Survey.

Following the agreement, the status of trade facilitation is being assessed through the United National Trade Facilitation (UNTF) survey, which was conducted in 2015, 2017, and 2019. The UNTF survey comprises 52 questions that broadly match the elements of WTO–TFA measures. Each measure is assessed as fully implemented, partially implemented, pilot stage, not implemented, or not applicable. The assessment is done by experts and verified by countries. While the quality of the trade facilitation measures is not assessed, the UNTF survey nonetheless provides a snapshot of where each country is with respect to trade facilitation and thus provides data for broad comparisons.

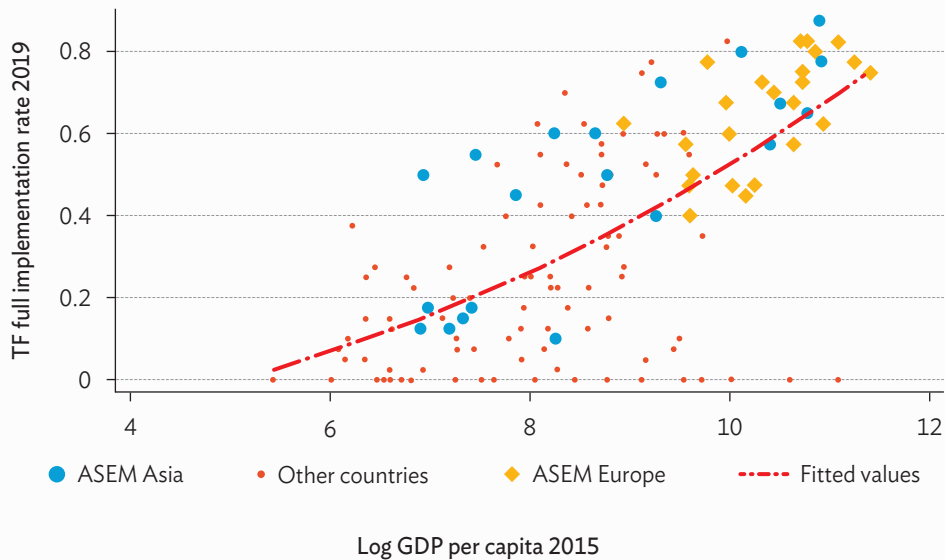
According to the UNTF survey results, the European economies are much further ahead of Asians economies in implementing trade facilitation measures. Eight out of 21 countries in Asia had implemented over 60% of the measures, while 17 out of 24 countries in Europe had that level of implementation. The more developed Asian countries (Australia, the Republic of Korea [hereafter, Korea], Malaysia, New Zealand, the Russian Federation, and Singapore) have led the way, whereas developing economies (Bangladesh, the Lao PDR, Mongolia, Myanmar, Pakistan, and Viet Nam) have a lot of catching up to do. The variation in the implementation rates is greater in Asia than in Europe.

Figure 2, shows the positions of countries across two dimensions: rate of full implementation of trade facilitation (vertical axis) and GDP per capita in 2015 (expressed in logarithms). Positions of ASEM countries from Asia, from Europe, and for non-ASEM countries are highlighted separately. A strong positive relationship between implementation rate and economic position is notable – more developed countries understandably have greater rates of implementation. One intervening factor in this case is the importance of trade on countries' economic performance, which is usually positive except for natural resource dependent countries. In this regard, most European ASEM countries are positioned to the top-right of the graph with high GDP per capita and high rates of implementation.

The positions of ASEM Asian countries is also noteworthy. First, they are positioned well above the 'fitted values' line, which marks the average relationship between trade facilitation implementation rate and GDP per capita across all countries for which data are available. This tells us that ASEM Asian countries overperform in terms of trade facilitation relative to their level of GDP per capita. The cluster of ASEM Asian countries in the bottom-left of Figure 2 are developed countries that are close to the expected level of implementation. Cooperation between Asia and Europe can focus on accelerating reforms in this set of countries.

Looking at the gaps in implementation by specific measures, we find that Europe leads Asia in transit facilitation (UNTF measures 36 to 38, see Appendix for description of measures), which is quite understandable given the single market within European Union and the presence of many island nations in Asia. However, we also observe several

Figure 2: Relationship between Full Implementation Rate in 2019 and GDP per Capita in 2015



ASEM = Asia–Europe Meeting, GDP = gross domestic product, TF = trade facilitation.

Source: Author's calculations using data from UNTF Survey and World Bank World Development Indicators.

measures that are applicable to most countries where the gap is still wide. On measure 32, 'government agencies delegating controls to customs authority', over three in four European ASEM Partners have implemented it, while only one in four Asian ASEM Partners has implemented it. Likewise, while all European ASEM Partners in the sample have provisions of authorised economic operators, just over half the countries in Asia have implemented it. Other major gaps appear in the use of risk management and the use of electronic documentation (such as the submission of customs declarations).

Certain measures pertaining to cross-border electronic transactions have low implementation in both Asia and Europe, and thus offer the greatest opportunity for cooperation. Only Belgium, New Zealand, and the United Kingdom had fully implemented the electronic exchange of certificates of origin, while only the United Kingdom had fully implemented the electronic exchange of sanitary and phyto-sanitary certificates. For the certificates of origin, nine Asian countries have partial implementation, and six countries are in the planning stage.

Trade Costs in Asia and Europe

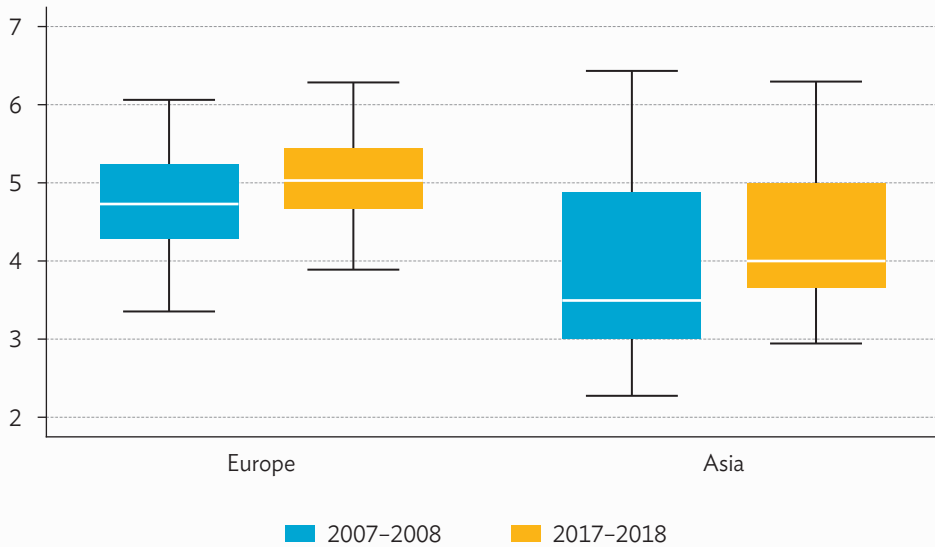
The differences in the implementation of trade facilitation are borne out in indicators of trade costs. Since the objective of trade facilitation is to reduce trade costs, we can examine the available measures of trade costs to gauge the level of trade facilitation. Trade costs, in turn, predict the level of trade flows and thus economic integration between countries: countries with lower trade costs trade more than countries with higher trade costs between them, although the relationship is not causal (Persson, 2008). There are many available indicators of trade costs, including the bilateral trade cost measure of UNESCAP, documentary and import/export compliance time assessed by the World Bank's Trading Across Borders indicators, and ratings provided by the World Economic Forum's (WEF) Global Competitiveness Report.

The European Union (EU) is generally considered the most integrated country bloc in the world. The latest trade cost data from the UNESCAP–World Bank Trade Cost Database show that the overall cost of trading goods amongst the three largest EU economies is equivalent to a 42% average tariff on the value of goods traded. In contrast, the middle-income ASEAN members were estimated to have trade costs equivalent to a 76% average tariff.

The WEF's Global Competitiveness Indicators regularly collect data on aspects of countries' performance that are affected by trade facilitation. The WEF indicators are based on a survey of perceptions of private firms. Figure 3 shows the average score of the burden of customs procedures, with higher scores indicating better performance. Both Asia and Europe ASEM countries improved their performance between 2007 and 2017, as reflected in the improvement in the median score (indicated by the white line). However, the median score for Asia is lower than that for Europe, indicating that border procedures in many Asian ASEM Partners are considered to be relatively more burdensome.

Regional Trade Agreements and Trade Facilitation

Bilateral and regional trade agreements can be instrumental in lowering barriers to trade by taking up issues beyond tariff reductions to include agreements on facilitation. In particular, trade agreements between partners at different stages of implementation can provide the necessary push for reforms in lagging nations. The improvements in the trade environment that emerge out of these regional agreements would benefit all ASEM countries. Beverelli et al. (2014) noted that trade facilitation initiatives such as transparency and formalities should be non-discriminatory and therefore benefit all trading partners equally.

Figure 3: WEF Scores of Burden of Customs Procedures (1–7)

WEF = World Economic Forum.

Note: White lines represent the median of the respective distribution. Only 18 ASEM countries from Asia and 24 from Europe, for which data are available, are included.

Source: Author's calculation from World Economic Forum Global Competitiveness Report.

Some others, such as regulatory harmonisation and transit facilitation may only be offered within the context of regional trade agreements and thus discriminate against non-members (Maur, 2011). The latter ones are still beneficial more broadly because the international production networks that are usually formed within Asia and Europe benefit from these intra-regional agreements, and spillover broadly when Asia and Europe are connected through hubs like China and Germany.

The EU's bilateral agreements have usually included agreements on a broader set of trade facilitation issues. Recently, European Union and Viet Nam signed a trade agreement and an investment protection agreement on 30 June 2019, which includes agreement to reduce regulatory barriers and overlapping red tape by, for example, the increased use of international standards in its regulations.³

³ https://trade.ec.europa.eu/doclib/docs/2018/october/tradoc_157444.pdf

While there are wide-ranging agreements within European countries and Asian countries, the linkages established between Asia and Europe through economic partnership agreements is few and far between. The agreements that connect Asia and Europe include the EU–Korea Free Trade Agreement; the EU–Vietnam Free Trade Agreement; the European Free Trade Association (EFTA) (which includes Norway and Switzerland) and Korea; the EFTA–Singapore; and bilateral agreements between Switzerland and China, Switzerland and Japan, and Switzerland and Singapore.⁴ A new trade agreement between the EU and Japan and the EU and Singapore came into force in 2019. The agreement with Japan includes a provision for regulatory cooperation in terms of the adoption of international standards and the setting-up of a joint Regulatory Cooperation Committee as a way to reduce non-tariff trade costs.⁵ As of the time of writing, the EU has also launched negotiations for trade agreements with Australia and New Zealand separately. As developed countries, these are already quite advanced in trade facilitation.

Trade Facilitation in ASEAN

The 10 members of ASEAN have also committed to accelerated reforms on trade facilitation. The AEC Blueprint 2015 envisions seamless trade in the region with the active facilitation of international trade by its 10 member countries. To this end, it specifies measures that can be implemented by countries unilaterally and through coordination with one another. These trade facilitation measures – the majority of which appear in both the AEC Blueprint and the WTO–TFA – broadly relate to transparency (e.g. the publication of information on a dedicated website called the national trade repository), the facilitation of customs procedures (e.g. self-certification, authorised economic operator programmes), paperless trade (e.g. national single window), and transit facilitation. Implementation of these trade facilitation measures is expected to boost inter-regional trade.

In 2017, the ASEAN Economic Ministers set the goal of lowering trade costs in ASEAN by 10%. With tariffs already near zero, most of these reductions would need to come from reductions in trade transaction costs – the cost of moving goods across borders that is associated with compliance with regulatory barriers. There is evidence that such costs are still quite high in the region, and concerted efforts are needed to achieve this goal. For many AMS, trade facilitation is a top policy focus, oftentimes linked to improving the Ease of Doing Business ranking. For a few AMS, large trade facilitation improvements will be central to trade, investment, and economic performance in future.

⁴ https://publications.jrc.ec.europa.eu/repository/bitstream/JRC112998/asem-report_online.pdf

⁵ https://trade.ec.europa.eu/doclib/docs/2017/july/tradoc_155720.pdf

ERIA, in collaboration with the ASEAN Trade Facilitation Joint Consultative Committee, has been conducting an ASEAN-wide study to understand the trade facilitation environment in the region. A baseline study was done in 2018, with a follow-up study being planned for 2020. The objective of the study is to provide recommendations for reducing intra-ASEAN trade transaction costs by taking stock of the various trade facilitation initiatives adopted by individual AMS. Thus, the study results shed light on the areas where further cooperation on trade facilitation can help to reduce trade transactions costs in the sub-region.

The ASEAN experience provides some insights into the areas of international cooperation for trade facilitation. The first one is knowledge sharing, where AMS can learn from one another's initiatives. AMS that are at different stages of economic development and trade facilitation are working together to achieve seamless trade in the region. The region is a microcosm of the world, with the world's top performer in trade facilitation, Singapore, alongside emerging countries like Cambodia, the Lao PDR, and Myanmar. Trade dependent AMS have been working towards seamless trade facilitation for a long time. Singapore's national single window started in the late 1980s and was continuously upgraded. Thailand's Customs 4.0 and Malaysia's uCustoms offer many new and innovative trade facilitation features. These countries have in place facilitative measures, such as advanced rulings, pre-arrival processing, and authorised economic operators. A number of cases of good practices in AMS are worth emulating by other AMS. The ASEAN process can help countries learn from one another.

The second example of cooperation can be found in the development of ASEAN-specific measures of trade transactions costs, which was an essential step towards measuring the success of the common goal of reducing trade transaction costs. ERIA's proposal to use release times at the border as a suitable way of measuring trade transaction costs was accepted by the AMS. As part of this effort, the AMS conducted a Time Release Study (TRS) during 2018–2019 to assess the bottlenecks in their border procedures for importing and exporting. While each country conducted the TRS according to methodology recommended by the World Customs Organization, the countries agreed to a minimum scope of the TRS so that consistent information could be produced. To the author's knowledge, this is a first instance where countries collaborated in the process of identifying bottlenecks in their respective procedures and could be the first step towards even further collaboration in trade facilitation.

Third, ASEAN's effort towards cross-border paperless trade in the form of the ASEAN Single Window (ASW) is noteworthy. One may recall that based on the UNTF data, this is one area where trade implementation is lacking in both Europe and Asia. In ASEAN, the National Single Window and the ASW have been the flagship initiatives on trade facilitation since the mid-2000s. While each member country will develop its paperless trading system in the form of the NSW, the ASW will facilitate cross-border paperless trade by enabling the exchange of trade documents.

The extent of implementation towards paperless trade varies tremendously. For developing ASEAN countries, a greater focus and investment in improving the NSWs deserve top policy priority. Investment in ICT infrastructure and the capacity building of officials to use electronic systems is necessary to unleash the full potential of the NSWs. But Thailand, Viet Nam, Indonesia, Malaysia, and Singapore, which already have advanced NSWs, have been participating in the ASW pilot project for the electronic exchange of the document required for the ASEAN preferential tariff treatment (ASEAN Trade in Goods Agreement Form D) to facilitate cross-border paperless trade.

Areas of Cooperation

The degree to which trade facilitation is amenable to international cooperation is an important question. After all, trade facilitation is about assessing the bottlenecks in existing trade-related procedures and mitigating or reforming those that are excessively burdensome without compromising legitimate objectives of regulation. Some of the border procedures are quite technical (e.g. risk management) and thus require good training and capacity development of administrators. Ultimately, agreeing upon and adhering to international best practices would maximise the efficiency of border procedures.

As with ASEAN, where AMS have tried to leverage each other's strengths by embarking on an ambitious economic integration goal to create an ASEAN Economic Community, there is scope for knowledge sharing, the coordination of efforts, and specific agreements on trade facilitation in trade deals amongst ASEM countries. For lagging countries, high-quality trade facilitation will require both physical infrastructure and capacity building, which can be supported by more experienced trade facilitators. Organising/supporting workshops, seminars, or training courses on complicated trade facilitation elements like integrated risk management could help emerging countries accelerate their performance.

In light of digital technology, cross-border paperless trade facilitation could be instrumental in improving connectivity among ASEM countries. Even for more advanced countries, cross-border trade facilitation remains the next frontier in trade facilitation. For smooth paperless trade, there is a need for technical and legal harmonisation to ensure interoperability, capacity building, collaboration, and intergovernmental coordination. There is some progress in this regard. Many Asian countries have adopted a Framework Agreement on Cross-Border Paperless Trade Facilitation, which envisions the electronic exchange of trade-related data and documents across national trade systems. The ASEM process can foster closer cooperation on the Single Window.

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Appendix: List of trade facilitation measures assessed by the UNTF Survey

1. National Trade Facilitation Committee or similar body
2. Publication of existing import–export regulations on the internet
3. Stakeholders' consultation on new draft regulations (prior to their finalisation)
4. Advance publication/notification of new trade-related regulations before their implementation
5. Advance ruling on tariff classification and origin of imported goods
6. Risk management
7. Pre-arrival processing
8. Post-clearance audits
9. Independent appeal mechanism
10. Separation of Release from final determination of customs duties, taxes, fees, and charges
11. Establishment and publication of average release times
12. Trade facilitation measures for authorised operators
13. Expedited shipments
14. Acceptance of copies of original supporting documents required for import, export or transit formalities
15. Automated Customs System
16. Internet connection available to Customs and other trade control agencies
17. Electronic Single Window System
18. Electronic submission of Customs declarations
19. Electronic application and issuance of import and export permit
20. Electronic Submission of Sea Cargo Manifests
21. Electronic Submission of Air Cargo Manifests
22. Electronic application and issuance of Preferential Certificate of Origin
23. E-Payment of Customs Duties and Fees
24. Electronic Application for Customs Refunds
25. Laws and regulations for electronic transactions
26. Recognised certification authority
27. Electronic exchange of Customs Declaration
28. Electronic exchange of Certificate of Origin
29. Electronic exchange of Sanitary and Phyto-Sanitary Certificate
30. Paperless collection of payment from a documentary letter of credit
31. National legislative framework and/or institutional arrangements for border agencies cooperation
32. Government agencies delegating controls to Customs authorities
33. Alignment of working days and hours with neighbouring countries at border crossings
34. Alignment of formalities and procedures with neighbouring countries at border crossings
35. Transit facilitation agreement(s)
36. Customs Authorities limit the physical inspections of transit goods and use risk assessment
37. Supporting pre-arrival processing for transit facilitation
38. Cooperation between agencies of countries involved in transit

The European Union–Viet Nam Free Trade Agreement

PROCESS, IMPACTS, AND MAJOR LESSONS

THANH TRI VO

1. Introduction

Bilateral and regional trade agreements strengthen the economic connectivity and deepen the institutional integration within and between regions. Trade agreements between European and Asian countries are especially beneficial because they strengthen the international production networks within and between Asia and Europe. The increasing integration of the European Union (EU) with Asia's value chains have resulted in increased trade, investment, and economic cooperation. This EU–Vietnam Free Trade Agreement is a notable example.

Viet Nam has embarked on comprehensive economic reforms since the initiation of Doi Moi (Renovation) in 1986. Despite differences in the types of reforms and variations in the pace of implementation over time, such reforms have rested on three major pillars – (i) market-oriented reforms, (ii) macroeconomic stabilisation, and (iii) pro-active integration.¹ Notably, the integration process has closely interacted with domestic reforms, especially in terms of institutions for the market economy. According to various studies (e.g. Dinh et al. 2009, CIEM 2013), the periods with more meaningful efforts to liberalise trade and investment (i.e. 1989–1996, 2000–2007, and 2014–2019) have also been those with comprehensive reforms of domestic economic institutions.

Ensuring sustainable benefits from furthering economic integration remains an important priority for Viet Nam.² From the country's perspective, the degree of international integration remains low in many fields, particularly in terms of the harmonisation of standards, mutual recognition, and market economy reforms, etc. The deepening of integration in those areas is thus essential for inducing improvements in domestic capacity. From that perspective, high-standard free trade agreements (FTAs), particularly with more advanced partners, are instrumental for Viet Nam.

¹ For more details, see Dinh et al. (2009).

² This was reaffirmed in Resolution 06-NQ/TW by the Steering Committee of the Communist Party of Viet Nam in November 2016.

The context for trade and investment liberalisation has witnessed increasing uncertainty during 2016–2020, and this will continue. Despite imperfections, the new-generation FTAs have at least set out areas and the associated depth for trade and investment liberalisation, even at the behind-the-border level, where agreement can be reached. Following the implementation of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), the European Union–Viet Nam FTA (EVFTA) would be expected to further cement Viet Nam’s approach to trade and investment liberalisation as well as domestic economic reforms. While multilateral trade liberalisation remains far-reaching, the weakening momentum for liberalisation attempts in various markets and regions implies that any progress to renew plurilateral and regional trade liberalisation – such as via the EVFTA – could prove to be eventually meaningful. At the same time, coordinated efforts at the international/regional level would not suffice in the absence of an appropriately adapted strategy to effectively liberalise and promote trade and investment in each and every economy, and even more so for a developing economy like Viet Nam.

This chapter attempts to review the process and impacts of the EVFTA on Viet Nam’s economy. In doing so, it relies on a survey of literature on the EVFTA and its impacts and, on that basis, summarises the major lessons from the EVFTA.

The remainder of this chapter is structured as follows. Section 2 briefly describes the EVFTA process. Section 3 then surveys the literature on the impacts of the EVFTA on Viet Nam’s economy. Section 4 discusses the key lessons from the EVFTA. Section 5 offers some concluding remarks.

2. Key Milestones of the EVFTA

In October 2010, Viet Nam and the European Union (EU) agreed to kick off negotiations for a trade deal. In June 2012, the first negotiation round began. Until August 2015, Viet Nam and the EU completed 14 official negotiations and a number of mid-term negotiations. Viet Nam and the EU announced the end of negotiations on 4 August 2015, and negotiations were formally concluded on 1 December 2015.

On this basis, Viet Nam and the EU carried out preparations for signing and ratifying the EVFTA. On 1 February 2016, the full official text of the EVFTA was published. On 26 June 2018, the EVFTA was divided into two agreements, the EVFTA and the EU–Viet Nam Investment Protection Agreement (EVIPA).³ In the same month, the legal review of the EVFTA was

³ As noted by the European Parliament (n.d.), ‘The FTA and IPA were initially negotiated as a single text, but in 2018 the EU and Viet Nam decided to split them, following the approach chosen for the trade and investment agreements with Singapore. The FTA covers exclusive EU competences, and can therefore be ratified by the EU alone, without involving the Member States. The IPA covers non-direct (“portfolio”) investment and investor-state dispute settlement mechanisms: these are shared competences, on which the EU shares decision-making powers with Member States, meaning that the agreement must also be ratified by them.’

formally concluded, and the content of the EVIPA was agreed. In August 2018, the legal review of EVIPA was formally concluded. On 17 October 2018, the European Commission officially adopted the EVFTA and the EVIPA. On 25 June, 2019, the European Council approved the EVFTA and EVIPA and accepted for the EU to sign the agreements with Viet Nam. On 30 June 2019, the EVFTA and EVIPA were officially signed.

In February 2020, the European Parliament ratified the EVFTA and EVIPA. The EVIPA was passed with 407 votes for the agreement, 188 against the agreement, and 53 abstentions; and the EVFTA, with 401, 192, and 40 votes, respectively. To complete the ratification on the EU side, the EVIPA will have to be passed by all individual parliaments of EU Member States. On 30 March 2020, the European Council adopted the decision to conclude the EVFTA. In May 2020, the EVIPA and EVFTA were submitted to the National Assembly of Viet Nam for consideration and ratification. They were ratified by the National Assembly of Viet Nam in June 2020. Accordingly, the EVFTA will enter into force as early as August 2020, while the EVIPA will do so after ratification by the parliaments of all EU Member States.

As a final note, the negotiations for the EVFTA started about two years after Viet Nam joined the Trans-Pacific Partnership Agreement (TPP) negotiations. Accordingly, policymakers and the public were more open and accustomed to the debate on binding, even restrictive, commitments under new-generation FTAs (including the TPP). In this regard, the high standard of the EVFTA in various areas – such as regarding state-owned enterprises, sustainable development, and labour rights, etc. – appeared to be less of an issue. Conversely, the potential benefits from the EVFTA added to those of the TPP, which all together contributed to affirming Viet Nam’s determination to embrace high standards in FTAs. The subsequent section will survey the literature on the impacts of the EVFTA on Viet Nam’s economy.

3. Impacts of the EVFTA on Viet Nam’s Economy: Literature Survey

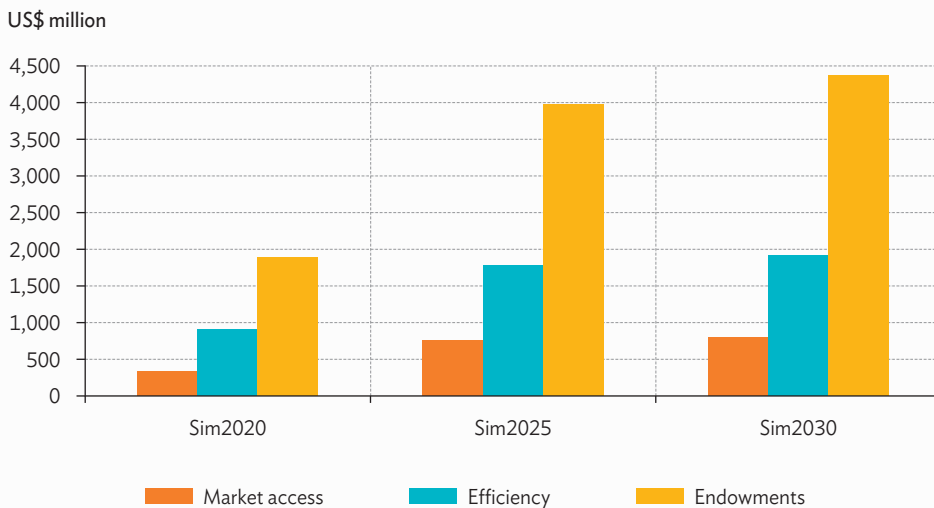
3.1 Impacts on gross domestic product

Various quantitative studies (e.g. Baker et al. [2014], Baker et al. [2017], and Ha [2020]) show that Viet Nam may potentially gain significantly from the EVFTA. According to Baker et al. (2017), compared with the business-as-usual baseline, the expected gains are US\$3.2 billion in 2020, US\$6.7 billion in 2025, and US\$7.2 billion in 2030. In terms of national income, the EVFTA may help expand Viet Nam’s economy by 2.5%, 4.6%, and 4.3% in 2020, 2025, and 2030. During 2017–2030, the EVFTA may help increase Viet Nam’s average annual GDP growth rate from 4.2% to 4.6%.

Using contextual updates until September 2019,⁴ the Ministry of Planning and Investment of Viet Nam (2019, cited in Ha [2020]) estimates that Viet Nam’s annual gross domestic product (GDP) may increase by 1.24%–2.02% during 2022–2024, by 3.53%–4.37% during 2025–2030, and by 4.65%–5.27% by 2030, depending on the scenarios.

The quantitative studies also attempt to explain the impacts on Viet Nam’s GDP. Baker et al. (2017) contends that Viet Nam has a high ratio of trade to GDP as well as a significant volume of trade with the EU, while the EU applies reasonably high protection level against Viet Nam’s major exports. In addition, the EVFTA may contribute substantially to abolishing Viet Nam’s significant protection across a wide range of industries. In particular, three main sources of gains for Viet Nam include: (i) improved market access, (ii) better use of resources at home, and (iii) the use of previously underemployed endowments of capital and labour (Figure 1). Ha (2020) adds that the phasing out of non-tariff barriers and surge in foreign direct investment inflows to Viet Nam may have significant impacts on GDP in the medium-to-long term, while the long term may also see the contribution of productivity improvement.

Figure 1: Decomposition of Gains in Income



Source: Baker et al. (2017).

⁴ Including the United States–China trade war and Brexit, etc.

The above projection of impacts may be of no surprise to Viet Nam. From joining the World Trade Organization (WTO), Vietnamese enterprises have had lower costs of accessing and expanding to international markets whilst enjoying more equal treatment in trade and dispute settlements. Such lower costs have resulted from the domestic economic reforms that have been parallel to the negotiations for WTO accession since 2000. This effect was seen beforehand in Roland-Holst et al. (2002), and was ex post confirmed in Vo and Nguyen (2009). Third, Viet Nam has continued to appeal to foreign investment thanks to sustained political and socio-economic stability (CIEM, 2010, 2013).

The studies using ex ante and ex post quantitative analyses of the impacts on Viet Nam's economy are subject to several limitations. These analyses have to assume that any agreement will be implemented as designed. Meanwhile, non-tariff measures may prevent further meaningful liberalisation as desired in implementing existing and future FTAs (Nguyen et al., 2015). Some tariff peaks may be prohibitive, which may cause the projected gains from tariff reform to be overstated. Finally, the ex post studies, however technically rigorous, cannot entirely separate the impacts of trade and liberalisation from those due to other policies within Viet Nam.

Nguyen et al. (2015) also identify several limitations with the computable general equilibrium class of model employed in various studies (such as Nguyen et al. [2015], World Bank [2018], and Baker et al. [2017]). First, some changes in production and consumption behaviours are assumed to be automatic in response to tariff changes (and thus relative prices), whilst some practical factors are ignored that may affect FTA utilisation instead. Second, these models can hardly incorporate the impacts of institutional improvement and foreign capital flows. Third, the scenarios are quite useful to the extent that they help focus on the impacts of various FTAs, but the actual non-trade policy settings may not be entirely consistent with such scenarios.

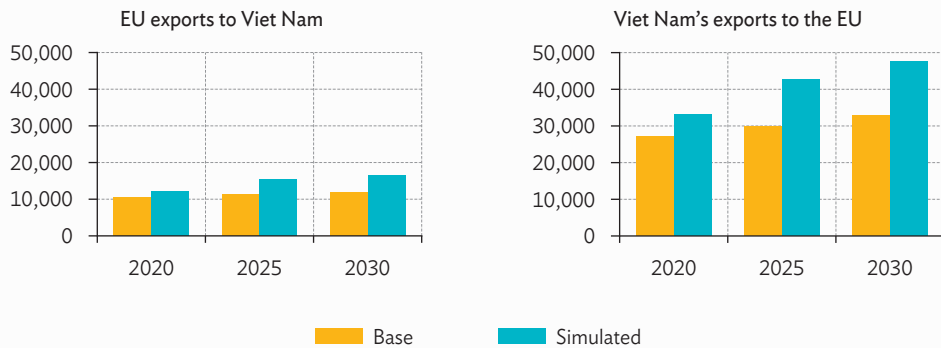
3.2 Impacts on trade

The quantitative studies explain Viet Nam's improvement in GDP by the trade expansion induced by the EVFTA. According to estimates by Baker et al. (2017), by 2030, Viet Nam's exports to the EU under the EVFTA may increase by 44% compared with the baseline, while EU exports to Viet Nam may rise by 37% (Figure 2). Of note, most of the tariff reductions will have been implemented by 2030.

Compared to the baseline, however, the EVFTA also shows a diversion effect on exports. According to Baker et al. (2017), this is explained by the relatively small scale of Viet Nam and its resources, which impose a constraint over supply. Accordingly, Viet Nam's overall export growth would be improved by a lesser extent than its export growth to the EU.

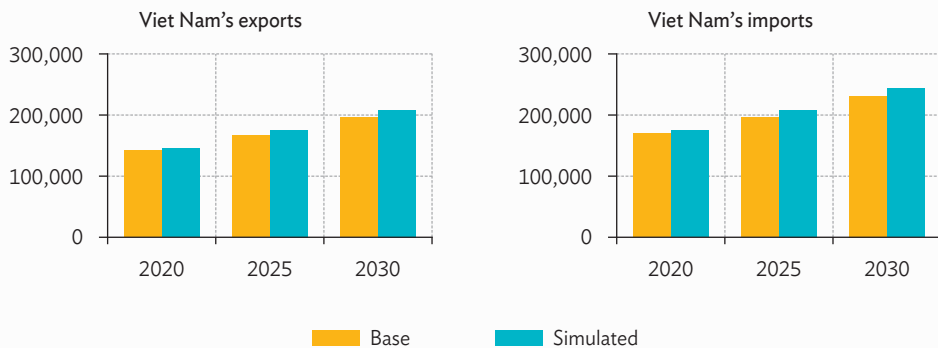
In the estimates by Baker et al. (2017), overall exports under the EVFTA in 2020, 2025 and 2030 will increase by 3.1%, 5.7%, and 5.6%, respectively, compared with the baseline (Figure 3). Meanwhile, the Ministry of Planning and Investment (2019, cited in Ha [2020]) estimates that the average annual increase in overall exports due to the EVFTA would range between 3.148% and 5.13% for 2022–2024, and between 10.518% and 19.74% for 2025–2030.

Figure 2: Bilateral Exports in 2020, 2025, and 2030 (US\$ million)



Source: Baker et al. (2017).

Figure 3: Viet Nam's Overall Exports and Imports in 2020, 2025, and 2030 (US\$ million)



Source: Baker et al. (2017).

Viet Nam's import structure will also witness a shift due to the impacts of the EVFTA. Baker et al. (2017) estimate that Viet Nam's overall imports under EVFTA will increase by 3.2% in 2020, 6.1% in 2025, and 5.94% in 2030 compared with the baseline. A more recent estimate by the Ministry of Planning and Investment (2019, cited in Ha [2020]) shows that the increase in overall imports may range between 2.72%–5.02% for 2022–2024, and between 10.08% and 14.7% for 2025–2030. For all the years, the import expansion under the EVFTA is mostly contributed by the increase in foreign direct investment, which could account for up to 76.8% of the import expansion.

It should be noted that Viet Nam's actual import growth depends on numerous factors, including the domestic capacity to conduct trade policy. In fact, amongst the key reasons for slower import growth since 2011 are the restructuring of the economy and control of public investment to help stabilise the macroeconomic environment, which all together reduced demand for imports (Nguyen et al., 2017). In addition, Viet Nam enhanced its capability to use more non-tariff measures, which effectively reduced imports (Nguyen et al., 2019).

3.3 Sectoral impacts

The impacts of the EVFTA, nevertheless, vary across sectors. Baker et al. (2017) estimates that for most sectors, the change in output relative to the baseline in Viet Nam is between 0.5% and 2% in any particular year. The increase in output is most significant for the textile, apparel, and footwear (leather) industries when EU tariffs on these items of 12%–17% are removed. The largest impacts occur in 2025, by which time most of the tariffs will be removed. There are contractions in 'other crops', forestry, resources, electronics, wood products, machinery and equipment, and ferrous metal products. Most of the contractions in output in a specific sector are less than 3%.

Baker et al. (2017) suggest that the overall trade impacts may be more considerable for some sectors. The most significant changes may be for apparel (US\$4.3 billion) and footwear (US\$2.1 billion), equivalent to 15% and 33% from the 2025 base of these sectors. Other sectors with significant changes in trade are textiles (US\$349 million) and 'other food products' (US\$169 million). Meanwhile, services trade may significantly increase in air transport and business services not elsewhere classified (i.e. excluding finance and insurance).

However, Viet Nam's exports to the EU are expected to increase significantly for some sectors (Baker et al., 2017). Consistent with the pattern of overall trade across sectors, the most significant increases in exports to the EU may be textiles, apparel, and footwear. In addition, rice and fish products may contribute significantly to exports to the EU in both relative and absolute terms. The export increase pattern will not linear over time; instead, most of the increase is expected to accrue during the first seven years when the EU phases in its reforms.

In terms of overall imports, the largest surge may be with textiles, which serve as inputs for export production (Baker et al., 2017). Similarly, a large increase in leather imports will support the manufacture of footwear. Imports of certain products from the EU may go up more drastically as Viet Nam’s existing high tariffs are phased out. In percentage terms, the most significant increases in imports are expected to occur for pork and poultry, beef, other crops, forestry, dairy products, other processed foods, and leather. The services sectors with significant import growth will be finance and insurance, and air and sea transport.

3.4 Income and social impacts

Baker et al. (2017) is the only study that documents the simulation results of how the EVFTA affects the income of wage earners across sectors and genders (Table 1). The authors treat income from several activities (if any) as if such income was generated from the main economic activity, which also indicates the sector/occupation of the worker.⁵ For such sectors as electronics, wood products, machinery and equipment not elsewhere classified (n.e.c.), and ferrous metals, labour income is projected to decrease relative to the baseline for both men and women. The adverse impact is smallest in 2020, perhaps due to the phasing in of commitments over time. The income reduction may be larger for women than men in the electronics and machinery and equipment sectors.

Table 1: Changes in the Labour Income of Wage Earners by Gender and Sector (% EVFTA vs base)

Sector	2020		2025		2030	
	Male	Female	Male	Female	Male	Female
Rice	1.40	0.48	2.65	1.17	2.44	1.00
Vegetables, fruits, nuts	2.64	1.69	4.68	3.85	4.60	3.68
Sugar	-0.42	4.08	0.90	5.46	0.67	5.22
Other crops	0.90	4.01	2.10	5.13	2.12	5.05
Forestry	1.62	1.46	3.14	3.06	3.17	3.05
Fishing	3.63	1.49	6.81	4.62	6.59	4.24
Resources	1.71	1.56	3.30	2.96	3.12	2.77
Minerals	2.46	2.60	4.56	4.92	4.20	4.58

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⁵ Some workers may have more than one economic activity, and the one generating the most income is statistically considered as the main activity.

Table 1: Continued

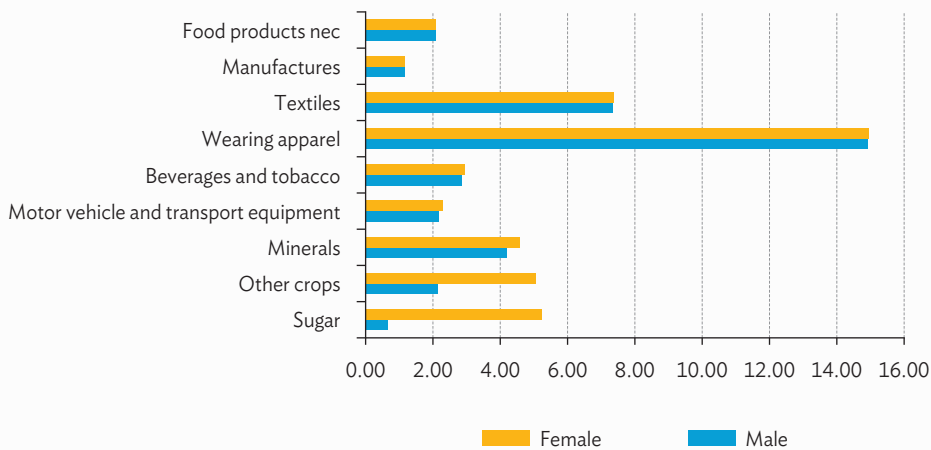
Sector	2020		2025		2030	
	Male	Female	Male	Female	Male	Female
Beef and veal	6.64	n.a.	7.02	n.a.	5.88	n.a.
Pork and poultry	3.12	2.06	5.85	3.77	5.53	3.51
Food products n.e.c.	0.76	0.76	1.86	1.86	2.10	2.11
Beverages and tobacco	1.86	1.90	3.20	3.27	2.86	2.94
Textiles	3.71	3.70	7.31	7.34	7.33	7.36
Wearing apparel	5.05	5.08	14.48	14.54	14.88	14.94
Leather	22.92	22.90	32.63	32.58	31.56	31.53
Electronics	-0.71	-0.79	-1.30	-1.43	-1.10	-1.22
Petroleum, coal products	n.a.	2.24	n.a.	4.52	n.a.	4.12
Motor vehicles and transport equipment	1.24	1.28	2.31	2.43	2.18	2.32
Wood products	-0.86	-0.84	-1.61	-1.61	-1.43	-1.42
Paper products, publishing	1.63	1.57	2.78	2.66	2.76	2.64
Chemical, rubber, and plastics	1.91	1.90	2.78	2.77	2.84	2.83
Machinery and equipment n.e.c.	-0.86	-0.90	-1.58	-1.63	-1.37	-1.43
Mineral products n.e.c.	1.72	1.70	3.22	3.18	3.12	3.08
Ferrous metals	-1.24	-1.22	-2.28	-2.21	-2.00	-1.93
Manufactures	0.73	0.76	0.99	1.02	1.16	1.18
Utilities	1.75	1.75	3.24	3.22	3.08	3.07
Sea transport	2.06	n.a.	6.61	n.a.	3.97	n.a.
Air transport	1.65	0.89	11.87	10.32	8.49	7.11
Other transport	0.79	0.71	5.03	4.85	3.91	3.75
Communication	2.30	1.96	6.96	6.23	6.66	5.95
Retail and wholesale trade	3.17	3.14	5.71	5.67	5.32	5.28
Finance and insurance	1.74	1.64	6.25	6.07	6.06	5.88
Recreation and other services	2.35	2.30	4.16	4.06	3.79	3.70
Business services n.e.c.	2.48	2.46	7.79	7.75	7.40	7.37
Other services	3.11	3.10	5.90	5.88	5.64	5.62

n.a. = data not available, n.e.c. = not elsewhere classified.

Source: Baker et al. (2017).

Consistent with the above discussion of the sectoral impacts, the largest increases in income due to the EVFTA are expected for both female and male workers in the leather, textile and apparel, other business services, and air transport sectors, which benefit most from the implementation of the EVFTA. The sectors with more income gain for women than men are food products n.e.c., manufactures, textiles, wearing apparel, beverages and tobacco, motor vehicles and transport equipment, minerals, other crops, and sugar (Figure 4).

Figure 4: Sectors with a More Favourable Impact on Female Wage Earners
(comparison with male wage earners in 2030, % change of EVFTA vs baseline)



Note: The listed sectors from top to bottom are: Food products not elsewhere classified; manufactures; textiles; wearing apparel; beverages and tobacco; motor vehicles and transport equipment; minerals; other crops; and sugar.

Source: Baker et al. (2017).

Baker et al. (2017) show that income earners in all occupations may benefit from the implementation of the EVFTA (Table 2). Agricultural and unskilled workers have the largest increases in income, at 5.5% for male workers and 4.7% for female workers in 2030 (under the EVFTA vs the baseline). Male officials and managers, and agricultural and unskilled workers are expected to benefit more from the EVFTA than female workers. Meanwhile, women holding jobs as technicians, clerks, and service workers may have a higher income increase than their male counterparts.

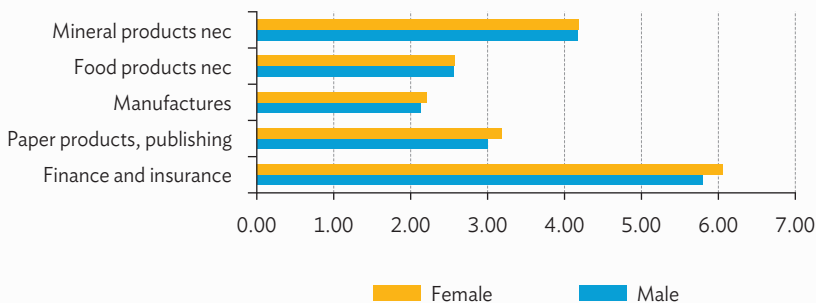
Table 2: Impacts of the EVFTA on the Income of Wage Earners by Gender and Occupation (%)

Occupation	2020		2025		2030	
	Male	Female	Male	Female	Male	Female
Officials and managers	2.3	1.4	5.1	4.1	4.8	3.6
Technicians	2.4	3.6	4.8	6.5	4.6	6.4
Clerks	1.9	3.3	4.5	6.3	4.4	6.2
Service workers	2.5	2.6	4.8	5.3	4.7	5.2
Agricultural and unskilled workers	2.9	2.5	6.0	4.9	5.5	4.7

Source: Baker et al. (2017).

Baker et al. (2017) also document the potential impacts of the EVFTA on the income of self-employed people by sector and gender. Compared to wage earners, self-employed people are expected to enjoy smaller income increases in agricultural activities and other mining; and a greater income gain in the remaining sectors. The sectors in which self-employed women have larger income increases than men include mineral products n.e.c., food products n.e.c., manufactures, paper products and publishing, and finance and insurance (Figure 5).

Figure 5: Sectors with a More Favourable Impact on Self-Employed Women (comparison with self-employed men in 2030, % change of EVFTA vs base)



Note: The listed sectors from top to bottom are: Mineral products not elsewhere classified; food products not elsewhere classified; manufactures; paper products, publishing; finance and insurance.
Source: Baker et al. (2017).

4. Major Lessons from the EVFTA Process

Viet Nam's engagement in the EVFTA process presents some major lessons.

First, any ambitious trade agreement needs to fit in with the broader strategy of economic integration of the country.

The EVFTA is not a standalone integration attempt by Viet Nam. In fact, since Doi Moi (Renovation) in 1986, Viet Nam has gradually opened its economy to foreign trade and investment. Its economic integration process since then has had four milestones.

First, Viet Nam joined the Association of Southeast Asian Nations (ASEAN) in 1995 and the ASEAN Free Trade Area in 1996. By May 2020, Viet Nam was a signatory to an array of FTAs under the ASEAN Plus framework. At the end of 2015, Viet Nam joined the ASEAN Community. As of May 2020, the country was working with ASEAN and its partners to conclude the Regional Comprehensive Economic Partnership (RCEP) between ASEAN, China, the Republic of Korea (hereafter, Korea), Japan, Australia, New Zealand, and India.

Second, Viet Nam negotiated and signed the Viet Nam–United States (US) bilateral trade agreement in 2000, which induced Viet Nam to prepare for regional FTA-based integration and the WTO process and gave Viet Nam better access to the US, its largest export market, implying improved competitiveness relative to other major exporters.

Third, Viet Nam became a member of the WTO in January 2007. The greatest pressures under the WTO are related to institutional reforms and the service sector (CIEM, 2013). To fulfil its WTO commitments, Viet Nam had to amend or promulgate many laws, ordinances, and decrees related to domestic institutional regulations.

Fourth, since 2008, Viet Nam has focused on bilateral and plurilateral FTAs. Even the WTO accession did not mark the end of the country's economic integration process. It negotiated and/or signed, amongst others, the Economic Partnership Agreement with Japan and FTAs with the EU, Chile, Korea, and the Eurasian Economic Union. Whilst the TPP, signed in 2016, could not proceed due to the withdrawal by the US, Viet Nam signed the CPTPP in March 2018 and ratified it in November 2018.

The above integration phases and attempts have enabled Viet Nam to gradually adapt to a rules-based system of trade and investment under international agreements. In light of this, participation in the EVFTA presents a natural attempt that is in line with Viet Nam's economic integration process. Without that long and consistent process, it would have been hard to imagine Viet Nam engaged in such a high-quality FTA as the EVFTA. As noted above, the added benefits from coordinating the TPP and EVFTA negotiations concurrently have been essential in helping to convince domestic stakeholders.

At the same time, the engagement in the FTA with the EU was consistent with the various proposals in the literature (e.g. Truong et al. [2011] and CIEM [2013]) that the selection of partners must be based upon such criteria as general political strategic benefits and national economic benefits.

Second, FTA-based economic integration needs to contribute to enhancing strategic partnership economically.

For decades, Viet Nam's relations with the EU have been strengthened and become increasingly important. Viet Nam and the EU officially established diplomatic relations on 28 November 1990. It was only in 1995 that the two sides signed a framework cooperation agreement, the same year that Viet Nam joined ASEAN and one year after the US embargo on Viet Nam was lifted. In 1996, diplomatic representation of the European Commission was established in Hanoi. In 2004, the first summit between Viet Nam and the EU took place in Hanoi. In 2005, Viet Nam adopted a Master Plan and Action Plan for developing relations with the EU towards 2010 and orientation towards 2015. In 2007, Viet Nam and the EU announced they would start negotiations on a comprehensive partnership and cooperation agreement (PCA). On 4 October 2010, the PCA was initialled by the Prime Minister of Viet Nam and the President of the European Commission. The PCA was officially signed in 2012.

Accordingly, the EVFTA contributes to enhancing the strategic partnership between Viet Nam and the EU. The EU has been the second-largest market for Viet Nam for years, accounting for around 20% of Viet Nam's exports. Various studies (e.g. Truong et al. [2011]; Nguyen et al. [2014]; Nguyen et al. [2017]; and Dinh et al. [2020]) show that Viet Nam and the EU have attained high and increasing complementarity in terms of trade. The EU also ranked higher in terms of technology, which may match the needs of Viet Nam in innovation and the promotion of technology transfer from foreign stakeholders.

Third, the new FTA needs to adhere to new international norms on sustainable development.

Since the end of the global financial crisis, the global economy has undergone a process of slow recovery. Growth patterns have been less predictable and more uneven across different groups of economies. It is becoming more apparent that manipulating macroeconomic policies to achieve growth is hardly viable in various parts of the world, including both the EU and Viet Nam. Fiscal space has become narrower after a prolonged period of stimulus to combat economic downturn. In this context emerges the need for efforts to identify more broad-based sources of growth. Such efforts should target not only high and sustainable economic growth but also wider participation by various groups, such as women, young people, the elderly, and ethnic minorities. More importantly, such efforts should incorporate international collaboration to facilitate shared experiences and promote action for sustainable development.

The EVFTA helps promote sustainable development in that it provides for various chapters and commitments related to trade and sustainability, renewable energy, and labour rights, etc. A number of these issues are still new and not yet fully understood by Viet Nam. For instance, some provisions under the Trade and Sustainable Development chapter may not have common interpretation by Viet Nam and the EU. Although the EVFTA was signed after the CPTPP, the idea of having a report on the Sustainability Impact Assessment of an FTA was introduced under the EVFTA process, reflected by the reports by Baker et al. (2014) and Baker et al. (2017). That is, impact assessment of the EVFTA is no longer restricted to economic and trade aspects but also encompasses other selected areas related to sustainable development, such as income distribution and the environment, etc.

While these new (and perceivably demanding) requirements may impose adjustment costs and weaken Viet Nam's export competitiveness at least in the short-to-medium term, they may support the country in pursuing its committed Sustainable Development Goals to 2030. However, the EVFTA does not simply incorporate Viet Nam's commitments. The agreement also incorporates provisions on cooperation and capacity building, which Viet Nam may resort to in its implementation of sustainable development.

Fourth, the key principle of a high-quality EVFTA needs to be retained. In doing so, flexibility may be required.

Promoting a high-quality FTA such as the EVFTA is no easy task. However experienced, the efforts made by Viet Nam (and the EU) in the negotiation and ratification processes cannot be fully articulated. Neither the time from the conclusion of negotiations (December 2015) to the ratification by the EU (February–March 2020) nor the split of the agreement into the EVFTA and EVIPA could describe in full the challenges encountered by both sides to promote the deal, including its high quality. Meanwhile, such factors provided the flexibility needed for the EVFTA process. In this regard, the high quality of the CPTPP could offer a benchmark and share the burden of acquiring consensus in Viet Nam for the EVFTA process. Nevertheless, one cannot underestimate the endeavour and commitments of both sides to promote a high-quality agreement.

Fifth, the high-quality FTAs must be consistent with domestic reforms.

As noted previously, the integration process has closely interacted with domestic reforms, especially in terms of institutions for a market economy. According to various studies, the periods with more meaningful efforts to liberalise trade and investment (i.e. 1989–1996, 2000–2007, and 2014–2019) were also those with comprehensive reforms of domestic economic institutions. As part of Viet Nam's integration attempts, the EVFTA also incorporates consistency with Viet Nam's domestic reforms.

The content on sustainable development, as previously elaborated, may support Viet Nam in pursuing the Sustainable Development Goals to 2030. Besides, the EVFTA covers the discipline of state-owned enterprises (SOEs), and this complements Viet Nam's state-owned enterprise reforms and restructuring. Another area involves competition policy, for which Viet Nam has been improving its institutions and practices.

Over the past decade, Viet Nam has substantially improved its domestic economic and policymaking capacity. The momentum for domestic reforms has been sustained, at least since 2014 with the introduction of Resolution 19 (during 2014–2018) and Resolution 02 (during 2019–2020) on business environment reforms and national competitiveness. In particular, the reduction of market entry conditions and unnecessary regulatory burdens on businesses have also contributed to streamlining non-tariff measures (Artuso and Nguyen, 2019). The question that naturally arises in this context is whether Viet Nam can promote reforms on a self-induced basis and whether the doctrine of FTAs as external pressures for domestic reforms still holds for Viet Nam. The answer is perhaps both yes and no. That is, Viet Nam could, as per its capacity, adopt good practices for reforming various areas of its domestic economy and policymaking process, but it also needs the high-quality EVFTA to bring the reforms in line with international best practices.

Finally, advocacy for the EVFTA was accompanied by an appropriate communication strategy that helps solidify social consensus.

Consulting relevant stakeholders, including the business community and foreign investors, is an important component of major economic reforms. Notwithstanding the top-down approach towards formulating reforms in past decades, Viet Nam has more recently endeavoured to consult stakeholders as part of the process of implementing its regional economic integration commitments and domestic reforms. The scope of consultation has gradually been expanding. Various workshops and dialogues have been organised to consult the business community about various integration roadmaps and other related issues. This practice of consultation was formalised in 2010 after the prime minister made consultations with stakeholders mandatory when formulating major economic reforms.

Regarding the EVFTA, the views of stakeholders on such major issues as tariff reductions, rules of origin, sustainable development, and intellectual property rights, etc. were collected. Various consultation workshops on the EVFTA contributed to raising awareness of the ASEAN Economic Community ahead of any potential changes. These were consistent with the instructions of the Politburo and the government on raising awareness of the economic integration process. Viet Nam did not refrain from engaging in frank and open dialogues on such sensitive issues as investor-state dispute settlement mechanisms and intellectual property rights, etc. In this regard, the documented impacts on household income and income by gender could be useful. Through such efforts, the EVFTA (as well as the CPTPP) did not receive adverse comments within Viet Nam to the extent that could have reversed the process.

5. Concluding Remarks

This chapter attempts to review the process and impacts of the EVFTA on Viet Nam's economy, as well as the major lessons from the EVFTA process. Following years of negotiations and follow-up efforts, the ratification process for the EVFTA was completed in June 2020. The agreement will enter into force as early as August 2020, while the EVIPA will enter into force following ratification by the parliaments of all the EU Member States. The negotiations of the EVFTA were conducted in parallel with the TPP negotiations, which helped to manage a domestic consensus and retain the high quality of the agreements. The EVFTA is expected to benefit Viet Nam's economy in terms of GDP and trade, though some diversion effects will potentially take place. A distributive effect of the EVFTA may be a concern for some sectors and/or for women.

The EVFTA process presents some major lessons. First, the trade agreement should fit in with the national strategy for economic integration. Second, the agreement needs to contribute to enhancing strategic partnerships economically. Third, the EVFTA needs to incorporate new international norms on sustainable development. Fourth, the agreement needs to maintain a high quality, although some flexibility may be allowed. Fifth, the agreement must be consistent with domestic reforms. Finally, managing a domestic consensus, including via an appropriate communications strategy, plays an essential role.

The above discussion has some implications for ASEAN. *First*, each ASEAN Member State (AMS) needs to strive to implement, conclude, or start negotiations for an FTA with the EU, acknowledging the importance of such deals in terms of enhancing market access with complementarity to domestic reforms, etc. This process may be fast or take a bit more time depending on individual AMS in line with the 'ASEAN way', yet should be promoted for enhanced regional economic linkages and open regionalism that ASEAN as a whole supports.

Second, AMSs need to continue to promote domestic reforms to prepare for and embrace high-quality FTAs with the EU. Leveraging FTAs with the EU as a driver for domestic reforms is still relevant, but this driver should not be the only one. To complement this effort, AMS need both rigorous impact assessment of the FTAs as well as consultations with stakeholders.

Third, AMS should review the need for cooperation and capacity building for the effective preparation and implementation of FTAs with the EU. Such a need may be directly incorporated in the FTAs with the EU themselves. In addition, AMS may foster relevant programmes and efforts for cooperation and capacity building amongst themselves. Eventually, this will forge cooperation within ASEAN processes as well as the sense of an ASEAN community.

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The Asia–Europe Meeting’s Role in Promoting E-commerce

LURONG CHEN

Abstract

Asia and Europe have big potential in developing e-commerce, and the Asia–Europe Meeting (AEM) has an important role to play in helping both to harness this potential. Promoting digitalisation and e-commerce is a top priority in the drive to further connectivity and cooperation between Asia and Europe. One of the basic requirements for achieving economic success in the digital era is data connectivity. In particular, the Asia–Europe Meeting must collaborate in facilitating free flow of data with trust.

The Asia–Europe Meeting in Global E-commerce

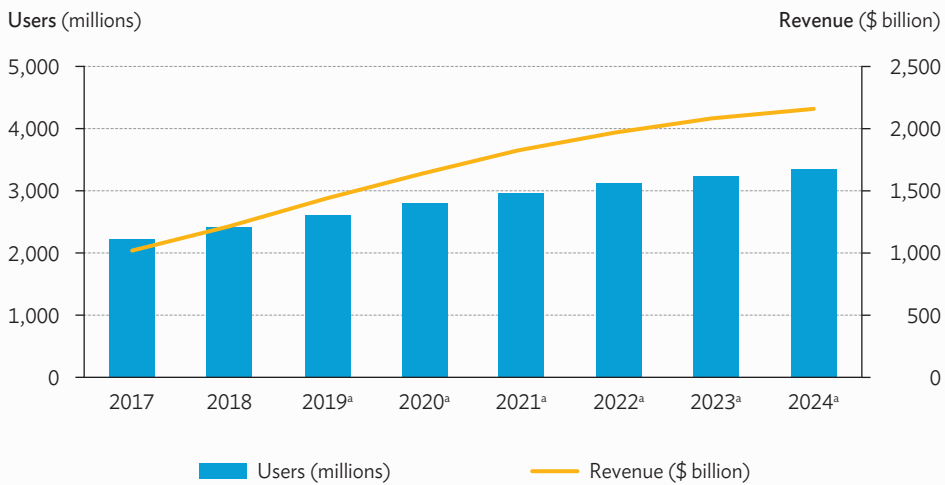
E-commerce is one of the most dynamic sectors in the global economy. Global e-commerce sales have been climbing steadily, and sustained growth is in sight. Worldwide, e-commerce retail sales increased at a two-digit growth rate from \$1.5 trillion in 2015 to \$3.5 trillion in 2019, and were projected to increase further to \$6.5 trillion by 2023, representing nearly one-quarter of total global retail sales.

Several different factors have laid a solid foundation for booming cross-border e-commerce, including the use of smartphones, high-speed Internet, the maturity of online payment systems, changes in consumer behaviour, and services sector liberalisation. By introducing new digital tools such as artificial intelligence, cloud computing, big data, and machine learning to the market, digitalisation is disrupting traditional ways of doing business, in several different ways (Chen and Kimura, 2020). For instance, in the business-to-consumer e-commerce market, smartphone access accounts for more than half of retail website visits worldwide and most e-retail revenue. A variant of e-commerce, the so-called mobile commerce or M-commerce, is supported by the development and integration of smartphone, digital identification, e-payment, and Internet technologies that effectively facilitate online marketing and shopping.

By the end of 2018, there were over 2.4 billion e-commerce users in Asia–Europe Meeting (ASEM) countries, accounting for more than \$1.2 trillion in total revenue. China is the largest e-commerce market in terms of the number of users and annual e-commerce revenue.

Japan, the United Kingdom, Germany, and the Republic of Korea were also at the top of the list in terms of annual e-commerce revenue. It is projected that the total number of e-commerce users worldwide will reach 3.4 billion and total e-commerce revenue will reach \$2.2 trillion by 2024 (Figure 1).

Figure 1: Asia–Europe Meeting E-commerce Revenue and Number of Users



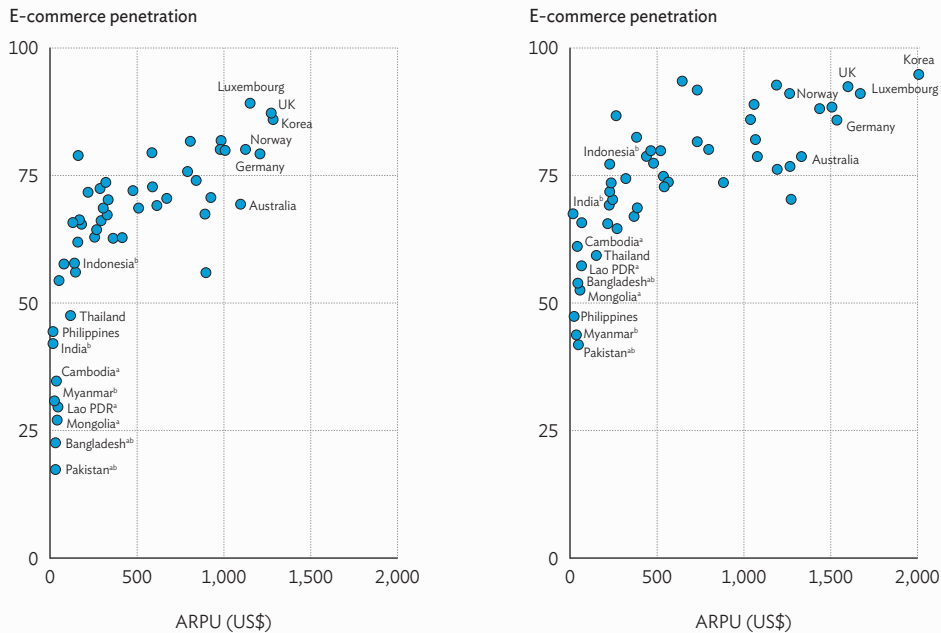
^a projected data.

Source: Author. Raw data retrieved from Statista Digital Market Outlook 2019. www.statista.com (accessed 27 June 2020).

All ASEM e-commerce markets, especially those of Asia's three most populous economies – China, India, and Indonesia – are projected to experience high-speed growth. In terms of average e-commerce revenue per user (ARPU), there are gaps between Asian and European countries. Of the seven countries in which ARPU exceeded \$1,000 in 2018, five were in Europe. In general, penetration and average spending on e-commerce per capita is lower amongst Asian users than European users. Nonetheless, Asia is catching up fast. It is estimated that, in the next 5–10 years, the top five fastest growing e-commerce markets in the world will all be in Asia.¹

¹ Measured by the compounded annual growth rate of e-commerce penetration, the top five fastest growing markets are Bangladesh, Pakistan, the Lao People's Democratic Republic, Mongolia, and Cambodia. The top five measured by compounded annual growth rate of average revenue per user are Indonesia, Pakistan, Bangladesh, Myanmar, and India.

Figure 2: Asia–Europe Meeting E-commerce Penetration and Average Revenue per User



ARPU = average e-commerce revenue per user, Korea = Republic of Korea, Lao PDR = Lao People’s Democratic Republic, UK = United Kingdom.

^a Top five countries with the highest growth of e-commerce penetration.

^b Top five countries with the highest growth of average revenue per user.

Source: Author. Raw data retrieved from Statista Digital Market Outlook 2019. www.statista.com (accessed 27 June 2020).

By 2024, both e-commerce penetration and ARPU in Asia will have increased significantly. Although the digital divide is unlikely to disappear, the gap between advanced economies and developing economies in Asia is narrowing, especially in terms of e-commerce penetration (Figure 2).

In short, doing business online involves fewer intermediate links between sellers and buyers. Thanks to easier access to the Internet and e-commerce enabling services (e.g. searching, delivery, digital identification, payment, and consumer protection), e-commerce effectively lowers market entry barriers and enables more individuals and micro, small, and medium-sized enterprises (MSMEs) to tap into markets. Internationally, it facilitates trade and investment by reducing cross-border transaction and delivery costs and, more importantly, promoting

international diffusion of information and increasing transparency, which helps identify new markets and expands global value chains (GVCs) (Chen, 2017; 2019). On the supply side, the development of information and communication technology (ICT) is not only enhancing existing globalisation (characterised primarily by international trade and GVCs), but also is leading to a new pattern of international division of labour that facilitates individuals and MSMEs to participate into GVCs (the ‘third unbundling’) (Baldwin, 2016; Kimura, 2018; Kimura and Chen, 2018). At the micro-level, e-commerce could empower MSMEs to achieve inclusive growth by creating opportunities for them to gain wider market access without incurring overhead costs. For both Asia and Europe, linking MSMEs to GVCs through e-commerce tends to result in significant market expansion and, more importantly, generates a large multiplier effect on the rest of the economy.

Digitalisation is having a deep impact on the global economy, and e-commerce development is one the main dimension of development. To tap into ASEM’s e-commerce potential, the sector cannot be looked at from a single perspective. Instead, leaders from Asia and Europe need to work towards supporting the entire value chain network covering both continents. This means empowering multiple players within the e-commerce ecosystem, facilitating cross-border trade, and building trust for consumers to ‘ride the digital wave’. Aiming to coordinate the Asia–Europe engagement and activity on connectivity, the ASEM established the ASEM Path Finder Group on Connectivity (APGC) which consists of six areas of focus, and ‘Future Connectivity and Digital Economy’ is one of them (‘Area of Focus 4’).

Policy Concerns and Priority

Promoting digitalisation and e-commerce shall be seen as a drive of further connectivity and cooperation between Asia and Europe. For ASEM Partner states, the goal is to create opportunities to realise the potential for rapid growth by collectively improving digital connectivity, accelerating digital transformation, and facilitating online business, as this is related to the wellbeing of over 55% of the world’s total population. Tasks related to this mainly fall under the economic and financial pillar of ASEM, but must also be supported by synchronised progress under the political and sociocultural pillars.

In addition to the market actions that determine the pace of technological progress and market adoption, the country’s national development strategy and economic policies also play a vital role in e-commerce. Especially in areas where the market mechanism loses its effectiveness or efficiency, policy intervention can help eliminate or mitigate the consequences of market failure by providing public goods. To promote e-commerce development, the establishment of the regulatory framework is as important as that of network infrastructure.

First, policy efforts to help the market save ‘reaction’ time in response to new technology waves and seize possible opportunities of leapfrog development. Government support can help e-commerce find a more development-friendly market environment (i.e. an open market with a well-functioning legal system) and grow more rapidly as a result. Second, public sector participation in logistics and infrastructure building will help fill the development gaps and improve overall connectivity. Third, policies in favour of service sector development will have a positive spillover effect on e-commerce. For instance, service efficiency will decrease trade costs, increase reliability, and therefore promote e-commerce activities. Fourth, the online marketplace needs rules and regulations to ensure its openness, fair competition, security, and efficiency. Finally, policy support to improve human capital and labour skills will contribute to the long-term success of e-commerce (Chen, 2017; 2019).

Above all, ASEM Partner states seeking to cooperate in promoting e-commerce development should improve digital connectivity between and amongst countries in Asia and Europe. They should do this via collaborative institutional efforts that (i) promote digital-related infrastructure in both the physical world and cyberspace; (ii) harmonise rules and regulations to ensure fair competition of online marketplaces; (iii) improve connectivity-derived services to generate more value added; and (iv) strengthen government–government, private–private, and public–private partnership (Chen, 2020a).

To improve data connectivity, it is necessary to build hardware (i.e. ICT infrastructure and logistics) and software, including services and regulation to enable and support e-commerce by facilitating the flow of data, capital, goods and services, and/or people, for which data-related infrastructure is a basic requirement. Obstacles to Asia–Europe data connectivity are due to the existence of development gaps, both across different countries and within the same country between metropolitan and remote, rural areas. In many countries, the development of data-related infrastructure has been significantly impeded by a lack of capital, human capital, and technological know-how. For instance, fibre network building is a crucial part of the infrastructure needed by the digital economy. Despite increased satellite use, terrestrial and/or subsea fibre-optic cables are the main media for ‘carrying’ data. Building fibre networks requires high levels of fixed capital and technology investment, and maintaining and upgrading the network requires substantial follow-up inputs since fibre technology is progressing rapidly compared to traditional fields of infrastructure. Moreover, operation and monitoring of the network requires human capital with high technical and managerial skills, as well as the ability to learn quickly about new technologies and business models.

An even greater challenge is how to reach international consensus to realise free flow of data with trust. The data issue is essential to all aspects of digital transformation, and can directly affect the sustainability of e-commerce development. Ensuring free flow of data with trust will promote e-commerce in many respects. First, data free flow increases the timeliness,

transparency, and therefore the accuracy of data. Second, free flow of data across borders allows both domestic and foreign users to access information on a non-discriminatory basis, increasing market fairness and competitiveness. Third, this will help unleash the market potential to generate value added of data by setting clear legal boundaries regarding data use and storage.

Simply put, free flow of data with trust has two meanings. On the one hand, ‘free’ means that data is allowed to flow as freely as desired in terms of speed, form, destination, and so on. In relative terms, technological barriers to data flow have been effectively reduced, especially by the wide use of smartphones, 4G networks, and the upcoming 5G network, supported by technological advancements in data collection, processing, storage, and distribution. Most data and information today are already digital-born – they were born to be borderless, and their lifecycle exists in the cyberspace.

On the other hand, ‘trust’ highlights the increasing concern about data accuracy and safety and privacy protection. ICT technology is a two-edged sword: while it facilitates the flow of data, it also increases the vulnerability of data to be leaked, stolen, or misused. How to balance the free flow of data and privacy protection is still being debated. From the perspective of e-commerce development, governments must be particularly cautious about measures such as localisation requirements, data flow restrictions, filtering and blocking, and net neutrality, which normally imply barriers to free flow of data in the name of addressing privacy or security concerns.

Internationally, data protectionism tends to harm cross-border e-commerce, similar to the way that trade protectionism harms international trade. Thus, there is a need to build a consensus that provides for the free flow of data across borders within ASEM, while addressing reasonable privacy and security concerns. This will be welcomed by market leaders in Asia and Europe, in both the public and private sector, who are working together to accelerate this process by using ASEM as a platform to improve communication and understanding amongst Partner countries.

Free Flow of Data with Trust and Backup Policies

Rules and regulations are necessary to ensure that the Internet is an open network where data can flow freely and safely. However, rule-making is a delicate affair. Over-regulation (i.e. overweighting security) may discourage data flows and hinder the growth of the digital economy, while under-regulation (not paying enough attention to security and privacy) may hurt long-term market dynamics or even lead to online grey zones (Chen, 2017).

Free flow of data with trust is not a standalone issue, but is closely linked to other policy concerns related to the digital economy, such as privacy, customer protection, competition, taxation, and cybersecurity. It is at the core of a broader policy regime for the digital economy and calls for a systematic approach to rule-setting on data flows and data-related businesses. However, how countries treat data and data governance vary. Regarding the Asia–Europe collaboration in new rule-making on data governance, instead of trying to establish a uniform model all at once, it is more realistic to first aim for a pan-Asia–Europe framework or data governance consensus that is widely accepted by ASEM Partner states and can be used as a shared reference by each digital policy regime. Importantly, this policy framework will have to be built on the logic of economic justification for the market to accept and adopt the new game rules in business.

Due to the wide externality of data on the economy and society, policymakers need to carefully consider sound backup policies that will make achieving free flow of data feasible. Kimura et al. (2019) proposed a framework for free flow of data for the digital economy that could be a useful reference for ASEM Partner States looking for consensus to support interoperability across different policy regimes and facilitate data flow and data sharing.

There are at least five categories of such backup policies based on the microeconomic model. The first category includes policies that promote economic liberalisation and trade facilitation, which also benefit free flow of data because e-commerce value chains contain flow of goods as well as flow of data. Thus, policies that affect free flow of goods could affect that of data, and vice versa. For instance, it is recommended to maintain the practice of duty-free electronic transmissions and apply non-discrimination principles, such as most favoured nations and national treatment by the World Trade Organization, to international trade of products with digital content. Actions such as accepting e-signatures and e-authentication facilitate trade and generate feedback effects on promoting free flow of data with trust.

The second category includes policies to correct or mitigate market failure resulting from features of the data-driven economy like network externalities, economies of scale, information asymmetry, or any combination of these conditions. Policies under this category are typically linked to competition, consumer protection, and intellectual property rights protection. In practice, it will be more efficient to design a package of distortion-cancelling policies that are globally coherent and effective, rather than letting individual governments react to specific instances with policy remedies.

Third, it will be necessary to reconcile policies with social values and economic efficiency, particularly for issues like privacy protection, for which countries and regions (i.e. the United States, European Union, and China) have set up three very different types of regulatory regimes. From a global perspective, such differences risk creating a segmented digital world,

unless a substantive, coordinated institutional effort is made to establish international norms and harmonise individual approaches. Similarly, cybersecurity policies should aim for international collaboration to prepare and implement countermeasures against cross-border cyberattacks.

The fourth category includes policies that aim to accommodate data flows and data-related businesses in the national policy regime. The primary concern of such policies is how to incorporate new digital technologies, business models, and services into the regulatory system. This requires actions to deal with controversial issues such as taxation that ensure fair treatment of online and offline businesses, as well as domestic and international market players.

The fifth category includes protective measures for data flows measures similar to those for the protection of infant industries. Countries want to benefit from the competitive advantages and social benefits generated by new data-related businesses, and some may wish to nurture their own industries with national strategic policies. In this regard, the global regulatory system must include some flexibilities, as long as the related strategic policies are economically justified. In a digital economy, policies and arguments on infant industry protection should also be backed up by those that facilitate data flows.

Policy Implication

Broadly, the digital economy refers to not only e-commerce, but also businesses using digital technology, communications, and related services in the areas of manufacturing, retail, education, healthcare, transportation, finance, tourism, media, and entertainment. Economic success stories in Asia and Europe seem to have some shared factors, including integration into the global economy by participating in GVCs. Thus, the development of e-commerce and an economy's GVC participation may mutually reinforce each other.

In addition to efforts to deepen market integration and interregional cooperation, there is still space to develop an ASEM-wide policy guideline and mechanism to improve Asia–Europe regulation harmonisation and cross-border service liberalisation. These joint policy efforts will effectively facilitate online business, especially cross-border e-commerce activities amongst ASEM Partner states.

In the long run, e-commerce development calls for a broader regulatory framework comprising a wide range of related issues, from consumer protection to competition. Although most of these issues are not new and have been regulated previously, digitalisation has introduced new content and challenges. For instance, data monopolies can easily translate into market monopolistic power, and taxation of the digital economy must also

consider how to deal with digital trade, data movement, and information sharing. Therefore, the solution to these problems must combine consideration of new digital-induced elements with insights as to the potential policy consequences as revealed by the economics, law, and sociology literature.

For example, effective consumer protection in e-commerce will help safeguard consumers’ interests and welfare by ensuring redress availability in the event of a dispute and enforcing awards due to consumers. Digitalisation makes it possible to provide accurate information about products and services being traded, and to increase transparency on protections afforded by the seller’s jurisdiction. Consumer protection for cross-border e-commerce will also require the establishment of an international online dispute resolution system, as well as national conformity assessment bodies to verify the required standards and technical regulations of traded products and services.

In Asia, the Association of Southeast Asian Nations (ASEAN) is planning to establish an online dispute resolution framework by 2021 as part of the implementation of the ASEAN Economic Community Blueprint 2025. ASEAN Member States are also adopting ‘national treatment’ in conformity assessments to facilitate the consistency and mutual recognition of testing and certification by qualified conformity assessment bodies in different countries. The ASEAN Member States adopted the ASEAN Digital Data Governance Framework in 2018, and an ASEAN cross-border data flows mechanism is currently being prepared.

In Europe, fundamental rights to privacy and data protection are enshrined in EU law.² In 2012, the European Commission implemented a data protection reform package to strengthen citizens’ right to privacy in the digital age. The General Data Protection Regulation (GDPR) was launched in 2018 as part of the new EU data protection regime, which focuses on protecting the processing of personal data and the free movement of such data. The GDPR is widely applicable to the processing of personal data, whether within or outside the EU, and affects almost all e-commerce activities involving EU businesses, institutions, or any other EU entities.

ASEAN cross-border data flow requirements with respect to data protection will not be the same as those of the EU GDPR, as there are significant differences between the two in some areas. To promote ASEAN–EU e-commerce, both sides must achieve interoperability of the two data regimes. Besides ASEAN and the EU, other ASEM Partner states also have local data protection laws that are either already in effect or in the process of being implemented, and many multinational companies have undertaken global privacy and security obligations as well. Therefore, achieving interoperability could be a policymaking challenge for ASEM.

² The Charter of Fundamental Rights of the EU includes the right to privacy (Article 7) and the right to data protection (Article 8).

For ASEM leaders, seeking a solution to achieve pan-ASEM interoperability is more efficient and therefore preferable to the alternative, that is, leaving it up to the more than 50 countries to solve the problem bilaterally. In this regard, ASEM's role as the platform for Asia–Europe dialogue will be critical to avoid the 'spaghetti bowl' problem that may result from bilateral approaches.

Similarly, it is worth noting the importance of market acceptance. Any proposed regulatory system must be accepted by the market and widely adopted by the private sector in daily business, otherwise it may fail to achieve its original goal of promoting the digital economy and e-commerce. Preserving the voice of the private sector in the cycle of policy design and rule-making will be useful, and it is necessary to balance the opinions of digital giants with those of MSMEs. (Chen 2021)

Finally, it is worth noting that the flexibility of implementation will facilitate the conclusion of the related agreement(s). ASEM comprises some of the most advanced economies in the world, some of the fastest growing developing countries, and some of the least developed countries. International rule-setting on e-commerce must take this into account to improve inclusiveness. It is unnecessary to lower requirements for latecomers, but they could be allowed a longer period to implement agreements and adopt new rules.

Conclusion

The digital economy provides countries with new opportunities for growth, and ASEM countries are no exception. The related policy regime must support the market in realising the potential for rapid economic growth. There is a need for a digital-friendly ecosystem consisting of supportive policies, especially those that improve connectivity in both the physical world and cyberspace, to pave the way for digital transformation and promote online business.

Data connectivity is a basic requirement to achieve economic success in the digital era. ASEM must work together to facilitate free flow of data with trust, backed up by supportive policies that (i) promote economic liberalisation and facilitate trade, (ii) correct or mitigate market failures, (iii) reconcile social values and economic efficiency, (iv) accommodate data flows and data-related businesses in the national policy regime, and (v) support strategic trade and investment.

Beyond policy efforts with respect to data connectivity, the government should also consider how to establish a development-friendly market environment to support e-commerce, accelerate the process of digital adoption, invest in logistics and infrastructure, promote service sector development, and provide public goods to help improve human capital and labour skills.

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An ASEM Model of Cooperation in Digital Economy Taxation

DIGITALISATION AND NEW TECHNOLOGIES

IRMA MOSQUERA VALDERRAMA

Introduction

The overall aim of this chapter is to address the challenges that Asia and Europe face in digital connectivity in the field of taxation and to facilitate the exchange of best practices in the framework of Asia–Europe Meeting (ASEM) connectivity and cooperation. This chapter follows the Chair’s Statement at the 2018 ASEM meeting and mainly para. 15 for addressing the need for digital connectivity through trust and confidence in the information and communications technology (ICT) environment. It also follows para. 26, which states the growing benefits from the digital economy and the need to find solutions to address the impact of digitalisation on the international tax system. These objectives are also in line with the 2030 Sustainable Development Agenda, mainly Sustainable Development Goal (SDG) 17.1 on domestic resource mobilisation and SDG 17.16 on global partnerships for sustainable development.

Digitalisation and new technologies provide new opportunities for tax administrations ‘to better manage compliance, tackle non-compliance and protect their tax base’ (OECD, 2019a:22). Through digitalisation, tax administrations can benefit from new information and communication technologies (e.g. artificial intelligence and data analytics methods) to process personal and business data. These technologies can increase transparency and enhance the fight against tax evasion and tax fraud. This increase in transparency can allow countries to increase domestic resource mobilisation (SDG 17.1).

An Asian Development Bank Institute report on tax and development (Araki and Nakabayashi, 2018:128) stressed the need for the exchange of views and experiences from other tax administrators that share similar challenges and problems. Therefore, the exchange of best practices between countries in a region and amongst regions (Europe and Asia), can contribute to building global partnerships for sustainable development (SDG 17.16).

This chapter is structured as follows. The first section will address digitalisation and the use of new technologies by tax administrations, including the collection of tax information by means of traditional and digital sources. The second section will address the instruments used by tax administrations to safeguard the automatic processing of personal data and protecting taxpayers' rights. The third section will conclude with some final remarks and recommendations for the ASEM Network.

Digitalisation and the Use of New Technologies by Tax Administrations

Digitalisation and the Use of New Technologies

Due to the new ways of collecting tax information (i.e. digital sources), more data are now available to tax authorities, including 'transaction and income data, behavioural data generated from taxpayers' interactions with the tax administration, operational data on ownership, identity and location, and open-source data such as social media and advertising. This data can be used as individual sources or in combination to enable partial or full reporting of taxable income and to uncover under-reporting, evasion or fraud. It can also be used to better understand taxpayer behaviour, to measure the impact of activities and to identify the most effective interventions, both proactive and reactive' (OECD, 2019b:7).

This process of digitalisation is 'transforming the way in which governments can collect, process, and act on information' (Gupta et al., 2017:1) and therefore, governments should formulate and implement new policies to deal with digitalisation and taxation. To analyse the data collected, tax administrations are using new information and communications technologies (e.g. artificial intelligence and data analytics methods) to process personal and business data. These technologies can increase transparency and enhance the fight against tax evasion and tax fraud.¹

¹ For instance, Microsoft and PwC (2018) give the following examples of the way new information and communications technologies, including advanced analytics, can be used in order to:

- 'set up rules to identify and filter fraudulent transactions;
- search databases of known or suspected fraudsters using data matching algorithms;
- use statistical analysis to detect cases where behavioural patterns differ from the norm;
- identify sophisticated and well-disguised fraudulent behaviour such as neural networks, decision trees, multiple regression, etc.;
- visualise the nature of relationships between individual entities; and
- identify hidden patterns and inconsistencies in unstructured data, such as claim forms or electronic invoices'.

(Microsoft and PwC, 2018: 25)

As highlighted by the Asian Development Bank Institute (Araki and Nakabayashi, 2018:13), effective tax administrations in the Asia and Pacific region require the ‘extensive use of information technology to gather and process taxpayer information, undertake selective checks based on risk analysis, automatically exchange information between government agencies, and provide timely information to support management decision making and tax policy formulation’. Therefore, international and regional organisations and countries in the ASEM network should be aware of the challenges that tax administrations face in order to facilitate the collection of tax information through traditional and digital sources, as well as the need for tax administrations to enhance their data management strategies and improve their digital infrastructure. These two elements will be addressed below.

Collection of Tax Information: Traditional and Digital Sources

Tax administrations aim to increase transparency and to tackle tax fraud and tax evasion by making use of traditional and digital sources to access taxpayers’ information. Some examples are the use of bilateral and multilateral agreements to exchange tax information, facilitating the exchange of transactions data through online platforms, data from digital payments and electronic invoices, and tax data from the mass media, the internet, and third parties, amongst others.

Traditional sources to collect tax information

At the international level, the standard on exchange of information, and since 2013 the standard on automatic exchange of information has facilitated the collection of information by tax administrations. The exchange of information has been widespread around the world, mainly due to countries’ participation in the Global Transparency Forum² and them signing bilateral agreements (e.g. tax treaties and tax information exchange agreements) and multilateral instruments (e.g. the Multilateral Convention on Mutual Administrative Assistance in Tax Matters and the Multilateral Competent Authority Agreement for the Global Standard on Automatic Exchange of Information).

Two international developments that have also increased the amount of information exchanged are: (i) the introduction by the United States (US) of the Foreign Account Tax Compliance Act (FATCA) to exchange financial account information on US taxpayers³ and

² At the time of writing (7 July 2020), the Global Transparency Forum has 161 members and 19 observers (regional and international organisations). Of the 21 Asian Partner Countries in ASEM, only four countries are not participating in the Forum (i.e. Bangladesh, Brunei Darussalam, the Lao PDR, and Myanmar). All European countries are participating in the Global Transparency Forum.

³ FATCA is applicable for the reporting by financial institutions (i.e. banks) worldwide to the Internal Revenue Service for foreign accounts held by US taxpayers. FATCA aims to tackle offshore tax evasion and non-compliance by US taxpayers with foreign accounts. See <https://www.irs.gov/businesses/corporations/foreign-account-tax-compliance-act-fatca> (accessed 7 July 2020).

(ii) the introduction of the Base Erosion Profit Shifting BEPS Project,⁴ including three Actions that facilitate the collection and exchange of information amongst countries: Action 5 addressing harmful tax practices and exchange of rulings; Action 12 addressing mandatory disclosure for aggressive tax planning schemes; and Action 13 addressing transfer pricing documentation and country-by-country reporting.⁵ The exchange of country-by-country reporting is now possible for countries that have activated the exchange relationship by signing a Multilateral Competent Authority Agreement (MCAA).⁶

At the European level, the most important instrument for facilitating the exchange of information on taxation is the Directive on Administrative Cooperation (2011/16/EU). This Directive has been amended five times to make possible (i) the automatic exchange of financial accounting information (2014/17/EU); (ii) the automatic exchange of tax rulings and advance pricing agreements (2015/2376/EU); (iii) the automatic exchange of country-by-country reports (2016/881/EU); (iv) to ensure that tax authorities have access to beneficial ownership information collected pursuant to the anti-money laundering legislation (2016/2258/EU); and (v) the automatic exchange of reportable cross border arrangements by tax intermediaries (2018/822/EU).

Furthermore, tax administrations are receiving data, for instance, following the exchange of data in joint audits between officials from two (countries) tax administrations⁷ or in informal joint meetings to analyse taxpayer data taking place at the location of one tax administration.⁸

⁴ The BEPS Project was initiated by the OECD with the political mandate of the G20 with the aim to tackle base erosion and profit shifting by multinationals. The BEPS Project contains 15 Actions, and 4 of those Actions (Actions 5, 6, 13, and 14) are minimum standards. Non-OECD, non-G-20 countries can participate as members of the BEPS Inclusive Framework and commit to the implementation of the BEPS Minimum Standards. At the time of writing, the BEPS Inclusive Framework has 137 tax jurisdictions. From the 21 Asian Partner Countries in ASEM, only five countries are not participating in the Inclusive Framework (i.e. Bangladesh, Cambodia, the Lao PDR, Myanmar, and the Philippines). All European countries are participating in the BEPS Inclusive Framework.

⁵ The adoption of these international tax rules and standards addressing the exchange of information and the BEPS Project have been also addressed as a favourable development for developing countries in Asia and the Pacific by Highfield (2017) in an Asian Development Bank Governance Brief.

⁶ At the time of writing, from the 21 Asian Partner Countries in ASEM, only seven countries have not signed an MCAA (i.e. Bangladesh, Brunei Darussalam, Cambodia, the Lao PDR, Mongolia, Myanmar, the Philippines, Thailand, and Viet Nam) and European country (i.e. Bulgaria). <https://www.oecd.org/tax/beps/country-by-country-exchange-relationships.htm> (accessed 7 July 2020).

⁷ See OECD (2017), Burgers and Criclivaia (2016), and Čičin-Šain, Ehrke-Rabel, and Englisch (2018).

⁸ This is, for instance, the case in the Netherlands, where tax administrations of several countries gather in one room to analyse data collected or received from the Panama Papers, Paradise Papers, or LuxLeaks, amongst others.

New forms of cooperation (e.g. cooperative compliance [OECD, 2013, 2016a] and the International Compliance Assurance Programme ICAP⁹) between tax administrations are being discussed following the rapid digitalisation of the economy and the emergence of new business models.¹⁰

Digital sources to collect tax information

In addition to the traditional methods of collecting information, tax administrations are making use of digital sources to access taxpayers' information. One example mentioned by the OECD (2019b:5) is the use of multi-side online platforms.¹¹ Other digital sources mentioned by Microsoft and PwC (2018) are: '(i) digital payments, electronic invoicing and connected devices (e.g. online cash-registers and point-of-sale solutions)'; (ii) 'tax data from mass media, the internet and third-party sources (e.g. banks, chambers of commerce, and stock exchange committees); (iii) digital channel and new business models (e.g. mobile platforms, messaging apps, IoT, social media and bitcoins)'. (Microsoft and PwC 2018:4–5)

At the domestic level, lawmakers or the tax administration can introduce rules to grant access to digital information and ensure that the information from digital sources is shared with the tax administration.¹² At the international level, the information can be exchanged amongst tax administrations provided that there is an instrument to exchange information (e.g. a treaty, tax information exchange agreement, or MCAA). In order to exchange this information, the OECD Forum on Tax Administration has designed a Common Transmission System¹³ to facilitate automatic exchange between the tax administrations for financial account information (Common Reporting Standard CRS), country-by-country reporting, and other exchanges.

⁹ See OECD International Compliance Assurance Programme (ICAP). <https://www.oecd.org/tax/forum-on-tax-administration/international-compliance-assurance-programme.htm> (accessed 7 July 2020).

¹⁰ These new forms of cooperation were addressed at the OECD Tax Certainty Day, held on 16 September 2019. Programme available at <https://www.oecd.org/tax/forum-on-tax-administration/events/Tax-certainty-Day-2019-Agenda.pdf> (accessed 7 July 2020).

¹¹ These platforms 'often facilitate transactions between individual sellers of goods and services to individual consumers, which occur outside the traditional business structures (e.g. in the case of marketplaces)' (OECD, 2019b).

¹² One example is the United Kingdom's initiative Making Tax Digital for VAT and Income Tax, introduced in the Finance (No. 2) Act of 2017. <https://www.gov.uk/government/publications/making-tax-digital/overview-of-making-tax-digital> (accessed 7 July 2020).

¹³ This system was agreed on by the 44 heads of tax administration members of the OECD Forum on Tax Administration in Beijing, 13 May 2016. As stated in the Communiqué: 'The cornerstone of the CTS is data security, with leading industry standards of encryption applied to each transmission' (OECD, 2016b).

However, when the information is outside the limits of the jurisdiction (e.g. information held by a third party in online platforms) or there are no rules to facilitate access to such information (e.g. Facebook, Instagram, and Twitter),¹⁴ access by the tax administration to these digital sources of information becomes difficult.¹⁵

To address some of these problems, the OECD (2019), in a document addressing tax and digitalisation, stated the need for unilateral and multilateral initiatives to obtain tax data on transactions facilitated through online platforms. At the national level, the OECD suggests introducing ‘legislative measures which require platforms or other third parties to report payment and identification data of users and/or which allow information requests on group information, could provide tax administrations with information needed to improve compliance or to enhance selection of cases for audit’ (OECD, 2019b:6).

In cases where the data are located in a jurisdiction other than the jurisdiction of the platform seller, the OECD suggests exploring the possibility of a multilateral agreement to facilitate access and exchange to such information along the lines of the Common Reporting Standard for the automatic exchange of financial accounting information. Such an agreement ‘might require all platforms carrying out particular types of activity to provide information in a standardised format on platform users, transactions and income to the tax authority in their jurisdiction of residence for exchange, through appropriate legal gateways, to the jurisdiction of tax residency of the user’ (OECD, 2019b:6).

Challenges for Tax Administration

International level

The 2019 OECD Tax Administration report stated that ‘tax administrations much like tax policymakers, are exposed to rapid change through the digitalisation of the economy and the emergence of new business models and ways of working. At the same time, the availability of new technologies, new data sources, analytical tools and increasing international co-operation and exchange of information are also providing new opportunities for tax administrations to better manage compliance, tackle non-compliance and protect their tax base’ (OECD, 2019a:22).

¹⁴ In the past, the mining of social media by the IRS has been addressed by scholars. See Houser and Sanders (2017). In December 2018, the IRS National Office of Procurement made a request to Facebook, Instagram, and Twitter to access their social media to identify tax cheaters. <https://qz.com/1507962/the-irs-wants-to-use-facebook-and-instagram-to-catch-tax-evaders/> (accessed 7 July 2020).

¹⁵ In Asia, one exception is Singapore, since the tax administration (Inland Revenue Authority) uses social network analysis to identify risks and to select cases for audit. See OECD (2017:75–76). In Europe, two exceptions are France and the Netherlands, which have introduced rules that give the power to tax authorities to gather taxpayer data through artificial intelligence tools that operate in an automated manner: in France, article (art.) 154 2020 Budget Bill and in the Netherlands arts. 7:4 and 8:42 of the General Administrative Law. However, these have been disputed in courts: see in France, the Constitutional Council ruling of 27 December 2019 Decision No. 2019-796 DC, and in the Netherlands, Supreme Court decision of 4 May 2018 (BNB 2018/164) and of 17 August 2018 (BNB 2018/182). See Offermans (2020) and Calderon and Ribeiro (2020).

The 2018 Summit of the Regional Network of Tax Administrations (the Inter-American Centre of Tax Administrations [‘CIAT’] and the Intra-European Organization of Tax Administrations [‘IOTA’]) has also addressed some of the challenges faced by tax administrations, mainly the need to enhance tax transparency in the digital era, the need to use new technologies to enhance tax compliance and tax collection, and the need to exchange best practices.

Examples of best practices are (i) the use digital tools to simplify the exchange of information and the use of new analytical methods, such as statistical analysis to identify tax risks (for instance in country-by-country reporting in Germany); (ii) the development of several changes to data transmission (e.g. Switzerland referring to the use of XML uploads on the Federal Tax Administration [FTA] Portal Suisse Tax) online and via web services (M2M Communication); and (iii) the use of technology to improve tax control (e.g. the development of big data tools in Spain).¹⁶ More recently, in October 2019, the experience of countries in the use of new digital technologies and big data (Chile and Mexico) and artificial intelligence (Canada) were presented at the CIAT Technical Conference.¹⁷

The exchange of best practices at the 2018 Summit was facilitated by CIAT and IOTA between countries in the North American, Central America, South America, Asian and European regions. From the 21 Asian Partner countries in ASEM, only India and Russia presented some best practices (i.e. India on the use of an internal system to collect financial information, and Russia on cash register reforms using data analytics) (CIAT and IOTA, 2018). At the 2019 CIAT Technical Conference, from the 21 Asian Partner countries in ASEM, only India presented, mainly addressing the use of data analysis and business intelligence to target the lack of reporting in the informal economy.¹⁸

Therefore, it is recommended for countries in Asia to also participate actively in these types of meetings or to organise their own meetings in Asia. For instance, in the Belt and Road Initiative Tax Administration Cooperation Forum (BRITACOF) conference scheduled for May 2020 (postponed to May 2021¹⁹) in Kazakhstan, in the framework of the Belt and Road Initiative Tax Administration Cooperation Mechanism (BRITACOM),²⁰ one of the topics to be addressed is the digitalisation of tax administrations.

¹⁶ Some of the challenges have been addressed by the CIAT–IOTA Tax Summit (CIAT and IOTA, 2018).

¹⁷ Section 3.2, presentation on 10 October 2019, available at <https://www.ciat.org/ciat-2019-technical-conference/?lang=en> (accessed 7 July 2020).

¹⁸ Presentation on 8 October 2019, available at <https://www.ciat.org/ciat-2019-technical-conference/?lang=en>.

¹⁹ This conference has been postponed due to COVID-19. <http://www.chinatax.gov.cn/eng/n4260854/c5149476/content.html> (accessed 7 July 2020).

²⁰ China launched BRITACOM in order to deal with some of these challenges and also to address the implementation of the Belt and Road Initiative. BRITACOM has 34 member countries and 11 countries as observers from different regions (e.g. Asia, Africa, Europe), plus one non-profit (academic) organisation. <http://www.chinatax.gov.cn/eng/n4260869/c5112279/content.html> (accessed 7 July 2020). On the role of BRITACOM, see Sampson, Wang, and Mosquera Valderrama (forthcoming).

For this purpose, the International Chamber of Commerce (ICC, 2020) drafted a report to provide a business perspective on the digitalisation of tax administrations. The report introduces some principles for digitalisation to ensure that digital systems are designed and operated in a way that considers the need for balance between the legitimate interests of governments and businesses (ICC, 2020:2–3). In addition, the report addresses the prerequisites for a successful digital transformation from a business perspective (i.e. data security, system requirements, data availability, the reasonable use of data, transparency, taxpayers' identity, and consistency) (ICC, 2020: 5–7).

Another framework that can be used is that of the Annual Meeting of the Study Group on Asian Tax Administration and Research (SGATAR).²¹ For instance, the 49th SGATAR (2019) Annual Meeting addressed the challenges of digitalisation for tax administrations in Asian countries.²² One of the recommendations of the meeting was for tax administrations to enhance their modernisation, 'including cultural and change management, managing and handling big data, focusing on identity management, working with partners to provide software to taxpayers, preparing for workforce transformation which is in line with the technology development' (SGATAR, 2019).

European level

At the European level, in September 2018, the countries of the European Union (EU) created the Tax Administration European Union Summit (TADEUS). TADEUS is the yearly summit by the heads of tax the administrations of the EU countries and the EU Commission Directorate General Taxation and Customs Union (DG TAXUD) to address the common challenges of digitalisation and globalisation. The aim is to enhance cooperation in several areas, including addressing the digital economy and the digitalisation of tax authorities and managing IT systems and resources (Statement TADEUS Plenary Meeting 17–18 September 2019). For this purpose, several projects have been initiated. For instance, regarding new technologies, one project is the digital and data project led by Finland on reporting requirements for the sharing and gig economy (Statement TADEUS Plenary Meeting 17–18 September 2019:2,3).

In the 17–18 September 2019 meeting, the heads of the tax administrations acknowledged the legislative changes and the level of administrative cooperation that will require new IT developments and investment in trans-European electronic systems.

²¹ SGATAR is an organisation of tax administrations in the Asia-Pacific region founded in 1970. The current members include Australia, China, Hong Kong, Indonesia, Japan, the Republic of Korea, Macao, Malaysia, Mongolia, New Zealand, Papua New Guinea, the Philippines, Singapore, Taiwan, Thailand, and Viet Nam (<http://sgatar.org/category/focus/>).

²² In addition to member countries, international organisations (e.g. the OECD, World Bank, and the IMF), and regional tax administration networks (e.g. CIAT) also participated in the annual meeting.

Therefore, one of the outcomes of the meetings was the need to align the development of the EU common or interoperable information technology systems and to set up ‘a coordination process based on consensus, in the form of a multi-annual plan, under the coordination of TADEUS’. (Statement TADEUS Plenary Meeting 17–18 September 2019:3).

Finally, countries are also seeking other ways to cooperate. One example is Belgium, the Netherlands, and Luxembourg (BENELUX), which decided in 2001 to introduce a new system, Transaction Network Analysis, to tackle value-added tax fraud automatically in the Benelux area.²³ This Transaction Network Analysis has been recently adopted by the EU Commission as the new system to tackle VAT fraud in the EU. (Press release 15 May 2019)

More recently, and in order to tackle tax evasion and tax fraud BENELUX countries signed a new agreement (memorandum of understanding MOU) on 10 October 2019²⁴ that facilitates the automatic exchange of information between countries including not only traditional but also digital sources and digital projects such as FIC.net²⁵ (MOU Benelux, 10 October 2019:3).

In this process of digitalisation, tax administrations need to have data management strategies and proper digital infrastructure. These two elements will be explained below.

Data Management Strategies and Digital Infrastructure

Data management strategies

The data management strategy should be a long-term strategy that focuses not only on descriptive analytics (for diagnostics) but also on predictive and prescriptive analytics (Microsoft and PwC, 2018). Predictive analytics ‘provide information on likely future outcomes or resource maintenance schedules’ whereas prescriptive analytics ‘calculate expected outcomes and help recommend the best course of action for decisions such as changing a tax regulation. This form of insight often includes the use of artificial intelligence (e.g. cognitive, context aware) and augmented analytics and optimisation (e.g. pervasive, automation)’. (Microsoft and PwC, 2018:9)

Regarding artificial intelligence, the Canadian Revenue Authority shared its experience in a 2019 presentation made in the framework of the CIAT Technical Conference.

²³ This analysis will use ‘data mining software with which smart algorithms can quickly uncover suspicious transactions that indicate a VAT carousel’ (Vat Update, 2019).

²⁴ https://www.benelux.int/files/6015/8098/4521/MoU_fraude_fiscale_10.10.2019-NL.pdf (accessed 7 July 2020).

²⁵ FCI.net is a non-commercial (government developed) decentralised computer system that enables FCISs (Financial and/or Criminal Investigation Services) from different jurisdictions to work together while respecting each other’s local autonomy. <https://www.fcinet.org/index.php/what-is-fcinet/> (accessed 7 July 2020).

For the Canadian Revenue Authority, artificial intelligence results in (i) advanced insights from big data for network analysis, association analysis, and clustering analysis; (ii) prediction systems including tree-based algorithms, neural networks, and regression algorithms; (iii) anomaly detection including outlier detection algorithms, and (iv) natural language understanding for text-voice understanding and the mining of unstructured data.²⁶

The Canadian Revenue Agency addressed some of the ways that artificial intelligence has been used by them: chatbots to improve service, neural networks to generate risk scores for small and medium-sized enterprises, predictive systems to detect offshore non-compliance, predictive models to optimise debt resolution, unsupervised clustering to measure the potential of corporate income tax non-compliance, and data engineering to achieve 360-degree views of taxpayers (network analysis).

In light of the above, it can be argued that access to digital sources and the use of new technologies including a data management strategy can provide tools for tax administration to increase transparency and fight tax evasion and tax fraud by detecting risks, predicting behaviours, and carrying out intelligent audits. However, one of the challenges for countries to benefit from these data management strategies is to introduce changes to the infrastructure of the tax administration as explained below.

Infrastructure

Tax digitalisation requires changes to the infrastructure, which can be difficult to achieve by countries with limited (personnel or budget) resources, mainly developing countries (Debelva and Mosquera Valderrama, 2017). Developing countries may have a large informal untaxed sector and, therefore, it becomes difficult to obtain (and/or update) information from individuals and/or businesses.²⁷

One positive remark, as mentioned by Krishna, Fleming, and Assefa (2017) is that in this new era of technology, developing countries can build their digital infrastructure from scratch and are not constrained by 'older 'legacy' systems in the developed world.

²⁶ Presentation available at Section 3.2. <https://www.ciat.org/ciat-2019-technical-conference/?lang=en> (accessed 7 July 2020).

²⁷ As stated by Kanbur (2017): 'Clearly, the most obvious entry point is the potential of the digital revolution to reduce information costs in targeting. Biometrics and identification of individuals is often put forward as the solution to the information problem in targeting. However, what fine targeting needs is not just unique identification of individuals, but detailed information allowing computation of income or consumption and, thus, identification as poor. Further, this computation needs to be updated annually if the program is to continue to be finely targeted. In small, developed, and highly formalized economies, such as Finland's, such income information is already digitized and linked in to other national databases, and the use of such information is not a problem. But in a developing country with a large informal untaxed sector it is not clear how exactly digitalization can help, at least not for many years to come. And it does not seem that informality is declining sharply or at all in many developing countries'.

Therefore, they can ‘choose to build out a modern infrastructure, underpinned by blockchain and cognitive computing, rather than retrofit equipment that may be several decades old’ (Krishna, Fleming, and Assefa, 2017:182).

Furthermore, some tax administrations, even though having resources, may be cautious to advance digitalisation ‘given the potential costs of mistakes. Foremost amongst these is the risk to revenue, damage to reputation, and potential reduction of tax morale. The digitalisation of tax administration is technically complex given the volume of activity the system will have to accommodate and the importance of security and absence of errors. The required quality standards will be achieved only through extensive technical and functional testing. Any system inadequately tested will quickly fall into disrepute, with potentially significant financial and reputational costs’ (Chen, Grimshaw, and Myles, 2017:114).

To sum up, data are collected from traditional and digital sources, and this data can be used by tax administrations to increase transparency and to tackle tax evasion and tax fraud. However, countries should introduce new instruments (domestic rules and international agreements) for providing access to digital sources and the exchange of digital data. Access to tax data and the use of big data²⁸ can help to optimise risk detection and to carry out intelligent audits with the use of data analytics. In order to achieve these objectives, tax administrations should have a long-term strategy for the analysis of the data and to make use of diagnostic, predictive, and prescriptive analytics. The following section will address instruments to safeguard taxpayers’ rights in this new era of digitalisation.

Instruments to Safeguard the Automatic Processing of Personal Data and Protect Taxpayers’ Rights

Collection of Personal and Business Data

In general, data collected include personal data (i.e. information relating to an identified or identifiable individual including genetic data and biometric data²⁹) and business data (i.e. information related to the operation of a business, including trade secrets³⁰).

These data can be regarded as taxpayer data, and therefore, protected under the rules of secrecy and confidentiality available in the constitution and/or tax laws of a country.³¹

²⁸ The term big data ‘usually identifies extremely large data sets that may be analysed computationally to extract inferences about data, patterns, trends and correlations’ (Mantelero, 2017).

²⁹ Example of biometric data are fingerprints, iris scans, and DNA. These data are protected as a special category of personal data in art. 9 General Data Protection Regulation (GDPR) Art. 9 states that ‘processing of personal data revealing racial or ethnic origin, political opinions, religious or philosophical beliefs, or trade union membership, and the processing of genetic data, biometric data for the purpose of uniquely identifying a natural person, data concerning health or data concerning a natural person’s sex life or sexual orientation shall be prohibited’.

³⁰ On trade secrets, see D’souza (2019).

³¹ See Mosquera Valderrama et al. (2017). See also Debelva and Mosquera Valderrama (2017).

In this new digital tax administration era,³² countries should guarantee the rule of law in the processing of personal and business data. Hence, the following questions should be addressed by tax administrations collecting and processing data: (i) Who has the taxpayers' data? (ii) Are the taxpayers' data properly collected, stored, and monitored? (iii) Is the processing of the taxpayers' data allowed? (iv) Who owns the taxpayers' data? (Mosquera Valderrama, 2019).

As rightly mentioned in the Asian Development Bank Institute's report on tax administrations, in order to enhance voluntary compliance, 'revenue bodies must be seen to operate in a manner that instills a high level of mutual trust, respect and confidence amongst its taxpayer population. This can only be achieved where there are recognition and acceptance of a basic set of taxpayer's rights and obligations' (ADB, 2018:26). Therefore, countries should also take into account instruments to safeguard taxpayers' rights in the collection, exchange, and processing of information by tax administrations.

To enhance voluntary tax compliance, taxpayers need to know that tax is being paid by all, including wealthy tax individuals and multinationals, and that the data collected are being used for legitimate (tax purposes) and in accordance with the rule of law. Therefore, the increase in transparency and the use of new technologies need to take into account (i) safeguards for the automatic processing of data, including big data (Van Hout, 2019), and (ii) taxpayers' rights, including the right to confidentiality, secrecy, and privacy. Some of these safeguards for the protection of data in the automatic processing of data have already been addressed.³³

Taxpayers' Rights in Asia

Taxpayers' rights in Asia (e.g. the right to privacy, confidentiality, and secrecy) have been addressed in a very succinct way by international and regional organisations. These rights have been left to the rules of the country, which may decide to introduce or not introduce privacy laws or specific taxpayer rights either in the law or in administrative regulations.

³² Another element in this digital tax administration era is the incorporation of digital technology in the interaction between tax administration and taxpayers e.g. pre-populated tax returns, e-filing, and e-services, etc. See Microsoft and PwC (2018).

³³ According to Debelva and Mosquera Valderrama (2017), the following safeguards should be introduced for the exchange of information, including the automatic exchange of information: (1) similar data can be received from the receiving state reciprocity, (2) the receiving state ensures the adequate protection of confidentiality and data privacy that is guaranteed by a follow up by the supplying state to guarantee the respect of such confidentiality in the receiving state, (3) the exchange is adequate, relevant, and not excessive in relation to the purpose or purposes for which they are processed, (4) the sending of data does not constitute an excessive burden for the tax administration that lacks the administrative capacity or technical knowledge to develop a secure electronic system to exchange data, and (5) the principle of accuracy, stipulating that the data controller has the duty to carry out regular checks of the quality of personal data (Debelva and Mosquera Valderrama, 2017).

Some examples that can illustrate this are the Asian Development Bank Institute reports (ADB, 2018 and ADB, 2020), which present a comparative study of the tax administrations in Asia and the Pacific. These reports do not specify the challenges faced by countries in protecting taxpayers' rights for the use of digital technologies and the automatic processing of personal data. Instead, reference is made to documents by the OECD and other international organisations. As far as we are aware, a comparative study on taxpayers' rights in Asia on the exchange of information and digitalisation has not yet been made.³⁴

In the 2018 report, reference is made to the 2003 OECD document on Taxpayer Rights and Obligations (OECD, 2003). In addition, the 2018 report, mainly based on international organisation surveys (International Monetary Fund IMF, 2007; OECD, 2017), provides a short comparison of the use of legislative or administrative rules introducing taxpayers' rights (ADB, 2018:38–39). According to this comparison, from the 28 Asia and Pacific countries analysed in 2018, only five countries did not have rights set out in laws or statutes or developed by a revenue body (i.e. Hong Kong, Japan, Papua New Guinea, Myanmar, and Singapore) (ADB, 2018:39).

The 2020 report does not address the challenges mentioned above, nor does the report provide an updated overview of the 28 Asia and Pacific countries mentioned above. The 2020 report refers to common elements in taxpayer charters available in Asia and Pacific countries (based on the report author's own compilation [Highfield and Chooi]) (ADB, 2020:105).³⁵ The 2020 report also refers to the collaborative project of Tax Consultants in Asia, Europe³⁶ and the Society of Trust and Estate Practitioners to develop a Model Taxpayer Charter (Cadesky, Hayes, and Russell, 2015). Finally, the 2020 report focuses on access to rulings and dispute rights in Asia and the Pacific (ADB, 2020:103).

³⁴ However, some Asian countries, e.g. China, India, the Republic of Korea, and Taiwan, have been addressed in the IBFD Observatory on the Protection of Taxpayers' rights. This observatory monitors developments concerning the effective protection of taxpayers' fundamental rights. Information observatory available at <https://www.ibfd.org/Academic/Observatory-Protection-Taxpayers-Rights> (accessed 7 July 2020).

³⁵ The elements of charters mentioned are statement of intent, statement of mutual obligations, taxpayers' rights, taxpayers' obligations, and details of rights and obligations. These elements do not consider taxpayers' rights in digitalisation.

³⁶ In Europe, Confédération Fiscale Européenne (CFE); in Asia, Asia Oceania Tax Consultants' Association (AOTCA). Text Charter available at <http://www.taxpayercharter.com/index.asp> (accessed 7 July 2020).

Instruments for Data Protection and Privacy

At the international level, taxpayers' data may be protected by the 1981 (and its Protocol 2001 and 2018) Council of Europe Convention on the Automatic Processing of Personal Data, open for ratification to member countries of the Council of Europe and third countries (outside the Council) that can be made applicable for taxation.³⁷ Some countries have also signed bilateral agreements (e.g. the EU–US Privacy Shield³⁸).

At the regional level, two EU instruments should be mentioned: the 2016 Directive (EU, 2016a) and the Regulation on Data Protection (in force since May 2018) (EU, 2016b). The 2016 Directive replaced the 1995 Data Protection Directive. Other regional agreements are (i) the 2005 Asia–Pacific Economic Cooperation (APEC) Framework, which introduced information privacy principles³⁹ and (ii) the 2010 Supplementary Act on Personal Data Protection within the Economic Community of West African States (ECOWAS).⁴⁰

From the above-mentioned instruments, research carried out by Greenleaf shows that the 1995 Data Protection Directive has been used extensively by countries outside Europe, including by countries in Asia and the Pacific.⁴¹ According to Greenleaf, the APEC framework has not been extensively used even though it was presented as an alternative to EU standards by non-EU countries, such as the United States, Australia, Canada and Mexico (Greenleaf, 2012:75). Some of the reasons argued by Greenleaf are, for instance, 'almost no evidence of adoption of its principles in legislation in the region; little increase in self-regulatory initiatives (there are privacy seals in Mexico, Viet Nam, and Japan, but they are of questionable value)' (Greenleaf, 2012:75) amongst others.

³⁷ On the history of the convention, see Greenleaf (2014a).

³⁸ The EU–US Privacy Shield decision was adopted on 12 July 2016 (European Commission 2016) and the Privacy Shield framework became operational on 1 August 2016. This framework protects the fundamental rights of anyone in the EU whose personal data are transferred to the United States for commercial purposes. Information is available at the website of the EU Commission. https://ec.europa.eu/info/law/law-topic/data-protection/data-transfers-outside-eu/eu-us-privacy-shield_en (accessed 7 July 2020).

³⁹ This framework also provides for 'information privacy principles being (1) preventing harm, (2) providing notice, (3) collection limitations, (4) use of personal information, (5) mechanisms to exercise choice, (6) integrity of personal information, (7) security safeguards, (8) access and correction, (9) accountability' (Debelva and Mosquera Valderrama (2017:369). The content of the APEC Privacy Framework is available at http://www.apec.org/Groups/Committee-on-Trade-and-Investment/~media/Files/Groups/ECSCG/05_ecsg_privacyframewk.aspx (accessed 7 July 2020).

⁴⁰ See ECOWAS website: <https://ccdcoe.org/organisations/ecowas/> (accessed 7 July 2020). Text of the agreement is available at <http://www.tit.comm.ecowas.int/wp-content/uploads/2015/11/SIGNED-Data-Protection-Act.pdf> (accessed 7 July 2020).

⁴¹ Some examples are Macau, the Republic of Korea, Taiwan, Malaysia, Hong Kong, Australia, New Zealand, India, Japan, and Viet Nam. See Greenleaf (2012). See also Greenleaf (2014b:624) for an analysis of 26 data privacy laws in Asia.

Since the 2016 Directive and Regulation are new, further research should be carried out on how their provisions can also be used to enhance data protection and to safeguard the right to privacy. Previously, Mosquera Valderrama et al. (2017) argued in a comparative study that ‘in respect of the new EU Data Protection Directive the specific definitions of personal data, genetic data and biometric data (art. 3) and the protection of the processing of these data as special categories of personal (sensitive) data (art. 10) may represent an enhancement since the 1995 Directive’.

Regarding the Council of Europe Convention, the influence outside member countries is still limited since at the time of writing, only eight non-member countries had ratified the convention. Since this is the only multilateral binding convention that can have a worldwide application,⁴² in our view, more work should be carried out by the Council of Europe in promoting the adoption of the convention by non-member countries.⁴³ One drawback of the convention is that it is only applicable for personal data. Therefore, it is recommended that the Council of Europe extend the protection of this convention to business data, including trade secrets. The main elements of the convention are presented below.

Council of Europe Convention on the Automatic Processing of Personal Data

In 1981, the Council of Europe adopted Convention 108 for the Protection of Individuals with Regard to Automatic Processing of Personal Data. This convention protects the individual against abuse that may accompany the collection and processing of personal data and at the same time regulates the cross-border flow of personal data (Mosquera Valderrama, 2019). This convention has been amended by two protocols.⁴⁴

The first protocol was approved in 2001 and extended the convention for approval by non-member countries (countries outside the Council of Europe). The convention has been ratified by the 47 members of the Council of Europe and 8 non-member countries, i.e. Argentina, Cabo Verde, Mauritius, Mexico, Morocco, Senegal, Tunisia, and Uruguay.

The second protocol was approved in May 2018 and was opened for signature as of 25 June 2018.⁴⁵ The protocol pursued two main objectives: to deal with the challenges resulting from the use of new information and communication technologies, and to strengthen

⁴² The use of the convention at a global level has been addressed by Greenleaf (2012:68–92).

⁴³ A reason for countries not participating in the convention has been mentioned by Greenleaf (2012), who referred to the lack of transparency on accession to the convention.

⁴⁴ Some of the elements analysed in this section have been previously addressed by Mosquera Valderrama, Affuso, and Coco (2019).

⁴⁵ Details of Treaty No. 223, 10 October 2018. <https://www.coe.int/en/web/conventions/full-list/-/conventions/treaty/223> (accessed 7 July 2020).

the convention's effective implementation. This protocol has been signed by 38 of the 47 members of the Council of Europe and by 3 of 8 non-member countries (Argentina, Tunisia, and Uruguay) for a total of 41 countries.

From the Asian Partner Countries in ASEM, only Russia has signed and ratified Convention 108 and signed the 2018 Protocol (pending ratification). Some ASEM countries have an observer status to Convention 108 (New Zealand, Australia, Indonesia, the Philippines, Japan, and the Republic of Korea).

European countries have signed and ratified Convention 108. As of July 2020, the 2018 Protocol has been signed by almost all EU countries (except Denmark) and it has been ratified by four countries (Bulgaria, Croatia, Poland, and Lithuania).⁴⁶

The convention

The convention is applicable to automated personal data files and the automatic processing of personal data in the public and private sectors (art. 3).⁴⁷ Four articles of the convention that can be relevant for the tax administrations in this digital administration era are art. 5, 6, 7 and 8. Art. 5 addresses the quality of data stating that 'personal data undergoing automatic processing shall be obtained and processed fairly and lawfully, stored for specified and legitimate purposes and not used in a way incompatible with those purposes; adequate, relevant and not excessive in relation to the purposes for which they are stored; accurate and, where necessary, kept up to date; preserved in a form which permits identification of the data subjects for no longer than is required for the purpose for which those data are stored'.⁴⁸

Furthermore, art. 6 addresses protection for special categories of data, stating that 'personal data revealing racial origin, political opinions or religious or other beliefs, as well as personal data concerning health or sexual life, may not be processed automatically unless domestic law provides appropriate safeguards. The same shall apply to personal data relating to criminal convictions'.⁴⁹

⁴⁶ Chart of Signatures and Ratifications of Treaty 223 as of 6 July 2020. <https://www.coe.int/en/web/conventions/full-list/-/conventions/treaty/223/signatures> (accessed 7 July 2020).

⁴⁷ According to art. 2, 'personal data' means any information relating to an identified or identifiable individual ('data subject'); 'automated data file' means any set of data undergoing automatic processing; 'automatic processing' includes the following operations if carried out in whole or in part by automated means: storage of data, carrying out of logical and/or arithmetical operations on those data, their alteration, erasure, retrieval, or dissemination; and 'controller of the file' means the natural or legal person, public authority, agency or any other body who is competent according to the national law to decide what should be the purpose of the automated data file, which categories of personal data should be stored, and which operations should be applied to them (<https://rm.coe.int/1680078b37>, accessed 7 July 2020).

⁴⁸ Convention art. 5.

⁴⁹ Convention art. 6.

Article 7 introduces the data security requirement, stating that ‘appropriate security measures shall be taken for the protection of personal data stored in automated data files against accidental or unauthorised destruction or accidental loss as well as against unauthorised access, alteration or dissemination’.⁵⁰

Article 8 provides additional safeguards for the identified or identifiable natural person (data subject). Accordingly, ‘any person shall be enabled:

- to establish the existence of an automated personal data file, its main purposes, as well as the identity and habitual residence or principal place of business of the controller of the file;
- to obtain at reasonable intervals and without excessive delay or expense confirmation of whether personal data relating to him are stored in the automated data file as well as communication to him of such data in an intelligible form;
- to obtain, as the case may be, rectification or erasure of such data if these have been processed contrary to the provisions of domestic law giving effect to the basic principles set out in Articles 5 and 6 of this Convention;
- to have a remedy if a request for confirmation or, as the case may be, communication, rectification or erasure as referred to in paragraphs b and c of this article is not complied with’.⁵¹

2017 Guidelines and the 2018 Protocol

The convention has been in place since 1981 (more than 30 years). Therefore, the Council of Europe decided in 2012 to modernise the convention ‘to better address emerging privacy challenges resulting from the increasing use of new information and communication technologies (IT), the globalisation of processing operations and the ever greater flows of personal data’ (Council of Europe, 2018a).

For this purpose, the Council of Europe commissioned a study for new guidelines (Council of Europe, 2017) on the protection of individuals with regard to the processing of personal data in a world of big data. These guidelines (published in 2017) were discussed in the consultative committee of the convention for the Protection of Individuals with regard to Automatic Process of Personal Data.⁵² More recently, new guidelines have been published in 2019 on artificial intelligence (AI) and data protection (Council of Europe, 2019).

⁵⁰ Convention art. 7.

⁵¹ Convention art. 8.

⁵² These guidelines were not accepted by all Council of Europe members. Out of the 50 voting members consulted by written procedure, Denmark, Liechtenstein, and Luxembourg abstained and Germany and Ireland objected.

These guidelines have not yet been used in the Council of Europe Convention and are therefore outside the scope of this analysis.⁵³

The 2017 guidelines on the protection of individuals for the processing of personal data are applicable to big data and big data analytics. In this context the guidelines state that ‘in terms of data protection, the main issues do not only concern the volume, velocity, and variety of processed data, but also the analysis of the data using software to extract new and predictive knowledge for decision-making purposes regarding individuals and groups’ (Council of Europe, 2017:2). Therefore, the guidelines introduce a precautionary approach in regulating data protection and introducing risk assessment considering the legal, social, and ethical impacts of the use of big data. In addition, controllers should adopt preventive policies to ensure the protection of persons with regard to the processing of personal data, and introduce appropriate measures to identify and mitigate the risks of data processing by introducing measures such as ‘by design’ and ‘by-default’ solutions.⁵⁴

Following to some extent the 2017 Guidelines,⁵⁵ the Protocol of 2018 provides for more transparency and protection in data processing and introduces stronger accountability for data controllers and the obligation to declare data breaches. However, one important distinction is that unlike the 2017 Guidelines, no specific reference was made to big data in the 2018 Protocol.⁵⁶

The 2018 Protocol also introduces the legitimacy of data processing (art. 5 of the convention), stating that such ‘processing shall be proportionate in relation to the legitimate purpose pursued and reflect at all stages of the processing a fair balance between all interests concerned, whether public or private, and the rights and freedoms at stake’.⁵⁷

⁵³ According to the Preliminary Introduction, these guidelines provide a set of baseline measures that governments, AI developers, manufacturers, and service providers should follow to ensure that AI applications do not undermine the human dignity and the human rights and fundamental freedoms of every individual, in particular with regard to the right to data protection.

⁵⁴ ‘By design’ refers to appropriate technical and organisational measures taken into account throughout the entire process of data management, from the earliest design stages to implementing legal principles in an effective manner and building data protection safeguards into products and services. According to the ‘by default’ approach to data protection, the measures that safeguard the rights to data protection are the default setting, and they notably ensure that only personal information necessary for a given processing is processed’ (Council of Europe, 2017: 2).

⁵⁵ For instance, regarding ‘by design’ and ‘by default’ solutions for mitigating risks in the processing of personal data, see Para. 2.5.(2) of Council of Europe (2017) and art. 10 of the 2018 Protocol and para. 89 of the Explanatory Statement (Council of Europe, 2018b).

⁵⁶ For instance, in a word search for ‘big data’ in the 2017 Guidelines, ‘big data’ is mentioned 33 times, whereas in the 2018 Protocol there are no matches. Clearly, the guidelines wanted to give specific provisions to regulate big data and to address the impact of big data processing and its broader ethical and social implications for safeguarding human rights and fundamental freedoms.

⁵⁷ See art. 7 of the 2018 Protocol.

Furthermore, art. 6 states that the safeguards for the processing of data should include genetic data, personal data (including sensitive data), and biometric data. The controller also has the requirement to notify data breaches.

Even though big data is not specifically mentioned in the text of the Protocol, it introduces new rights for persons in an algorithmic decision-making context. These rights are particularly relevant in connection with the development of data analytics and artificial intelligence. Accordingly, art. 9 (1[a] and [c]) of the 2018 Protocol, respectively, state that the data subjects have the right (i) ‘not to be subject to a decision significantly affecting him or her based solely on an automated processing of data without having his or her views taken into consideration’ and (ii) ‘to obtain, on request, knowledge of the reasoning underlying data processing where the results of such processing are applied to him or her’.⁵⁸

In addition, the 2018 Protocol includes the obligation of the controller and data processors to introduce privacy by design principle and privacy by default (art. 10, 2018 Protocol). For privacy by design (art. 10[1]), these obligations include: ‘(i) the implementation by controllers/processors of technical and organizational measures, which take into account the implications of the right to the protection of personal data at all stages of the data processing; (ii) the examination, prior to the commencing of such processing, of the likely impact of intended data processing on data subjects’ rights and fundamental freedoms; and (iii) the design of the data processing in such a way that it prevents (or minimises) the risks of interference with those rights and fundamental freedoms. These changes aim to make data controllers/processors aware of the data protection risks of processing big data, and to take them into account when designing their data processing systems’ (Mosquera Valderrama, 2019).

For privacy by default, the 2018 Protocol states that controllers and processors should implement technical and organisational measures that take into account the implications of the right to the protection of personal data at all stages of the data processing process (art. 10[3]). The explanatory statement to the Protocol further elaborates on this privacy by default principle: ‘When setting up the technical requirements for default settings, controllers and processors should choose privacy-friendly standard configurations so that the usage of applications and software does not infringe the rights of the data subjects (data protection by default), notably to avoid processing more data than necessary to achieve the legitimate purpose. For example, social networks should be configured by default so as to share posts or pictures only with restricted and chosen circles and not with the whole internet’.⁵⁹

⁵⁸ See also para. 75 and 77 of the Explanatory Statement (Council of Europe, 2018b).

⁵⁹ See para. 89 of the Explanatory Statement (Council of Europe, 2018a).

EU General Data Protection Directive and Regulation

The EU Data Protection Directive (EU) 2016/680 and Regulation (EU) 2016/679 (in force since 25 May 2018) apply to the processing of personal data wholly or partially by automated means as well as for non-automatic processing.⁶⁰ The 2016 Directive and Regulation do not specifically refer to big data. However, in a document from the European Commission on data protection and big data,⁶¹ the EU Commission stated that ‘Big Data analytics does not always involve personal data. But, when it does, it should comply with the rules and principles of data protection: the EU’s Charter of Fundamental Rights says that everyone has the right to personal data protection in all aspects of life: at home, at work, whilst shopping, when receiving medical treatment, at a police station or on the Internet. Big Data is no different’ (European Commission, 2018).

Like the 2018 Protocol to the Council of Europe Convention, the regulation introduces the obligation of data controllers to introduce ‘privacy by design’, or ‘by default’ mechanisms. The regulation states that ‘the controller should adopt internal policies and implement measures which meet in particular the principles of data protection by design and data protection by default. Such measures could consist, inter alia, of minimising the processing of personal data, pseudonymising personal data as soon as possible, transparency with regard to the functions and processing of personal data, enabling the data subject to monitor the data processing, enabling the controller to create and improve security features. When developing, designing, selecting and using applications, services and products that are based on the processing of personal data or process personal data to fulfil their task, producers of the products, services and applications should be encouraged to take into account the right to data protection when developing and designing such products, services and applications and, with due regard to the state of the art, to make sure that controllers and processors are able to fulfil their data protection obligations’.⁶²

Regarding the processing of personal data, the regulation also states that ‘the processing of personal data by those public authorities should comply with the applicable data-protection rules according to the purposes of the processing’. These public authorities include tax and customs authorities (para. 31 of the regulation [EU, 2016b]).

⁶⁰ See EU data protection rules website. https://ec.europa.eu/info/law/law-topic/data-protection/eu-data-protection-rules_en#documents (accessed 7 July 2020).

⁶¹ See European Commission (2018). A definition of big data is also given, stating that ‘the term ‘Big Data’ refers to large amounts of different types of data produced from various types of sources, such as people, machines or sensors. This data could be climate information, satellite imagery, digital pictures and videos, transition records or GPS signals. Big Data may involve personal data: that is, any information relating to an individual, and can be anything from a name, a photo, an email address, bank details, posts on social networking websites, medical information, or a computer IP address’.

⁶² See para. 78 of the regulation (EU, 2016b). See also para. 63 of the Directive (EU, 2016a).

Automated decision making is also protected in the regulation. Para. 71 states that a decision (and profiling) that affects a data subject cannot be taken only based on automated processing unless that decision making is ‘expressly authorised by Union or Member State law to which the controller is subject, including for fraud and tax-evasion monitoring and prevention purposes conducted in accordance with the regulations, standards and recommendations of Union institutions or national oversight bodies and to ensure the security and reliability of a service provided by the controller, or necessary for the entering or performance of a contract between the data subject and a controller, or when the data subject has given his or her explicit consent’.⁶³ However, this decision making should be subject to ‘suitable safeguards, which should include specific information to the data subject and the right to obtain human intervention, to express his or her point of view, to obtain an explanation of the decision reached after such assessment and to challenge the decision’.⁶⁴

Final Remarks and Recommendations

This chapter has addressed the challenges faced by Asia and Europe regarding the use of new technologies by tax administrations and the protection of taxpayers’ rights. To facilitate the exchange of best practices in the framework of ASEM connectivity and cooperation, this chapter has addressed developments in Europe and Asia and the Pacific, including also the work carried out by international organisations (the Asian Development Bank and the OECD) and regional tax administration networks (CIAT, IOTA, BRITACOM, and SGATAR).

The first recommendation is for countries in the ASEM network to be aware of the challenges that tax administrations face in the collection of tax information (traditional and digital sources) and invest in their data management strategies. These strategies should be (i) long term strategies and (ii) take into account the use of diagnostic, predictive, and prescriptive analytics. Furthermore, countries should also invest in improving their digital infrastructure, which includes the introduction of common transmission systems and software for the analysis of big data.

For this purpose, it is important to organise regional meetings for tax administrations to present their tax digitalisation challenges and to exchange best practices. These meetings could be similar to TADEUS (an EU yearly summit of the heads of tax administrations) but with countries participating in the ASEM network. Furthermore, since there are 27 countries participating as Asian Partner countries in ASEM, some countries may conclude memorandums of understanding to enhance cooperation to tackle tax evasion and tax fraud based on the needs of the countries (as has been done in the BENELUX initiatives).

⁶³ See para. 71 of the regulation (EU, 2016b).

⁶⁴ See para. 71 of the regulation (EU, 2016b).

The second recommendation addresses the instruments to safeguard the protection of taxpayers' rights. Countries in the Asia and Pacific region have introduced rules to protect personal data and the right to privacy, mainly following the 1995 EU Data Protection Directive. However, this directive has been updated to include, amongst others, the use of personal data, genetic data, and biometric data. Therefore, we recommend to countries to introduce changes to the data protection laws following the EU 2016 Directive on Data Protection and the Regulation. As has been done in the Council of Europe Convention (2018 Protocol), it is also recommended that countries include references to big data or data analytics, including the rights of persons (data subjects), in an algorithmic decision-making context.

Finally, regarding the automatic processing of personal data, we argue that the Council of Europe Convention and its 2018 Protocol is an instrument that countries need to ratify. Therefore, further research should be carried out on the application of the convention for the collection and exchange of taxpayers' information.

The ASEM cooperation in digital connectivity is well placed to take these recommendations forward. When Asia and Europe are moving towards a digital economy – albeit at a different pace – an early convergence and cooperation programme for capacities and digitalisation should be a highlight of the Leaders statement of the 13th ASEM Summit (ASEM13) in Cambodia in 2021.

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Institutional and People Linkages

Asia–Europe Cooperation for Building Inclusive Digital Societies

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Asia–Europe Cooperation on Labour Mobility, Education, and Training: What are the implications of digital transformations for ASEM?

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Asia–Europe Cooperation for Building Inclusive Digital Societies

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The drive towards digital societies – where everyday life, including work and politics, is mediated by information and communications technology (ICT) – has been accelerated by the global coronavirus pandemic.

The pandemic has led to the widespread adoption of digital technology across all aspects of life. Telecommuting has become a feature of work. Small businesses and universities, which used to think digitisation was a luxury, now see it as an imperative for survival. Social media has become a lifeline. It is hardly disputed that ‘the pandemic created a ‘structural break with the past’ that made many existing patterns of behavior obsolete but also point to a way forward for society’ (Rumelt, 2008).

When building digital societies, there is another consideration that we need to factor in that the pandemic has highlighted – the profound inequality that exists in our global society. The measures proposed to prevent the spread of the virus are difficult for many people to practice. The frequent washing of hands with soap is a challenge for those who have no running water in their homes. Keeping physical distance is almost impossible for those who live in the shantytowns, favelas, and urban poor communities of the global South. If we are to achieve progress and not repeat the mistakes of the past, inclusivity should be a feature of the digital societies we are creating.

Digital Inclusion Imperative

‘Digital inclusion’ means that individuals, particularly those in disadvantaged groups, have access to, and the skills to use, ICT and are therefore able to participate in and benefit from the emergent digital society (Digital Inclusion, n.d.).

One way of looking at inclusion is through its putative six goals:

1. *Leave no person behind*: ensuring high-quality internet access and adoption for all.
2. *Empower users through good digital identities*: ensuring that everyone can participate in the digital society through identity and access mechanisms that enable the user.

3. *Make business work for people*: helping companies navigate digital disruption and evolve to new, responsible business models and practices.
4. *Keep everyone safe and secure*: shaping norms and practices that enable a technology-dependent environment that is secure and resilient.
5. *Build new rules for a new game*: developing new, flexible, outcome-based, and participatory governance mechanisms to complement traditional policy and regulation.
6. *Break through the data barrier*: developing innovations that allow us to benefit from data while protecting the legitimate interests of all stakeholders. (World Economic Forum, 2018: 8)

The United Nations Capital Development Fund (UNCDF) has proposed the Inclusive Digital Economy Scorecard (IDES) as a way of measuring inclusiveness in the digital economy. IDES considers the following building blocks:

- The extent to which a government actively promotes the development of an inclusive digital economy and the extent to which policy and regulation support digital finance and the digital economy;
- The level of development of mobile infrastructure (e.g. phone ownership and network coverage) and the status of the digital payment ecosystem;
- The state of a country's innovation ecosystem; and
- The active participation of the public and private sectors on digital and financial skills development, and the usage of digital channels for relevant skills development. (UNCDF, 2019)

In terms of digital inclusion in politics, eParticipation is the 'process of engaging citizens through ICTs in policy, decision-making, and service design and delivery so as to make it participatory, inclusive, and deliberative' (UN, 2018, p. 112). Macintosh (2004: 3) identifies the three levels of eParticipation as:

- *E-enabling*: supporting those who would not typically access the internet and take advantage of the large amount of information available.
- *E-engaging*: consulting a wider audience to enable deeper contributions and support deliberative debate on policy issues.
- *E-empowering*: supporting active participation and facilitating bottom-up ideas to influence the political agenda.

The United Nations (UN) eGovernment Survey contains an eParticipation Index that measures: '(i) e-information – availability of online information; (ii) e-consultation – online public consultations, and (iii) e-decision-making – directly involving citizens in decision processes' (UN, 2018, p. 112).

Measuring Progress

Progress towards inclusive digital societies can be gleaned in a number of indexes.

The Inclusive Internet Index ‘measures the extent to which the Internet is not only accessible and affordable, but also relevant to all, in a way that contributes to social and economic progress’ (Economist Intelligence Unit, 2020: 12). The key findings of the Inclusive Internet Index 2020 are:

- Internet access is increasing globally, but vast disparities remain and the rate of uptake is slow in the hardest-to-reach areas.
- Mobile data has been a game-changer for lower-income groups, but access is still too expensive.
- Although narrowing, the gender gap in access remains stubbornly wide.
- The spread of mobile devices is a positive trend, but its role as an enabler for the world’s poorest women is not assured. In the lowest-income countries, progress on this front may even be moving in the opposite direction.
- The internet is facilitating people’s management of their money and finances and their inclusion in the broader economy.
- Internet use is expanding financial opportunities for individuals, particularly in the developing world.
- Mobile connectivity is becoming a financial equaliser. In low-income countries, mobile connectivity is more important for financial inclusion than in high-income countries where people are more likely to perform such tasks on fixed connections.
- People are going online to prepare for the technology-intensive jobs of tomorrow.
- Millennials leverage the Internet more widely than others for immediate work purposes.
- Digital opportunities for other types of personal improvement are being widely adopted. Internet use is also helping people become more engaged citizens.
- Trust in the Internet is declining in a number of contexts – information put online by governments, non-governmental websites, and apps and information posted by individuals on social media. (Economist Intelligence Unit, 2020: 12)

Another way to track progress is through the eParticipation Index in the UN E-Government Survey.

The 2018 edition of the United Nations E-Government Survey (2018) revealed the following:

- E-government has been growing rapidly over the past 17 years since the first attempt of the United Nations to benchmark the state of e-government in 2001.

The 2018 Survey highlights a persistent positive global trend towards higher levels of e-government development. The average world E-Government Development Index (EGDI) has been increasing from 0.47 in 2014 to 0.55 in 2018 (pp. 84, 87).

- In the ‘Very-High-EGDI’ group, 67% of all countries are from Europe, followed by Asia (20%), Americas (8%) and Oceania (5%). In the ‘High-EGDI’ group, the leaders are Asia and Americas regions (33% and 31% respectively), followed by Europe (22%), Africa (11%), and Oceania (3%). In the ‘Middle-EGDI’ group, African countries comprise 50%... and Asia takes up to 20 % of the share in the group. No European country is in the Middle and Low EGDI-level groups. The majority of 15 countries in ‘Low-EGDI’ group are from Africa (87%) followed by 2 countries in Asia (13%). (p. 93)

Specific to eParticipation, the 2018 survey reported the following:

- Denmark, Finland, the Republic of Korea (henceforth, Korea) are ranked as global leaders on e-participation, while the Netherlands, Australia, Japan, New Zealand, the United Kingdom (UK), the United States, and Spain are following closely behind (p. 114).
- European countries contribute 70% to the group of 62 countries with very-high E-Participation Index (EPI) levels (despite accounting only for 22% of UN member states). Asia follows with 36% in the same ‘very-high EPI’ group (while comprising 24% of the 193 member states) (p. 117).
- In terms of the index subcomponents:
 - E-information: Member states are sharing an increasing amount of information with their citizens, mostly in the education and health sectors and followed closely by other sectors (p. 118).
 - E-consultation: All regions made progress in deploying e-consultation tools in 2018 compared to 2016. In Europe, all countries have online engagement tools or activities, 42 countries have social media networking tools, 39 countries have e-tools for public consultation or deliberation, and 40 countries made recent use of online consultation or deliberation (p. 119).
 - E-decision-making remains a serious challenge (p. 120).

Europe’s progress towards an inclusive digital society can be seen in the International Digital Economy and Society Index (I-DESI) (European Commission, 2018). I-DESI provides an overall assessment of where the 28 EU countries stand in comparison with 17 non-EU economies.¹ I-DESI measures connectivity, human capital (digital skills), the use of the internet by citizens, and the integration of technology and digital public services. Amongst the key results of the 2018 I-DESI report are the following. (i) EU member

¹ The 17 non-EU countries are Australia, Brazil, Canada, Chile, China, Iceland, Israel, Japan, Mexico, New Zealand, Norway, Russia, Serbia, South, Switzerland, Turkey, and the United States.

states, on average, compare well with the non-EU countries, and the top EU countries are amongst the best performers globally: six EU Member States were amongst the top ten.

(ii) Between 2013 and 2016, all EU member states made regular progress on the adoption and use of digital technologies. However, the EU as a whole has not managed to close the gap with the US, Korea, and Japan. Interestingly, and contrary the UN eGovernment Report, I-DESI states that e-government is the one dimension where EU member states performed on average below their 17 non-EU counterparts. Nine of the 17 non-EU countries, including Korea, the USA, and Japan) had higher scores in 2016 than the EU average.

According to the Asian Digital Transformation Index 2018, Asia is catching up with the West in building environments for technology-led change (Economist Intelligence Unit, 2018). The index measures digital infrastructure, human capital, and industry connectivity. The top 10 countries in the index are Singapore, Japan, Hong Kong, Korea, Taiwan, Malaysia, China, India, Thailand, and the Philippines.

The Association of Southeast Asian Nations (ASEAN) is also progressing towards the digital economy (Viet Nam News/Asia News Network, 2019). Southeast Asia's digital economy is projected to hit US\$200 billion by 2025. Bain & Company (2018) reveals that the proportion of the digital economy in ASEAN's gross domestic product is 7%, compared to 16% in China, 27% in the EU-5 (France, Germany, Italy, Spain, and the UK) and 35% in the United States. Many believe that ASEAN has the potential to enter the top digital economies in the world by 2025.

Asia–Europe Meeting Cooperation on Three Issues

The challenge for policymakers and other stakeholders is how to work together using technology to create a more inclusive digital society.

While there is a wide range of digital inclusion issues that the Asia–Europe Meeting (ASEM) could cooperate on, this chapter proposes focusing on three areas: the future of work(ers), artificial intelligence in governance, and data protection and privacy.

ASEM on the Future of Work(ers)

Marr (2019) suggests the following five ways work will change in the future:

1. Fluid gigs. Within an organisation, positions will be more fluid, and a strict organisational chart will likely be tossed in favour of more project-based teams.

2. Decentralised workforces. Thanks to mobile technology and readily available internet access, remote workers are already common. Employees will not need to be in the same location.
3. Motivation to work. People will need something more than a pay check for motivation to work. Many want to work for an organisation with a mission and purpose they believe in. They will also want different incentives, such as personal development opportunities, the latest technological gadgets to facilitate their work-from-anywhere ambitions, and more.
4. Lifelong learning. Not only will employees want to learn throughout their careers but they will also need to learn new skills. Technology will continue to evolve the role humans play in the workforce, so everyone will be required to adapt their skills throughout their working lives.
5. Technology will augment human jobs. Artificial intelligence algorithms and intelligent machines will be co-workers to humans. The human workforce will need to develop a level of comfort and acceptance for how man and machine can collaborate using the best that both bring to the workplace.

A *Business Insider* story, using employment projections and salary data from the US Bureau of Labor Statistics, identified the top 30 jobs in the US in the next decade (Kiersz and Hoff, 2019). Interestingly, the list is not dominated by ‘knowledge workers’. Table 1 lists some of these jobs.

Table 1: Jobs of the Next Decade

Top 5 in Top 30 Jobs	Bottom 5 in Top 30 Jobs
1. Registered nurses	26. Plumbers, pipefitters, and steamfitters
2. Applications software developers	27. All other computer occupations
3. General and operations managers	28. Licensed practical and licensed vocational nurses
4. Financial managers	29. Computer user support specialists
5. Management analysts	30. Information security analysts

Source: Kiersz and Madison (2020).

The future of work(ers) is being shaped by two powerful forces: (i) automation and artificial intelligence, and (ii) the emergence of the gig economy.

Many fear that automation and artificial intelligence (AI) will displace workers. Two Oxford economists, Carl Frey and Michael Osborne, predict that 40% of all jobs (mainly repetitive, low-skilled work) will be lost to computers and robots in the next 20 years (Seager, 2016).

The jobs that will stay are those that involve complex social interactions, creative/artistic jobs, those involving autonomous object manipulation (the ability to pick up and move around different sized objects) and those that require attentive, human qualities. The Ford Foundation (n.d.) suggests that even if jobs would be lost, digital technologies will create new industries and new jobs. There is the potential to help increase human productivity as well as job quality, and also create job opportunities for people with disabilities.

The Asian Development Bank’s 2018 *Asian Development Outlook* suggests cautious optimism on technology and jobs (ADB, 2018). The outlook recognises that repetitive, manual jobs may be lost to robots. However, it also finds that new technologies can generate employment by spurring demand and productivity. Digital technology is also seen as creating new industries (e.g. 3D printing of prosthetics). The Organisation for Economic Co-operation and Development’s *Employment Outlook 2019* (OECD, 2019: 13) notes that ‘there will be further churning of jobs – with new, different jobs replacing those that are destroyed – and this will result in structural change and new skills needs’. The challenge ‘is to manage successfully the transition towards new opportunities for workers, industries and regions’.

Meanwhile, the International Labour Organization’s Global Commission on the Future of Work calls for ‘a human-centred agenda for the future of work’ (ILO, 2019). Their recommendations are as follows:

- Investing in people’s capabilities
 - Lifelong learning for all
 - Supporting people through transitions
 - A transformative agenda for gender equality
 - Strengthening social protection
- Investing in the institutions of work
 - Establishing a universal labour guarantee
 - Expanding time sovereignty
 - Reviving collective representation
 - Technology for decent work
- Investing in decent and sustainable work
 - Promoting investment in key areas for decent and sustainable work
 - Reshaping business incentive structures to encourage long-term investments in the real economy and develop supplementary indicators of progress towards well-being, environmental sustainability, and equality.

Investing in people's capability should be the priority of governments for creating an inclusive digital society. But in doing so, it is important to remember that 'skills policies often fail to reach those adults who are more at risk from the changes that lie ahead' (OECD, 2019: 15). Disadvantaged workers usually fail to identify relevant learning activities and/or lack time or money to train.

A bigger issue is that 'the voices of workers themselves are largely absent from the debates, decisions, and discussions that will shape their future' (Kinder, 2019). This affects the quality and effectiveness of policy. If workers are not part of the discussions, policymakers risk proposing non-responsive solutions. In addition, it is not only good training programmes that matter. Adequately preparing the most vulnerable workers for the future of work requires addressing inequality, power imbalances, and market failures.

In order to create an inclusive digital society, ASEM cooperation on implementing a 'human-centred agenda for the future of work' is recommended.

The second issue that must be considered in addressing the future of work(ers) is the emergence of the 'gig economy'. The gig economy is 'a free market system in which temporary positions are common and organisations contract with independent workers for short-term engagements' (Rouse, n.d.). Another definition is that it refers to the increasing use of 'digital platforms that allow freelancers to connect with individuals or businesses for short-term services or asset-sharing' (Mastercard and Kaiser Associates, 2019: 2). Globally, the gig economy has generated \$204 billion in gross volume, with transportation-based services (e.g. ride-sharing) comprising 58% of this value in 2018 (Mastercard and Kaiser Associates, 2019: 2). Before the pandemic, global gig economy transactions were projected to grow by 17% compound annual growth rate (CAGR) with a gross volume of about \$455 billion by 2023. This projected growth will be a result of evolving societal attitudes around peer-to-peer sharing and increasing digitisation rates in developing countries.

Gig economy workers (also platform economy workers) are contingent workers, freelance contractors who are not part of the traditional workforce (employees). Their work is divided into tasks rather than jobs. Many of them work online for companies who are not in the same country as they are. The top-five sources of gig tasks are the US, the UK, Canada, Australia, and India (Chen and Djankov, 2018). The top-five suppliers of gig workers are India, Bangladesh, Pakistan, the US, and the Philippines.

The gig economy has different manifestations in Europe and Asia. Studies of the gig economy in 14 EU member states reveal the following:

- Gig work is the main occupation for about 2% of the working population.
- It is a significant source of income (i.e. at least 25% of the average salary of a full-time worker) for 6%.
- Around 8% do gig work at least once a month. (Dazzi, 2019: 72).

The incidence and frequency of gig work vary, with the highest peaks in the UK and the lowest in Finland, Slovakia, and Hungary. In the Asia–Pacific region, a 2018 report reveals that 84% of hiring managers outsource to freelancers (SIA, 2018).

Gig work is increasingly important in ASEAN. In 2018, almost 75 million Indonesians were classified as informal workers (including those with casual and part-time jobs) (Sim and Xinghui, 2020). PayPal’s 2018 Global Freelancer Insights Report states that at least 2% of the Philippines’ population are freelancers (Hasnan, 2019). They reportedly make up almost 20% of the global remote workforce (Diesel, 2019). Filipinos engage in online work because they are ‘(b)urdened by employment woes such as infrastructural immobility and low wages’ and they prefer gig work because it affords them autonomy, spatial flexibility, and the possibility for higher earnings (Soriano and Panaligan, 2019). Gig work is also popular in Malaysia, Viet Nam, and Singapore. In Malaysia, 26% of workers are freelance (Jenkins, 2019). In Viet Nam, 56.9% of the working population is self-employed. In Singapore, 9.3% of all employed residents in 2018 were ‘own account’ workers, with 8 out of 10 of them doing it as their primary job (Phua, 2020).

The key challenges facing gig economy workers include poor pay, although not for all jobs; lack of job security, as jobs can be terminated by platforms at will; and no skills or career development, as career paths are mostly non-existent (Souter, 2019). Perhaps the most significant challenge is that they are excluded from traditional social protection systems, such as unemployment benefits, sick pay, and pensions.

Gig economy workers in Europe enjoy better protection and working conditions. The European Parliament passed rules that grant new rights for workers on atypical contracts and in non-standard jobs (European Parliament, 2019). These include measures to protect workers by ensuring more transparent and predictable working conditions, free mandatory training, limits on working hours and the length of probationary periods, and preventing employers from stopping a worker from taking up another job outside of working hours.

In Southeast Asia, ‘the rules on the safety of workers and operating regulations are often ever-changing or insubstantial as is the case in countries such as Thailand, Malaysia, Indonesia, and Viet Nam’ (TechCollective, 2019).

These issues must be addressed and resolved if we are to have inclusive digital societies. In designing social protection for Asian gig workers, the following critical points should be acted upon:

- Closing the gap in population coverage and the adequacy of benefits. Coverage should be extended to Non-Standard Employment (NSE) workers, especially the self-employed and/or those working in the gig economy, who are often not covered by social protection schemes;
- Creating innovative policy and regulatory frameworks and ensure compliance. Policy innovations to enhance the coverage of social protection schemes for NSE workers are key to prepare social protection systems for future work, as will be regulatory frameworks that can adapt to cover NSE workers when they expand social insurance coverage and benefits.
- Designing sustainable financing mechanisms.
- Harnessing new technology to improve the delivery of social protection. New technology, including digital platforms and mobile services, can facilitate providing social protection to the different categories of NSE workers, whose key challenge is that they often have many different jobs, but are also occasionally unemployed. (Handayani, 2019)

A specific activity that ASEM could carry out for gig economy workers is to develop a voluntary (non-binding) code of rights that applies to both regions.

ASEM on Artificial Intelligence in Governance

Asia and Europe should also cooperate in promoting the use of Artificial Intelligence (AI) in governance. AI is increasingly being used by governments to make the delivery of public services, and their internal operations more effective and efficient, which could lead to improved citizens' experiences.

Amongst the citizen services that AI can enhance are:

- Public safety – includes predictive policing, border controls, and anti-terrorism systems;
- Public health – particularly in disease diagnosis, epidemic outbreak prediction, and precision healthcare;
- Social protection – predictive risk scoring tools to help social workers determine at-risk children and for the processing of claims;
- Environment sustainability – analysing satellite data to forecast global solar radiation in order to combat global warming; and

- Transport – managing traffic by implementing smarter traffic-light algorithms and real-time tracking for controlling higher and lower traffic patterns effectively. (Sharma, Yadav, and Chopra, 2020)

AI can also enhance governments' internal operations. It can simplify and speed up internal processes, increase productivity and reduce costs, and allow for better allocation of resources (Gov CIO, 2019). AI can also detect fraud in health insurance claims and improve the collection and processing of taxes.

AI also improves decision-making and makes possible automated decision-making – the process of deciding using algorithms without any human involvement (ICO, n.d.). Learning from historical data and seeking patterns in current data can help to make faster and better decisions on a massive scale. Automated decisions range from sorting résumés for job applications to estimating a person's risk of committing crimes to allocating social services.

If used properly, AI can enable more inclusive governance. It can be used by governments to reach out to marginalised groups and to improve relationships with them.

Already, AI is already being deployed by governments the world over. The 2019 Government AI Readiness Index reported that the national governments that are best able to take advantage of AI are those with strong economies, good governance, and innovative private sectors (Oxford Insights, 2019). Two Asian governments (Singapore and Japan) and six European governments (UK, Germany, Finland, Sweden, France, and Denmark) are amongst the top 10 in the index. European governments' use of AI ranges from Italy's RiskER (an automated system used to 'predict' the risk of hospitalisation in the Emilia-Romagna region by analysing over 500 demographic and health variables) to Denmark's automated process to decide on student stipends for higher education (Algorithm Watch, 2019). However, the two most deployed applications are AI for policing and social services.

While not as advanced as a region, Asia is seen as a 'credible frontrunner in AI globally' that 'could take the leadership position in the next decade' (MIT Technology Review, 2018).

Public support for government use of AI is also high in Asia. According to a 2018 survey of more than 14,000 internet users in over two dozen countries worldwide (Consultancy.asia, 2019):

[N]ations in Asia are broadly the most supportive of AI in governance, with India, China, and Indonesia having the top three most supportive citizens, followed by Saudi Arabia and UAE. All of Singapore, Korea, Japan, Malaysia and Hong Kong hold relatively positive views, while Switzerland, Estonia, and Austria were among those least receptive.

Table 2: Artificial Intelligence in Policing and Social Services in Select European Countries

	Policing	Social Services
Denmark	Artificial intelligence (AI) is used to handle and make searchable different data sources, including document and case handling systems, investigation support systems, and forensic and mobile forensic systems.	Gladsaxe, a tracing model for children in vulnerable circumstances. It uses a points-based system to trace children with special needs from a very early stage, with parameters such as mental illness, unemployment, missing a doctor or dentist appointment, and divorce.
Finland		AI is used to analyse the anonymised health care and social care data of Espoo City's population and client data of early childhood education to screen service paths by grouping together risk factors that could lead to the need for child welfare services or child and youth psychiatry services.
Netherlands	<i>Criminaliteits Anticipatie Systeem</i> (Crime Anticipation System) predicts where and when crimes will take place by analysing a wide variety of data. The likelihood of these crimes occurring is indicated in a heat map.	
United Kingdom	A facial recognition system used by the police takes images from CCTV cameras to see if these appear on databases of individuals of interest to the police. When the system detects a match, police may apprehend the person for questioning, search, or arrest.	Town halls in England have started using automated decision-making systems to help determine how much money should be spent on each person, depending on their needs.
Sweden		Since 2017, the town of Trelleborg has automated parts of its decision-making on social benefits. New applications are automatically checked and cross-checked with other related databases (e.g. the tax agency and unit for housing support). A decision is automatically issued by the system.

Source: AlgorithmWatch (2019).

Korea deployed AI in its successful effort to contain COVID-19 (ITU News, 2020). AI was used to develop a coronavirus testing kit in less than three weeks (instead of the usual two to three months). It was also used to improve diagnosis. AI was also used in China to fight COVID-19. Twenty AI systems were used in hundreds of hospitals in China to help diagnose thousands of cases (Wang, 2020). An example is Alibaba's AI system for diagnosing COVID-19 in CT scans of patients' chests with 96% accuracy in less than a minute (Greene, 2020). Wang (2020) reports that this technology was used in more than 160 hospitals in China to help them diagnose 340,000 cases.

Perhaps the most-watched AI initiative in Asia is China's (national) social credit system. Its main purpose is 'to monitor and assess each group's trustworthiness, particularly as it relates to following laws and other rules' (Koty, 2019). As envisioned, there will be one social credit system for citizens, one for businesses and other organisations, and one for government officials. For citizen rankings, the system will collect, aggregate, and analyse data from online payment providers and scores given by neighbourhoods or companies. Businesses will be assessed on regulatory and compliance criteria, including paying taxes on time, holding requisite licenses, meeting product quality standards, and fulfilling environmental protection requirements. Government officials will be assessed on criteria such as the extent to which they carry out orders from the central government.

The use of AI by governments is not unproblematic. Scholars argue that algorithms are shaped by interests, power, and resistance (Katzenbach and Ulbricht, 2019). AI is not neutral – it contributes to re-organising and shifting social interactions and structures. The two main issues in using AI in government are algorithmic bias and the absence of policy and legal frameworks (Snow, 2019).

Algorithmic bias can undermine the use of AI in good governance. An algorithm is 'a set of instructions for how a computer should accomplish a particular task' (Caplan et al., 2019). The advantage of relying on algorithms for problem solving and decision making is that they 'are able to process a far greater range of inputs and variables to make decisions, and can do so with speed and reliability that far exceed human capabilities' (Kirkpatrick, 2016). Algorithmic bias occurs when human prejudice and partiality are incorporated in the design. Consequently, discrimination is embedded into the model. As noted by Knight (2017): 'If the bias lurking inside the algorithms ... goes unrecognized and unchecked, it could have serious negative consequences, especially for poorer communities and minorities'.

Algorithm bias can lead to two types of harm, allocative harm and representational harm. Allocative harm occurs when the algorithm apportions or withholds certain opportunities or resources based on prejudiced assumptions. An example is a bank loan risk assessment algorithm that systematically denies loan applications to women. Representational harm can 'occur when systems reinforce the subordination of some groups along the lines of identity' (Machines Gone Wrong, n.d.). In this instance, technology reinforces stereotypes.

A solution to algorithmic bias is algorithmic accountability, ‘the process of assigning responsibility for harm when algorithmic decision-making results in discriminatory and inequitable outcomes’ (Caplan et al., 2019: 4). There are three levels of algorithmic accountability:

- Transparency with respect to data and algorithms;
- Qualified transparency, where independent inspectors evaluate the algorithm; and
- Ethical and social responsibility for the discriminatory impacts of algorithms. (Dickey, 2017)

The concerns regarding algorithmic bias and algorithmic accountability have given rise to an initiative called ‘Fairness, Accountability and Transparency in Machine Learning’. In 2016, a group of computer scientists, developers, and researchers released five guiding principles for accountable algorithms (World Wide Web Foundation, 2017). The principles aim to help developers design and implement algorithmic systems in publicly accountable ways. The five principles are:

- Fairness – ensure that algorithmic decisions do not create discriminatory or unjust impacts when comparing across different demographics.
- Explainability – ensure that algorithmic decisions as well as any data driving those decisions can be explained to end users and other stakeholders in non-technical terms.
- Auditability – enable interested third parties to probe, understand, and review the behaviour of the algorithm through the disclosure of information that enables monitoring, checking, or criticism, including through the provision of detailed documentation, technically-suitable application programming interfaces and permissive terms of use.
- Responsibility – make available externally visible avenues of redress for adverse individual or societal effects of an algorithmic decision system, and designate an internal role for the person who is responsible for the timely remedy of such issues.
- Accuracy – identify, log, and articulate sources of error and uncertainty throughout the algorithm and its data sources so that expected and worst-case implications can be understood and inform mitigation procedures. (World Wide Web Foundation, 2017: 11)

The European Union is developing new rules and regulations on AI (Walch, 2020). For instance, the European Commission White Paper on Artificial Intelligence proposes the following:

- Pursue a uniform approach to AI across the EU in order to avoid divergent member state requirements forming barriers to the single market.

- Take a risk-based, sector-specific approach to regulating AI.
- Identify in advance high-risk sectors and applications, including facial recognition software.
- Impose new regulatory requirements and prior assessments to ensure that high-risk AI systems conform to requirements for safety, fairness, and data protection before they are released onto the market.
- Use access to the huge European market as a lever to spread the EU's approach to AI regulation across the globe. (MacCarthy and Propp, 2020)

At the national level, France has laws that deal with algorithm transparency and automated decision making (AlgorithmWatch, 2019: 68–69). The *Conseil d'Etat*, France's supreme court for administrative matters, in June 2018, 'ruled that a decision based solely on an algorithmic system could only be legal if the algorithm and its inner workings could be explained entirely to the person affected by the decision' (AlgorithmWatch, 2019: 69).

ASEM could work towards a harmonised AI governance and legal framework for Asia and Europe. This could include the following:

- Increasing algorithmic literacy in order to increase the ability of citizens, organisations, and government officials in understanding how AI systems work so that they can demand AI accountability.
- Creating mechanisms and processes to involve all stakeholders in the formulation and implementation of rules regarding public sector use of AI.
- Evolve a framework where the rights and legal protection of citizens, businesses, and other stakeholders are promoted. (European Parliamentary Research Service, 2019: 69–75)

ASEM on Data Protection and Privacy

The global pandemic has reignited the debate on data protection and privacy.

Some suggest that the success of some Asian countries in using digital technology to control the spread of the coronavirus has convinced many that 'less data privacy, not more, may be what's best for public health' (Meyer, 2020).

An alternative view is exemplified by the joint statement of the Chair of the Committee of Convention 108 and the Data Protection Commissioner of the Council of Europe: 'States have to address the threat resulting from the COVID-19 pandemic in respect of democracy, rule of law and human rights, including the rights to privacy and data

protection’ (Pierucci and Walters, 2020). The Philippines’ National Privacy Commission has issued a resolution along the same vein: ‘even in times of calamity or a state of public health emergency, rules on patient privacy, the confidentiality of health records, medical ethics, and data subjects’ rights remain in effect and upholding them equate to protecting lives’ (National Privacy Commission, 2020).

There are fears that the privacy-eroding technologies being used in the fight against the virus may outlive it. As noted by Harrari (2020):

If we are not careful, the epidemic might nevertheless mark an important watershed in the history of surveillance. Not only because it might normalize the deployment of mass surveillance tools in countries that have so far rejected them, but even more so because it signifies a dramatic transition from ‘over the skin’ to ‘under the skin’ surveillance.

Harrari is referring to surveillance through data trails – monitoring via information generated by users when they use ICT. Where before surveillance meant ‘close observation of suspected persons’, today’s technology allows for the surveillance of ‘contexts (geographical places, spaces, particular time periods, networks, systems and categories of person)’ (Marx, 2002: 10). Privacy is ‘strongly linked to the materiality and socio-technology of its environment’ (Matzner and Ochs, 2019). Legislation on data privacy (the right of an individual to have some control over how his/her personal information is collected and used) and data protection (the mechanism to prevent unauthorised use and access of personal data) emerged in the 1960s as a result of the increasing use of computers (Solove, 2006). Thus, it is only to be expected that the extensive use of digital technologies during the pandemic would trigger data protection and privacy concerns.

The Internet has become an important lifeline during the pandemic. It has enabled more people to work from home. However, this new work arrangement has also increased the possibility of ‘the largest cyberattack in HISTORY (emphasis in the original)’ (McBridev, 2020). It has also been observed that the pandemic is deepening users’ immersion in social media (Fischer, 2020). This means more information about users is being generated and harvested by social media firms.

Governments are using digital technology that compromises privacy in fighting the corona virus. In China, various cities and provinces have used coloured QR codes that are downloaded on mobile phones to track people’s movements and determine their health status (AFP–Jiji, 2020). Red, yellow, and green determine whether a person can enter a restaurant or board a train, for example. Russia uses CCTV cameras with facial recognition technology to enforce quarantine restrictions (Reevell, 2020). It is reported that the system can complete a search in under 10 seconds and can identify people who are wearing face masks (through their eye line). The Korean government has a system that tracks the

movement of an individual through credit card transactions, smartphone location data, and CCTV video (Louis, 2020). Korean health authorities issue an alert when a person tests positive. The alert includes a detailed history of an infected person's movements, and community members can use this to determine if they have come into contact with that person. While the infected person's name is not made public, the information released is specific enough that in some instances it has been easy to identify the infected person with infection – so much so that in March, the BBC reported that in Korea 'there is as much fear of social stigma (associated with testing positive) as of illness' (Kim, 2020).

Of course, not all digital tracking systems compromise privacy. Singapore's Trace-Together contact tracing app is an example of a privacy-protecting contact tracing app (HealthHub, n.d.). It works by exchanging Bluetooth signals amongst mobile phones that are in close proximity. Records of these encounters are stored in users' phones and are not sent to government authorities. The Pan-European Privacy-Preserving Proximity Tracing (PEPP-PT), as its name suggests, was developed by European scientists to track the spread of COVID-19 without derogating privacy (ERCIM, 2020). PEPP-PT is compliant with the EU's General Data Protection Regulation (GDPR) and interoperable across the EU. Another European initiative, Decentralized Privacy-Preserving Proximity Tracing, aims 'to provide maximum security and privacy for the end users' (Ruef, 2020).

During the pandemic, mobile phones were used as an 'electronic fence' to detect quarantine violators. Companies can use software to monitor employees working from home and students can be surveilled through exam monitoring software. Mark Surman, an executive director of Mozilla observed:

People are coming out with opportunistic, unregulated Band-aids (that) ... aren't going to fall under the oversight of government. If a market emerges for those, we may end up with a creeping low-level increase of surveillance that we need to find a way to keep tabs on and rope in. (Ng, 2020)

Even those worried about the privacy threats of digital surveillance during emergencies are not suggesting that these should not be used by governments. They recognise that public policy in health emergencies should balance health, privacy, and economic concerns. They recommend that to strike the right balance, decision makers should consider the following:

- Surveillance measures must be strictly proportionate, fully transparent, and reversible.
- Efficiency should not be the only consideration when using surveillance systems.
- Surveillance technology that enables a high level of social control may be applied unevenly, in a discriminatory manner, and for purposes completely unrelated to containing the virus. (Ghosh, Abecassis, Loveridge, 2020)

Another recommended action is for countries to create a legal framework for digital rights to prevent the erosion of privacy in a pandemic. Proponents believe that legislating digital rights is important in ensuring that inroads against privacy during an emergency are minimised and are reversible.

Moving forward, codified digital rights should be a feature of post-pandemic, inclusive digital societies in Asia and Europe. In the post-pandemic world, the march of surveillance capitalism – commodifying personal data for profit-making – will not slow down. In fact, the expected increase in the use of social media and electronic marketplaces will generate even more data – data that reveal more about the users of these platforms and that can be harvested and processed by platform owners for profit-making. This means that inter-governmental initiatives on data protection and privacy should also continue, if not intensify.

A good foundation has already been laid in the EU's GDPR, the 'gold standard' for data privacy protection. But the GDPR poses challenges for governments and corporations in Asia. Countries approach 'privacy', 'security', 'data protection' and even 'rights' in different ways (Consumers International, n.d.). Furthermore, GDPR requires a significantly higher level of compliance activity compared with existing privacy requirements in developing Asia. For corporations, particularly those operating in jurisdictions without privacy laws, meeting GDPR requirements will not be easy (Shatter and Lam, 2019). Some of them will need to rethink their business models based on broad consent to collecting a wide range of personal data. Even corporations operating in jurisdictions with data privacy laws may still need to update their data practices to be rated as 'adequate' by the EU for data transfer purposes. Keeping data for longer than required may be costly and complex to implement for many Asian companies. Another key challenge, particularly for micro, small, and medium enterprises is keeping personal data secure. To facilitate more business between the two regions, ASEM could develop a programme to help Asian businesses to comply with the GDPR.

ASEAN's initiative on Data Protection and Privacy is a positive development in creating an environment that protects and promote data protection and privacy. The foundational documents of this initiative are the ASEAN Framework On Personal Data Protection (November 2016) and the Framework on Digital Data Governance (December 2018). The ASEAN Framework On on Personal Data Protection aims to "strengthen the protection of personal data in ASEAN and to facilitate cooperation amongst the Participants, with a view to contribute to the promotion and growth of regional and global trade and the flow of information" (ASEAN TELMINelMin, 2016). It sets out the following Personal Data Protection Principles: (i) consent, notification, and purpose; (ii) accuracy of personal data; (iii) security safeguards; (iv) transfer to another country or territory; (v) retention; (vi) accountability; and (vii) access and correction.

The ASEAN Framework on Digital Data Governance ‘sets out the strategic priorities, principles and initiatives to guide ASEAN Member States in their policy and regulatory approaches towards digital data governance (which include both personal and non-personal data) in the digital economy’ (ASEAN TELMIN, 2018). It identifies four strategic priorities, namely: (i) data life cycle and ecosystem; (ii) cross-border data flows; (iii) digitalisation and emerging technologies; and (iv) legal, regulatory, and policy issues. The four initiatives to support these four strategic priorities are: (i) ASEAN Data Classification Framework; (ii) ASEAN Cross Border Data Flows Mechanism; (iii) ASEAN Digital Innovation Forum; and (iv) ASEAN Data Protection and Privacy Forum.

Even as the pandemic prevented face-to-face meetings of relevant ASEAN task groups, work on these initiatives continued through online meetings and exchange of emails.

ASEM could build on top of this initiative by identifying activities/projects that would help create a harmonised environment for data protection and privacy and increase greater economic activity between the two areas.

An Inclusive Future

Creating inclusive digital societies in Asia and Europe will require a lot of effort and creativity from governments, corporations, and citizens in the two regions.

This chapter suggests that ASEM consider cooperation in the following three areas:

- Future of Work(ers)
 - ASEM cooperation in implementing a ‘human-centred agenda for the future of work’ is recommended.
 - ASEM could consider developing a voluntary (non-binding) code of rights for gig economy workers that applies to both regions.
- AI in Governance
 - ASEM could work towards a harmonised AI governance and legal framework for Asia and Europe, focused on:
 - Increasing algorithmic literacy in order to increase the ability of citizens, organisations, and even government officials for understanding how AI systems work so that they can demand AI accountability;
 - Creating mechanisms and processes to involve all stakeholders in the formulation and implementation of rules regarding the public sector use of AI; and,
 - Evolving a framework where the rights and legal protection of citizens, businesses, and other stakeholders are promoted.

- Data Protection and Privacy
 - ASEM cooperation in creating a harmonised environment for data protection and privacy in the two areas.
 - ASEM cooperation in helping Asian companies comply with the GDPR.

As ASEM Partner transform their societies into digital societies, the above recommendations can be part of the blueprint of ASEM connectivity in future. The 13th ASEM Summit (ASEM13) in 2021 can help Asia and Europe to address these changes and challenges together.

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Asia–Europe Cooperation on Labour Mobility, Education, and Training

WHAT ARE THE IMPLICATIONS OF DIGITAL TRANSFORMATIONS FOR ASEM?

FLAVIA JURJE TRIFA

Introduction

Over the past 24 years, the Asia–Europe Meeting (ASEM) has played a key role as a forum for dialogue and cooperation in connecting Asia and Europe. ASEM has become an emblem of cooperation and connectivity between the two regions. With advances in technology and innovation, as well as digitalisation in a wide range of issue areas, innovative cooperation approaches are envisaged in an array of sectors, including economic and financial matters, investment to new locations, sustainable growth, and, not least, the movement of people.

In light of the upcoming Cambodian chair of the 13th ASEM Summit (ASEM13) in 2021, this chapter contributes to the plenary study on ‘Asia–Europe Connectivity and Cooperation: Ensuring Inclusive and Sustainable Growth Amidst New Global Challenges’, by focusing on the dimension of people-to-people connectivity and discussing how digitalisation impacts on human mobility. To this end, it will explore formal and informal cooperation instruments between Asia – in particular, the Association of the Southeast Asian Nations (ASEAN) – and Europe – namely, the European Union (EU) – with regard to labour mobility and migration, education, and training. As the main regional integration frameworks from the two continents, which are part of ASEM, both the EU and ASEAN have developed different mobility policies and are cooperating on a wide range of areas linked to the mobility of people. Building on the practices within the EU and ASEAN, this contribution will discuss how these experiences could be extrapolated to the ASEM context, addressing both opportunities and challenges raised by the mobility of people within the evolving digital economy of Asia and Europe.

The empirical data used will draw on previous studies and expert interviews with government officials, diplomats, civil society organisations, academia, and other key stakeholders active in the field of labour mobility conducted by the author within the two regions (see also Jurje [2018] and Jurje and Lavenex [2019; 2018; 2016; 2014]).

The chapter will first discuss the people-to-people mobility frameworks implemented in the EU and ASEAN. Then, an analysis of the cooperation instruments on labour mobility and migration, education, and training in place between the two regions will follow. This contribution will further look at digitalisation strategies across Europe and Asia and their impact on the mobility of people. Finally, the conclusions will summarise the key findings and present recommendations for the ASEM leaders.

People-to-People Connectivity: Labour Migration and Academic Mobility Frameworks in Asia and Europe

This part will first discuss the existing mobility policies in place within ASEAN and the EU. Secondly, it will analyse the ongoing cooperation programmes and instruments developed between the two regions with regard to managing migration and fostering mobility.

Intra ASEAN People-to-People Mobility

The movement of labour within the Southeast Asian region, while not part of the original declaration establishing ASEAN in 1967, entered the regional integration agenda in the context of ASEAN's decision to liberalise trade in services. The mobility of service providers or highly skilled professionals attached to trade was first addressed with the adoption of the 1995 ASEAN Framework Agreement on Services (AFAS) and later with the initiative to conclude the Agreement on the Movement of Natural Persons (MNP). Most of the commitments inscribed in the AFAS and then the MNP cover mainly highly skilled professionals attached to a commercial presence, intra-corporate transferees (with durations of stay from two years up to five/eight years), and business visitors, who are people employed in their home countries that are entering another country for business-related purposes for short time periods and not receiving remuneration in their host countries (allowed for between 30 and 120 days). Only Viet Nam, Cambodia, and the Philippines have inscribed provisions on contractual service suppliers¹, which are service providers de-linked from commercial establishment, but these are allowed only for a limited duration of stay (e.g. a maximum of 90 days in Viet Nam) and their mobility is subject to education and experience requirements. However, in practice, trade-related labour mobility is seen as only facilitating the movement of professionals, managers, and qualified staff under the intra-corporate transferee category (see also Nikomborirak and Jitdumrong [2013] and ILO and ADB [2014]). Travelling within the region for up to one month is visa-free for ASEAN nationals, but work visas remain subject to domestic regulations.

In addition to this are a number of so-called Mutual Recognition Arrangements (MRAs), which further promote the mobility of selected skilled professionals. So far, MRAs have been

concluded for professions covering engineering, accountancy, architecture, surveying, nursing, dental and medical practitioners, and tourism (Interviews 1, 2). Nevertheless, an MRA does not automatically grant ‘free movement’, as domestic immigration procedures or language barriers can seriously restrict the mobility of professionals within the region (Interviews 1, 2, 3, 4).

A greater flow of skilled labour has been envisaged following the establishment of the ASEAN Economic Community (AEC) in 2015 (see ASEAN Secretariat [2008, 2015]) by developing additional mobility initiatives. These include the following:

- Facilitating mobility through the issuance of visas and employment passes for business and skilled labour
- Recognition of professional qualifications
- Implementing and developing new MRAs
- Human resources development in the area of services
- Core competencies and qualifications in priority services
- Strengthening labour market programme capacities
- Enhancing the mobility of scientists and researchers
- Human resources development
- Promoting decent work
- Protecting and promoting the rights of migrant workers

Particularly for the movement of people, the AEC has sought to speed up the implementation process of the MRAs but also proposes achieving greater cooperation amongst the ASEAN University Network institutions to increase the mobility of students and academic staff.

In addition to the economic pillar that covers mobility, cooperation under the socio-cultural pillar led to the signing of the Declaration on Migrants’ Rights (2007) and subsequently of the ASEAN Consensus on the Protection and Promotion of the Rights of Migrant Workers (2018). The documents aim to safeguard the rights of migrants and their families in accordance with national laws and regulations, and call for appropriate employment protection, wages, and living conditions as well as for coordination on anti-trafficking policies. Exchanges of good practices and policy ideas between governments, workers’ associations, and employers’ associations are closely coordinated with the International Labour Organization (ILO) Regional Office for Asia and the Pacific, under the ASEAN Forum on Migrant Labour (Interviews 1, 2, 6, 7). There are also a few intra-ASEAN bilateral memoranda of understanding covering the labour mobility of lower-skilled labour, specifying conditions for domestic migrant workers related to the duration of stay, language requirements, and immigration procedures – however, there is no regional cooperation system for low or unskilled labour.

It should also be mentioned that the available data reveals that overwhelming shares of both recorded and unrecorded labour flows within ASEAN are actually in low- and semi-skilled labour, categories of migrants that are not addressed at the regional level (see ILO and ADB [2014]; Huelser and Heal [2014]). According to UNDESA and OECD (2013), some 6.5 million ASEAN citizens were reported to reside in other ASEAN states, although this is probably a large underestimate given unrecorded migration. In fact, it is acknowledged that the vast majority of migrants searching for work within ASEAN are unskilled or semi-skilled (Huelser and Heal, 2014; Orbeta, 2013). While flows of skilled labour in ASEAN have increased, they remain small in comparison to the flows of unskilled or semi-skilled labour migration. Orbeta (2013) estimates that nearly 9 out of 10 migrants from ASEAN moving within the region are low skilled, and OECD data (2010/2011²) shows that the majority of emigrants have only primary education, with unskilled migration outstripping skilled migration significantly as for example in Indonesia, Myanmar, Cambodia, Thailand, and the Lao PDR (OECD Database DIOC-E in Huelser and Heal [2014]). The available data from key destination states (Orbeta, 2013; ILO and ADB, 2014) also reveal this gap between highly skilled and low-skilled migration. For example, in Thailand, only about 3% of workers are highly skilled, while in Singapore they account for nearly one-quarter – however, the majority come from outside the region, including China, India, the United States (US), and the United Kingdom. As opposed to skilled mobility, it is not surprising that low-skilled migration is not on the AEC agenda, denoting clear political challenges associated with national sovereignty concerns and the reluctance of receiving countries to address the subject of low-skilled migration at the regional level. The main destination countries in the region are Malaysia and Singapore (mainly domestic helpers from the Philippines and Indonesia, and construction workers and agricultural labour especially from Indonesia to Malaysia), as well as Thailand, with workers from Cambodia, the Lao PDR, and Myanmar (ILO and ADB, 2014; Capannelli, 2013).

EU Free Movement of People

The free movement of workers – today, people – together with capital, goods, and services constitute the four fundamental freedoms of the European Single Market Act (Art. 18 EC). The full free movement of workers was introduced in 1968 with Regulation 1612/68, and in 1987, the Single European Act set forward that the free movement norm was to be extended from the group of ‘workers’ to the economically inactive, and today covers all EU citizens as well as their foreign relatives. Special provisions apply to the service sector for persons who maintain their employment contracts with an employer in their home country and stay enrolled with their home country social security systems but move to another EU country to work for a period of up to two years.

² The original database can be accessed here: <http://www.oecd.org/els/mig/dioc.htm>.

These ‘posted workers’ are excluded from needing a work permit and do not need to go through the recognition of their professional qualifications³ (Directive 96/71/EC).

EU migrant workers and their families have the right to the same taxation and enjoy the same social advantages as their fellows in their host states (e.g. child-raising allowances and right to education for children, etc.). The EU Member States have coordinated their social security systems and established a framework that mutually recognises qualifications (Deacon et al., 2011). The social rights of third-country nationals have been addressed in the EU Long Term Residents Directive (2003/109/EC) and the EU Family Reunification Directive (2003/86/CE).

The EU free movement regime is further reinforced by the abolition of controls at the internal borders of the EU, as decided in the 1985 Schengen Agreement and realised in 1996. This abolition of internal border controls was taken as an impetus for cooperating on external migration to the EU. The conditions for crossing the EU external border, visas for stays shorter than three months, and wide sections of asylum policy are regulated by EU rules. Although the EU lacks a full-fledged competence on economic immigration from third countries, directives have been adopted concerning specific groups, such as the highly skilled (for example the Directive for Intra Corporate Transferees, 2014/66/EU), students, researchers, and seasonal workers. In addition, the mobility regime has been extended to a few non-EU Member States that have a special association status with the EU. The full freedom of movement has been introduced through the Treaty on the European Economic Area of 1992 with the remaining members of the European Free Trade Association and with Switzerland by a bilateral treaty in 1999.

In addition, trade agreements with chapters on services concluded by the EU with third countries have incorporated specific mobility provisions linked to trade. Most of these mobility liberalisations cover the categories of intra-corporate transferees, or in the EU terminology ‘key personnel’ (a category present in almost 70% of the EU agreements), and self-employed persons within the companies established and effectively controlled by these nationals in the territories of the EU. There are some exceptions that also give rights for service suppliers de-linked from a commercial presence. One such example is the economic partnership agreement concluded with the distant Cariforum countries. Nonetheless, the significance of the commitments related to service suppliers not linked to establishment is contested. The agreement is said to be ‘crowded with economic needs tests, which remove certainty’ (Kategekwa, 2008: 11). Nevertheless, as Dawson (2012: 15) points out, in contrast with the European Union’s General Agreement on Trade in Services offer, which is quite ambiguous, the economic partnership agreement provides

³ A written declaration might be required.

clear and understandable terms for temporary movement and straightforward requirements regarding training and certification, with a focus on specific sectors in which the Cariforum states have services capacity. Numerical quotas for key personnel and graduate trainees in the liberalised sectors have been eliminated. Free trade agreements (FTAs) signed with the Republic of Korea (in force from 2010) and Colombia and Peru (concluded in 2011) are also cases where GATS+ provisions have been granted, in particular with regard to the maximum duration of stay of highly skilled personnel, but also the inclusion of contractual service suppliers and independent professionals, service suppliers independent from commercial presence.

Regarding the mobility of students and researchers within the EU, a specific policy instrument was introduced at the regional level, the so-called ERASMUS+ programme. It supports education, training, youth, and sport in Europe by providing opportunities for over 4 million Europeans to study, train, and gain experience abroad. The main features of the programme are recognition and validation of skills and qualifications (various tools that ensure that skills and qualifications can be more easily recognised and are better understood, within and across national borders); dissemination and exploitation of results; open access to project outputs to support learning, teaching, training, and youth work; encouragement for beneficiaries to publish research output through open access pathways. At the same time, ERASMUS+ includes a strong international dimension, namely cooperation with partner countries, notably in the fields of higher education and youth. Amongst the main actions with partner countries, which include Asian countries and ASEAN counterparts, are the international credit mobility of individuals, capacity-building projects in higher education, support for policy dialogue, and Jean Monnet activities.⁴

In sum, economic integration, with the creation of the Single Market, has triggered the free and full movement of people within the EU, and service-trade related external labour mobility is present in all of the EU's FTAs that have a chapter on services. Besides the mobility of people associated with commercial establishments (i.e. intra-corporate transferees and business visitors), there are also openings inscribed for the other categories, a notable example being the FTA concluded by the EU with the Cariforum states. At the same time, the mobility of students, researchers, and academic staff is highly encouraged through ERASMUS+, the EU's special programme to support education and training development.

Cooperation Instruments for Migration, Education, and Training Between Asia and Europe

Within ASEM, which brings together the EU and its Member States as well as the ASEAN countries and ASEAN Secretariat (amongst other participants from the two continents), exchanges on international migration were initiated in 2003 under the ASEM Conference of the Directors-General of Immigration and Management of Migratory Flows, with the scope of strengthening links between members' immigration authorities and permitting exchanges of information and of good practices in the field of international migration. So far, 14 conferences have been organised, with discussions covering mostly aspects related to migration control and the management of migration flows. Additional discussions on migration, particularly on labour migration, education, and training mobility between Asia and Europe, may also gain further importance in the agenda of the ASEM Ministers of Employment and Labour Meetings. Furthermore, the Asia–Europe Foundation supports and augments the formal ASEM migration discussions through other cooperation events and exchanges on ASEM migration themes. In practice, people-to-people connectivity between Asia and Europe accounts for some 400,000 internationally mobile university students, more than 200,000 research collaborations, and 13 million migrants (including workers, professionals, and academics moving between Asian and European countries – see Becker et al. [2019]).

While cooperation on border management and anti-irregular migration action is also part of various EU–ASEAN sub-regional programmes, EU and ASEAN leaders have further developed other instruments within their regions and amongst the continents to address human mobility and policy experiences that could serve to broaden the ASEM agenda on the cross-border flows of people. The following section will present the main cooperation programmes put in place between the EU and ASEAN.

The countries of the EU and ASEAN have a long-lasting history of cooperation. The EU–ASEAN dialogue, initiated back in 1977 and institutionalised with the signing of the ASEAN–EEC Cooperation Agreement in 1980, was revised throughout the years to reflect the needs and realities of the two parties. Today, it encompasses aspects related to the mobility of people and migrants' rights, educational programmes aiming to enhance student mobility, and the development of regional qualification frameworks (within the so-called European Union Support to Higher Education in the ASEAN Region Programme, SHARE), as well as migration management, as for example the ASEAN–EU Migration and Border Management Programmes.

In light of the renewed efforts of the ASEAN leaders to build closer ties amongst the 10 Member States and establish a single market and production base, the EU has been showing support for these initiatives and has increased dialogue and cooperation programmes,

with the overall goal of enhancing the economic, social, political, and connectivity linkages between the two continents. Aspects related to people mobility, education and academic training exchanges, and the rights of migrant workers that are part of the broader economic, political, and socio-cultural cooperation are also found in the current ASEAN–EU Plan of Action 2016–2024 of the Enhanced Regional EU–ASEAN Dialogue Instrument, E-READI.⁵

Cooperation in the field of migration management, by supporting the ASEAN Political and Security Community, has been established for instance under the EU–ASEAN Migration and Border Management Programmes I and II, which helped improve border management and speed up trans-border movements. With financial and technical support from INTERPOL, the EU supported the development of an Integrated Border Management System in the region in order to facilitate the legal movements of goods and persons and better combat transnational crime and the illegal migration and trafficking of human beings across ASEAN. To this end, the EU stated its support for the implementation of the 2011 ASEAN Leaders’ Joint Statement in Enhancing Cooperation against Trafficking in Persons in Southeast Asia through measures such as information sharing and the use of technologies relevant to border management and document security. As initial outcomes, the EU programme helped ASEAN Member States improve cooperation amongst their border management bodies and enhanced cooperation on information exchanges between INTERPOL local offices and the INTERPOL General Secretariat (European Union Delegation Jakarta, 2013). The assistance in the area of migration and border management had been designed to address the agenda on people-to-people connectivity in ASEAN by strengthening law enforcement and cooperation at main regional transit hubs. A study on easing the visa requirements for ASEAN and third-country nationals entering the region is also part of this cooperation.

Aspects related to the rights of migrants are to be found under cooperation on broader human rights initiatives, with the EU giving full support to the ASEAN Commission on the Promotion and Protection of the Rights of Women and Children. Matters related to human rights are also reiterated under socio-cultural cooperation, with the EU engaging in policy dialogues and programmes that promote human rights, including the well-being of migrant workers (European Union Delegation Jakarta, 2013). A recent initiative with regard to the rights of migrants, particularly for women within the ASEAN region, initiated by the EU and the United Nations is the Safe and Fair programme, which addresses women’s migrant worker rights and opportunities in the ASEAN region. The project aims to eliminate violence against women and girls, a global, multi-year initiative implemented through a partnership between the ILO and UN Women with the overriding objective of ensuring that labour migration is safe and fair for all women in the ASEAN region.⁶

⁵ For details see: https://eeas.europa.eu/headquarters/headquarters-homepage/49815/enhanced-regional-eu-asean-dialogue-instrument-e-readi_km.

⁶ For details see: https://www.ilo.org/asia/projects/WCMS_632458/lang--en/index.htm.

As part of the support for the socio-cultural community, the EU is endorsing greater student mobility in the region and has initiated programmes that will contribute to the harmonisation of the recognition systems between higher education institutions in ASEAN (Interviews 5, 6). It aims to improve the comparability of university qualifications and ease the transfer of credits through the development of Qualification Framework and Assurance systems. As pointed out above, a notable example of EU–ASEAN cooperation in this field is the SHARE programme. SHARE contributes to connectivity between students and universities in the region by supporting the advancement of the ASEAN Community Vision 2025 and through harmonisation of the higher education space across ASEAN. Drawing on the EU’s experience with academic mobility within the European Community Action Scheme for the Mobility of University Students (ERASMUS+ scheme), the SHARE programme aims to strengthen regional cooperation and enhance the quality, regional competitiveness, and internationalisation of ASEAN higher education. Fostering connectivity between people within ASEAN and between the EU and ASEAN is the main goal of the programme. The SHARE programme has so far awarded over 500 scholarships to ASEAN students and university staff and organised policy dialogues, workshops, and forums attended by over 2,000 participants (EU SHARE Newsletter, 2020). Furthermore, EU–Asia academic cooperation through the ERASMUS+ programme is fostering the mobility of students and academic staff from particular ASEAN countries (and more broadly Asia), as well as providing capacity building in higher education across the partner countries from the region.

People-to-People Mobility and Digital Transformations in Asia and Europe

Both Europe and Asia are highly engaged in the digital economy and connectivity. At the same time, there are ongoing digital cooperation programmes between the EU and ASEAN that cover matters of policy, regulation, and digital innovation ecosystems more broadly (supported by the EU–ASEAN Regional Dialogue Instrument, E-READI⁷).

Within the EU, in particular, the Digital Single Market envisages the free movement of persons, services, and capital and proposes that individuals and businesses can seamlessly access and engage in online activities under the conditions of fair competition and a high level of consumer and personal data protection, irrespective of nationality or place of residence.⁸ The EU’s current digital strategy aims to make the technological transformations work for the people, primarily by investing in developing digital competences, modernising education across the EU, harnessing digital technologies for learning and for the recognition and validation of skills, and anticipating and analysing skills needs.⁹

⁷ See also European Commission (2019a).

⁸ See also European Commission (2019b).

⁹ See also European Commission (n.d.).

The ASEAN digital economy is growing significantly, and policy measures and frameworks, including the AEC Blueprint 2025, Masterplan on ASEAN Connectivity 2025, and the e-ASEAN Framework Agreement, have been set in place by ASEAN leaders to enhance the benefits of digitalisation. In addition, Digital ASEAN, an initiative of the World Economic Forum and regional partners in ASEAN, both public and private, aims to develop the regional digital economy within ASEAN so that the benefits of the Fourth Industrial Revolution can become a force for regional economic inclusion. To this end, and similarly to the EU approach, working on building a shared commitment to training digital skills for the ASEAN workforce is one of the main objectives of the initiative.¹⁰ In addition, the 11th ASEAN Forum on Labour Migration (2018) adopted the theme ‘Digitalisation to Promote Decent Work for Migrant Workers in ASEAN’. As an activity under the ASEAN Committee on the Implementation of the ASEAN Declaration on the Protection and Promotion of the Rights of Migrant Workers Work Plan 2016–2020, the forum shared good practices and discussed ideas on leveraging technology to: first, improve labour migration management; and second, provide digital services for migrant workers, with an overarching view of furthering all migrant workers’ well-being while giving due consideration to gender sensitivity.¹¹

It is clear that the implications of increasing digitalisation for the mobility of people are manifold, creating opportunities but at the same time also raising challenges. The following section will assess the implications of digitalisation for the mobility of people.

Digital Technologies That Can Benefit the Mobility of People

Digitalisation is making it increasingly easier to access information and connect people worldwide. Today, it is acknowledged that digital technologies offer many opportunities to simplify, secure, and accelerate migration processes. The use of digital tools and platforms has spread considerably in the field of labour migration and for the development of services for migrant workers.

Below are various issue areas where digitalisation could facilitate the mobility of people. Some of these aspects have also been raised by international organisations, such as the ILO¹²:

- Using apps and digital platforms to make it simpler to find jobs, connect with communities, and transfer money (remittances), e.g. by reducing banking fees, and in a more secured manner (e.g. using blockchain-powered applications to transfer and manage money). Also, using apps and online rating sites can help migrants make informed choices by allowing them to compare recruitment agencies, money transfer operators, and other service providers.

¹⁰ See also World Economic Forum (n.d.).

¹¹ For details see: https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/meetingdocument/wcms_648531.pdf.

¹² See also ILO (2018).

- Digital migration management sources can help reduce the money and time costs associated with formal recruitment processes (which might push migrants to use informal, undocumented, and unsafe channels).
- Digital management platforms for migration could also store documents, such as work contracts, payment slips, or medical certificates, thus creating a record of agreements, a so-called ‘digital trail’ as highlighted by ILO’s Triangle Programme in ASEAN (2018). This can be useful if disputes about contract terms, repayments, or other issues arise between a migrant worker and an employer or recruitment agency.
- Digital solutions that offer services to migrants could cover legal support, welfare assistance, or online training opportunities.
- Digital technologies allow migrants to share information in a timely and affordable manner. Online networks can provide peer-to-peer assistance to migrant workers and help them get organised, for example with administrative aspects related to their jobs abroad.
- Online complaint services can help migrant workers seek assistance, even when working in remote and isolated places.

The Digital Divide and Challenges to the Mobility of People

As pointed out above, digitalisation could also trigger constraints for some categories of people on the move. Some examples include the following:

- Gaps in terms of digital skills, access to infrastructure, affordable technical devices (e.g. mobile phones and computers) and data plans (i.e. the internet) could disrupt the potential to access the abovementioned services and tools meant to help achieve fair migration.
- Digitalisation could lead to the spread of misinformation, dishonest online service providers, and limited protection of personal data and online privacy. In order to ensure the protection of data on migrant workers collected and stored online, regulations are required to guarantee the privacy and safety of users of online platforms and tools.
- Many traditional jobs may be replaced by the automatisisation and digitalisation of processes, which in turn can pose problems for some categories of migrants in accessing those jobs. Thus, considering what types of digital skills are needed in the economy and investing in education to develop the appropriate competences are key measures in bridging the digital gap.

Conclusions

The mobility of people is of great importance for the economies of Asia and Europe. While the EU has in some respects pioneered the free movement of people and is an active promoter of academic mobility at the regional level (in principle through the ERASMUS+ scheme), ASEAN has opted for a more selective intra-regional labour mobility model, following mainly the trade in services-related mobility of skilled professionals and encouraging the cross-border exchanges of researchers and academic staff. Multiple EU–ASEAN cooperation instruments have been developed covering aspects of common interests linked to labour migration, the rights of migrants, education, and training, as well as border management policies. Building upon the policy experiences and cooperation exchanges of these two sub-regions, ASEM could further enhance the dialogue and cooperation on the mobility of labour and education between Asia and Europe, especially in light of the growing importance of the digital economies of the regions. As pointed out by the ASEM Leaders at the ‘Seminar on Enhancing Human Capital for Sustainable Digital Connectivity’ (Bangkok, 2019¹³), ‘the potential for the digital economy to drive inclusive and sustainable growth is substantial. It is therefore vital for the ASEM partners to fully leverage the benefits of the digital economy and work together in tackling inequality and giving equal opportunities by enabling more people through infrastructure, and training, as well as by promoting business and community engagement, and digital innovation’. This has tremendous implications for the mobility of people, as well as the labour and education markets. While the benefits of developing digital technologies for migrants are primarily linked to easier access to information about jobs abroad, safer and cheaper channels for sending remittances, as well as better protection mechanisms against malpractices, there are also challenges. Jobs are being lost to digitalisation and automation, and the digital divide risks excluding an important part of the migrant population from the labour market. To address these shortcomings, Asian and European partners could use ASEM to:

- Share knowledge, best practices, policies, and strategies for preparing the workforce for a digital-based workplace through enabling them to acquire the required digital skills, literacy, training, and re-skilling where necessary; and
- Promote lifelong learning and education, facilitate greater labour mobility, and revise labour laws and regulations to clearly reflect the transformations brought about by the digital economy, but also address challenges facing migrants (e.g. data protection, access to infrastructure).

To enhance people-to-people connectivity in the era of digitalisation, ASEM, as a dialogue and policy cooperation forum bringing Asia and Europe closer, could propose a holistic approach to mobility. Aspects covering economic mobility, academic and training cooperation, the rights of migrants, as well as control and border management, should

become part of a common vision on human mobility, which, at the same time, addresses the policy goals of the regions and the global agenda more broadly.

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Asia–Europe Cooperation on Empowering Women and Youth

DIGITAL AND EDUCATION CONNECTIVITY

YEO LAY HWEE

Introduction

Connectivity has become a major theme in the agenda of the Asia–Europe Meeting (ASEM) since 2014. The ASEM Pathfinder Group on Connectivity that was convened in 2016 submitted its recommendations at the 12th ASEM Summit held in Brussels in October 2018. The Summit adopted possible ‘Tangible Areas of Cooperation in the Field of Connectivity’ that would serve as a guiding tool to take the Connectivity agenda forward. The focus areas of cooperation are as follows:

- Connectivity policies and plans
- Sustainable connectivity
- Trade and investment connectivity
- Future connectivity and digital economy
- People-to-people connectivity
- Security challenges linked to connectivity

With the challenges posed by the global COVID-19 pandemic and the fears and uncertainties that have been raised, many may wonder about the impact on the ASEM connectivity agenda. The spread of the coronavirus seems to have given further pause to the globalisation agenda and emboldened the populists and ultra-nationalists to call for more protectionist measures and to roll back policies on connectivity. Yet, the lesson to be learnt from the rapid spread of the virus is how the world is far more connected than we think. The only way we are going to deal with the devastating impact of COVID-19 and control future pandemics is through more connectivity not less. We need digital connectivity to help us through the lockdown and ‘stay home’ orders. Home-based learning for kids and telecommuting or remote working for adults requires access to the internet. We also need more connectivity amongst our scientists and researchers in the race to find a cure or vaccine; we need more institutional connectivity to mount better-coordinated responses to such global challenges, and the list goes on.

Through the ASEM platform, countries in Asia and Europe need to redouble efforts on the connectivity agenda and synergise the different connectivity strategies and plans – from the ASEAN Masterplan on Connectivity to the Chinese Belt and Road Initiative to the latest EU-Japan Partnership on connectivity. As we face the double-challenge of recovering from the disruptions caused by COVID-19 and the coming Fourth Industrial Revolution, education, training, and infrastructure for digital connectivity and digitalisation will be a major priority.

In this chapter, I will focus on the digital and people-to-people connectivities aimed at empowering women and youths.

Why the Focus on Women and Youths?

The old African proverb that ‘if you educate a woman you educate a family (nation)’ has long been a rallying call for developmental specialists to try and mainstream women’s empowerment in various development projects and assistance. Some studies have shown that on average women reinvest up to 90% of their income into the family compared to 30%–40% by men, creating long-term socio-economic gains for their communities. The World Economic Forum’s Global Gender Gap Report 2020 notes that there is a strong correlation between a country’s gender gap and its economic performance.¹

While the importance of women and gender equality in the development of societies and nations is recognised, women remain under-served in many countries. Gender inequalities persist in many countries across the world. Women’s access to quality education and employment remains a big challenge. The McKinsey Global Institute in one of its report noted that if men and women were to participate equally in the global economy, they would add another US\$12 trillion to global gross domestic product (GDP), an increase by 26%.² Currently, women contribute to only 37% of global GDP.

As societies and economies are transformed by new information and communications technologies (ICT), women face insurmountable obstacles in leveraging on these new technologies to improve their livelihoods and realise their potential. Some of these key obstacles are reflected in the low rate of female students’ participation in science, technology, engineering, and maths (STEM) education and the gender imbalance in tech skills and tech jobs. Fundamentally, one of the most important challenges is the lack of access to the internet, digital devices, and mobile technology.

How to ensure women have equal access to the opportunities presented by the new technologies in their route to empowerment should be a priority in the ASEM agenda. This would also align the ASEM agenda with the United Nations Sustainable Development

Goals 2030 (UN SDGs), in particular Goal No. 5, which is to achieve gender equality and empower all women and girls.

To focus on youth is to keep an eye on the long-term future of countries. Young people account for a large and growing proportion of the population in many developing countries. There are 1.2 billion youths aged 15–24 years around the world and unfortunately up to 70 million of these youths are unemployed and another 145 million underemployed.³ According to the International Labour Organization (ILO), youths are three times as likely as adults to be unemployed. A high level of youth unemployment is not only a drain on a country's vitality but has many other political and societal implications. The dissatisfaction of jobless youths can lead to social unrest and political instability, and jobless youths are also more likely to emigrate.

In many of the ASEM Partner countries, youth unemployment is a real challenge. Some of this unemployment is a result of skills mismatch, and some arises out of the need for fundamental and structural reforms of the economies. Education and skills are important to youth development. However, with technological evolution moving fast and given its volatility, education and training cannot remain static and must evolve to meet the future needs of the labour market.

The magnitude of the problems of unemployed and underemployed young people has been recognised by the UN, and the SDG 2030 goals include one (SDG Target 8.6) that calls for reducing the proportion of youth not in employment, education, or training. Another, SDG Target 4.4, also calls for a substantial increase in the number of youths who have relevant skills – including technical and vocational skills – to promote employment, decent jobs, and entrepreneurship. All these point to the importance of the empowerment of youths in fostering long-term growth and the well-being of nations.

We have established the importance of empowering women and youths. However, in order to put in place meaningful measures and advocate policies for their empowerment, we need to be conscious of how we define and measure empowerment.

There are many different definitions of empowerment, but most of the seminal definitions emphasise agency and gaining the ability to make meaningful choices. Naila Kabeer's seminal

³ See <http://www.intracen.org/news/How-digital-skills-can-help-tackle--youth-unemployment/>.

‘resources, agency, and achievements’ framework also provides a practical intuition for measuring empowerment, which involves three inter-related dimensions:

- Resources – gaining access to material, human, and social resources that enhance people’s ability to exercise choice, including knowledge, attitudes, and preferences.
- Agency – increasing participation, voice, negotiation, and influence in decision-making about strategic life choices.
- Achievements – the meaningful improvement in well-being and life outcomes as a result of the access to resources and increasing agency (Kabeer, 1999).

Looking at empowerment from this perspective, we need to focus first on ensuring equal access to resources and advocating for increasing the participation of women and youths themselves. Once we can ensure full access to these, we can then assess the outcome to identify any other possible obstacles that have to be addressed, whether cultural, social, or political.

The COVID-19 pandemic has accelerated some of the trends that have been set off by the Fourth Industrial Revolution, such as digitalisation, artificial intelligence, and big data. COVID-19 has also brought the full power of the state to bear, as in the interests of public health, governments across Asia and Europe have acquired emergency powers to impose draconian lockdowns. To be able to participate fully in the new economy and in a society where government and community groups employ digital technology for service delivery, citizens will need to have equal access to the internet and digital technology. More importantly, there must also be concerted efforts to teach and acquire the skills and training needed to make full use of these technologies.

ASEM’s agenda and focus areas on connectivity have already recognised the importance of reaching out to women and youths to ensure their effective participation in society and the economy. The empowerment of women and youths is a pre-requisite for their social and economic advancement. For them to reach their potential, the ASEM connectivity agenda needs to place digital connectivity and its attendant soft connectivity in education and human resources as a priority.

The Importance of Digital Connectivity

The digital revolution has changed the way we work, access information, and connect with each other. ICT used in today’s increasingly digital age, such as the internet and mobile phones, amongst others, are becoming more important for the functioning of the 21st century economies. Expanding digital connectivity will accelerate economic growth. According to a World Bank estimate, more than 50% of the world’s people are still

offline. Increasing the percentage of the total population connected to the internet from 48% to 75% would add US\$2 trillion per year to world GDP and help create 140 million jobs. Thus, making the internet universally accessible and affordable should be a global priority. Connectivity for all remains an important development goal but also a tremendous challenge.⁴

ICT and digital connectivity are not only for delivering economic growth but can be effectively harnessed for achieving the SDGs by improving governance and achieving better outcomes in education and health.

While the internet and broadband have been cited by many as potentially important enablers of sustainable development, significant discrepancies persist as to who can actually access and benefit from the technology. A large proportion of the unconnected population is made up of women. The Alliance for Affordable Internet noted that gender discrepancies are not only ‘one of the most pernicious aspects of the global digital divide’ but also disconcertingly growing wider. Compared to men, women are less likely to be connected, and ‘even when they are online, women are less likely than men to use it to improve their lives’.⁵

As economies and societies are being transformed by digital technologies, a 2018 study by OECD found that some 250 million fewer women than men are online. Globally, women are 21% less likely to own a mobile phone than men. Many women live in areas with poor digital infrastructure, and they are less likely to be able to afford digital devices, broadband subscriptions, or the education needed to effectively use and unlock the potential of digital technologies. The digital gender divide is real, and there is a systematic under-representation of women in ICT jobs.⁶

Women’s access to education, healthcare, government services, employment opportunities, and other resources necessary for their empowerment can be enhanced through digital technologies and connectivity. In short, women’s participation in society and empowerment is now more than ever impacted by their access and utilisation of internet and mobile technology. Yet, inadequate infrastructure for connectivity and a lack of access to the technology prevent many women from fully benefitting.

⁴ See World Bank’s World Development Report 2016 on Digital Dividends.

⁵ See Joint Report from World Wide Web Foundation, Alliance for Affordable Internet and UN Women ‘Universal Service and Access Funds: An Untapped Resource to Close the Gender Digital Divide’, March 2018. <http://webfoundation.org/docs/2018/03/Using-USAFs-to-Close-the-Gender-Digital-Divide-in-Africa.pdf>.

⁶ OECD Report ‘Bridging the Digital Gender Divide: Include, Upskill, Innovate’, 2018. <http://www.oecd.org/internet/bridging-the-digital-gender-divide.pdf>.

The availability of these technologies and infrastructure is one thing, but there is another hurdle to cross when it comes to empowering women – education and training platforms to ensure that women can fully benefit from the use of digital and mobile technologies. The inherent gender biases and socio-cultural stereotypes and norms continue to place obstacles towards equipping women with the skills and capacities to ensure digital inclusion.

In short, ICT has a vast potential for women empowerment. However, with respect to the use of ICT, a gender divide has been observed. Unless this gender divide is specifically addressed, there is a risk that ICT may aggravate existing inequalities.

Similarly, the potential for ICT to support youth development is significant in theory, but many youths around the world still face barriers when it comes to ICT access and the effective use of these tools. Barriers such as the lack of a mobile or broadband network and basic access to connectivity, and the affordability of access to handsets and mobile data services mean that many youths are not able to make full use of the potential of ICT for their own development. The digital divide between the youth and those more than 45 years old is significant.

Then there is also the question of education and training. Even for youths who have easy access to digital connectivity and are seen as digital natives, outdated education policies, lack of training capacities, and market failures may limit the ability of young people to fully participate in the economies. The skills mismatch is a real problem and is reflected in the high youth unemployment rates in several countries across Asia and Europe. Investments in ICT and digital connectivity must go hand in hand with investments in education and training to empower youths in making their choices in the economies. Equipping the youth with digital skills can enhance their employment opportunities.

In several ASEM countries, the need to invest in digital infrastructure to reap the benefits of digital connectivity is well recognised – from Bangladesh in the south to Mongolia in the north. The ASEM platform can be used to coordinate and bring about public–private partnership efforts in these investments. More importantly, ASEM partners can band together and ‘intensify their initiatives that create greater demand for international bandwidth’. These initiatives could include support for private sector broadband network buildout and growing the digital trade and economy between Asia and Europe. Such ASEM support would complement the objectives set out in ASEAN ICT Masterplan 2020 and Europe’s Digital Single Market Strategy (Lallana, 2016).

The COVID-19 pandemic has made it starker how important digital connectivity and access to ICT is for the development of ASEM economies. COVID-19 is not just a health crisis. It has upended the lives of billions of people. With the worldwide lockdown and draconian measures to shut schools, billions have been forced to stay home and away from schools. COVID-19 has a disproportionate impact on women and youths. Girls and young women

are likely to be the first to be removed from school and may never return to schools as the economic consequences sink in. The ILO has projected an increase in global unemployment of between 5.3 million and 24.7 million because of COVID-19.

The need to go online to work to access education and services accentuates the existing inequalities that divide the countries that have good digital infrastructure and those that do not. According to the UN's International Telecommunications Union, before the COVID-19 outbreak, only 47% of the population of developing countries used the internet compared to 86% of the population of developed countries. Such a digital divide would only widen economic divides as the pandemic forced people to 'stay at home'. Where the internet is inaccessible or access unreliable, the online delivery of education is highly elitist and distortional in terms of expanding inequity.

ASEM, as a forum that brings together 51 countries from the north and the south with both developed and developing economies, therefore needs to put priority on closing the digital divide by investing in digital connectivity. Achieving affordable internet access should be a key priority in ASEM's agenda. The potential for a coalition of ASEM partners, such as China, Japan, and the EU, to work in tandem with host countries across Asia and Europe to create a Digital Silk Road should be top in the ASEM agenda. Digital connectivity should become no less of a necessity as electricity and water.

Together with investments in the hard infrastructure of digital connectivity, there is a corresponding need to expand connectivity in content and other soft infrastructure in the form of educational exchange, with cutting-edge online courses, cultural interactions, cross-border training, and mentorships. This is what I would collectively call 'education and human resource connectivity'. Education – formal and informal – should help prepare ASEM's women and youth for the changing nature of work and governance.

The empowerment of women and youth therefore requires not only access to physical connectivity and material resources, but more importantly to social resources, such as the knowledge, attitudes, and skills that can enhance their agency and ability to exercise choices and decisions and make meaningful improvements in their well-being and life outcomes.

Education and Human Resource Connectivity

The COVID-19 pandemic has forced schools and universities to shut down for months in many countries. Home-based learning for school children, online lectures and classes for university students has been the reality for millions of children and youth.

Yet the pandemic has also revealed the disparities in access to learning in countries and areas with good digital connectivity and those without fast and stable access to internet and mobile connections. Hence, the priority is for governments to invest in infrastructure for digital connectivity.

Good digital connectivity would also open up more creative and multifaceted ways for women and youths across Asia and Europe to access education – both formal and informal. Formal education in schools and institutions of higher learning, but also informal education targeting in particular women and youths to equip them with skills such as financial literacy and communications, etc. would also become more accessible and diversified. Education, information, and communication tools are thus the key to empowering women and youths, which in turn can lead to better-functioning societies.

In several developing ASEM countries, the education system is constrained by the lack of resources. The delivery of good education is hampered by shortages of teachers and shortages of learning materials. Even in the more developed ASEM countries, some of the education systems have been slow to respond to the challenges brought about by technological advances. The skills mismatch that is witnessed is testament to the fact that the formal education system is backward and not preparing the youth for the economy of the future. ICT education in ASEM countries is also uneven with wide intra- and inter-regional differences.

With better digital connectivity between Asia and Europe, how can the ASEM platform be also used to strengthen and enhance education and human resources connectivity to deliver interesting, relevant, and quality courses and skills for the women and youths of ASEM?

On formal education, ASEM education ministers can actively promote online education exchanges between schools and universities. The ASEM Rectors' Conference should focus efforts on how universities across Asia and Europe should join efforts to deliver courses that empower young people to think and act on regional, inter-regional, and global challenges. Universities should also work with industries and corporations to deliver the knowledge and skills necessary for the new economy. A new curriculum design that inculcates and supports lifelong learning amongst the students and courses so that they can continue to benefit from after graduation and throughout their working lives should be a key objective of any reforms taken by universities to prepare their graduates for a fast-changing world.

ASEM countries should invest more in the ASEM Education and Research Hub for Lifelong Learning (ASEM LLL Hub). Established in 2005 as a network of Asian and European higher education institutions working together to achieve excellence in comparative research on

lifelong learning, the ASEM LLL Hub provides a platform also to contribute to dialogue between researchers, practitioners, and policy makers on education reform and innovation.⁷

The cultural, linguistic, and developmental diversities within can ASEM open up tremendous opportunities for the creative harnessing of different strengths of education institutions and different pedagogy and diverse learning frameworks to present an interesting array of educational offerings. All these can be offered through the digital platform to the youth of ASEM countries to help them develop the necessary skills – from cultural sensitivity to empathy, from inter-cultural communications to international marketing, from financial literacy to fintech, and much more.

The Asia-Europe Foundation (ASEF) has a series of interesting education projects aimed at school-going children and youth that should be further developed. For example, there is the Asia-Europe Classroom Network – a platform for collaborative learning and intercultural exchanges amongst high school students in Asia and Europe. To turn the tide against toxic nationalism and promote a culture of international cooperation, ASEF can work with educational institutions across ASEM to design a Global Citizenship Curriculum made available to all schools in ASEM. The COVID-19 pandemic has revealed our interdependence and, hence, the need to raise awareness on global emerging issues and create mutual understanding on what it takes to be a global citizen collaborating on and co-creating solutions to global challenges.

Another priority to be considered in the aftermath of the COVID-19 pandemic is how to engage with the youth and youngsters graduating at this most challenging time, amid job losses, heightened competition, and economic disruptions. The cohort of youth graduating from high schools, colleges, and universities in 2020–2021 will face particular challenges, particularly in the job markets. The COVID-19 crisis could have a longer-term impact on this cohort of students. Studies have shown that entering the labour market during a recession has persistent negative effects on future earnings. The careers of this cohort of youths will be severely affected by COVID-19. The Ministers in charge of Youth Development in ASEM countries should be connecting to exchange information and policy experiences on some of the immediate and mid-term measures to help this cohort of youths.

What can be done to connect them to shore up skills, such as entrepreneurship, digital marketing, etc. should be considered. What are the skills that would be necessary for a ‘distance economy’? Can ASEM countries share their experiences on job creation,

⁷ Refer to website: <https://asemlllhub.org/>.

job support and trainee and internship programmes and consider cross-border cooperation to plug into each other's programmes.

A fundamental issue in considering the empowerment of youths is how to deal with rising job competition as more jobs 'move to the home' with telecommuting gaining traction after the pandemic. Several tech giants have announced that they are making the move to work from home a more-or-less permanent one. Facebook has said that it expects more than half of its 45,000 employees will work from home within the next 10 years. The ability to work from home while empowering some would of course also mean heightened job competition. Many jobs up for grab would be open to global competition. Many of these jobs would be contract based, adding to the precarity and insecurity of workers. Going digital and remote working open up both opportunities and challenges. Empowering youths to understand both the opportunities and challenges should be a priority in the ASEM agenda.

For the empowerment of women in the digital age, a lot needs to be done. As noted earlier, the digital gender divide is huge. COVID-19 will only further exacerbate this divide. The divide is manifested in different aspects. For example, women in developing countries have less access to the internet and mobile technology, while those in developed countries may not have problems with access but instead face a gender gap in fields of science, technology, engineering, and maths that grows with age, as well as the systematic under-representation of women in ICT jobs and in tech start-ups.⁸

Beyond addressing the issue of access (which ASEM countries should make a priority through investments in digital connectivity), many of the gaps to be addressed relate to education and training. Education and training institutions, together with social policy institutions, need to work together to deliver relevant training courses that can further equip and empower women to grasp the opportunities offered by technology. Having training courses that are flexible in schedule and modular in design would help to remove the obstacles to women's informal education and training. However, even more important than the training course would be mentorship and support schemes that can help women to enter STEM fields and tech industries. Studies have shown that one of the best ways to empower women in the workplace and to build sustainable female leadership is through structured mentorship where women can learn from each other (Neal, Boatman, Miller, n.d.). Digital connectivity can engender online mentorship where women can inspire women in ASEM countries.

⁸ OECD Study, 14 March 2018, 'Empowering Women in the Digital Age: Where do we stand?'

Concluding Remarks

Digital technologies are transforming the worlds of business, work, and service delivery. Women and youths are two groups in our societies that need special attention to reap the digital dividends. Women, because the gender inequalities persist, will be made worse by the technological disruptions if attention is not paid to how they can access and utilise the technologies. Youths of this generation will be most impacted by the Fourth Industrial Revolution and the need to be nimble and flexible to cope with a rapidly changing economic landscape and increased global competition.

Empowering women and youth through digital connectivity complemented by improvements in the delivery of education, training, and human resource capacity building should, therefore, be one of the key priorities in ASEM's agenda. The stakes are high because the digital revolutions will leave behind countries that do not make the necessary reforms to unleash the full potential of their women and youth in the digital era.

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Sustainable Development

ASEM Cooperation on Clean Energy

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Enhancing Parliamentary Diplomacy for Sustainable Development

CHHEANG VANNARITH
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The Asia–Europe Meeting and Social Sustainability in the Age of Competitive Connectivity

JÜRGEN RÜLAND
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Multilateral Cooperation for Sustainable Development: Water Management in the Mekong and Danube Regions

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ASEM Cooperation on Clean Energy

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Introduction

ASEAN and European Cooperation on energy fields is mentioned in the ASEAN–EU Plan of Action (2018–2022) in which the cooperation included the sharing of best practices on promoting energy access, energy security, energy efficiency and conservation (EEC), renewables and clean energy technologies and measures to support a competitive energy market.

The global energy demand has increased by 10 times since 1999, and it keeps increasing (IEA, 2020). The gravity of energy demand has shifted to Asia, and emerging economies account for half of the global growth in gas demand. While many Organisation for Economic Co-operation and Development (OECD) countries will see a peak in energy demand and some will experience negative growth due to energy efficiency and other factors, such as population growth and industrial structures, Association of Southeast Asian Nations (ASEAN) countries will be the opposite as they will need more energy to steer their economic growth. In the medium-to-long term, two major factors, sustained economic growth and increasing populations in the ASEAN region, are the major drivers responsible for the doubling of energy demand in our model prediction for 2015–2040. The Southeast Asia as well as other developing countries in Asia currently face paramount challenges in matching energy demand with sustainable energy supply given the transition to a lower carbon economy. This implicates the heightened need of transition towards development and deployment of greener energy sources. The growing energy demand will be met by appropriate energy supply in which renewables and other clean energy alternative such as renewables, hydrogen, and clean technologies will need to be accelerated.

ERIA conducted a study on hydrogen demand potential based on three scenarios of hydrogen penetration in various sectors. There are two types of hydrogen production. Hydrogen can be produced either by the reforming and gasification of fossil fuels, such as natural gas and coal, or applying water electrolysis using electricity generated by renewable energy, such as hydro/geothermal, solar/PV, and wind. The study projected the potential growth of hydrogen adaptation and usage in all sectors by 2040, with the cost of hydrogen decreasing from US\$0.90/Nm³ (normal cubic metre) currently to US\$0.30–US\$0.40/Nm³ in 2040, which is competitive with the target price for gasoline. The projected increase of energy demand in ASEAN shows a threat to energy security

and the effort to curb CO₂ emissions. These common energy challenges will need to be addressed through concerted efforts, including collective measures and actions to rapidly develop and deploy energy efficiency and saving, high-efficiency and low-emission coal-fired power plant technology, and nuclear safety, and to double the share of renewable energy in the overall energy mix for inclusive and sustainable development.

The rapid economic growth in ASEAN has led to marked increases in energy demand in the region. The energy outlook and energy saving potential in the East Asia region show that primary energy demand is expected to grow at an average annual rate of 3.6% between 2015 and 2040. In absolute terms, it will increase from 666.61 million tons of oil equivalent (Mtoe) in 2015 to 1623.63 Mtoe in 2040. By energy source, oil is the dominant and largest energy source, with a share of 50.5% in 2040, a slight increase from 50.1% in 2015. Coal is the second-largest energy source, projected to have a 43.3% share in 2040, a large increase from 26.9% in 2015. Natural gas is projected to have a share of 27.3%, a slight drop from 31.4% in 2015 due to the policy directions of ASEAN countries. The share of hydropower is expected to drop slightly from 2.4% in 2015 to 1.4% in 2040 as the resource has been fully developed. The remaining share of about 25% in 2015 was from renewables, such as geothermal, wind, solar and biomass, and this share in 2040 is likely to increase to 31%.

The shares of final energy consumption by fuel source point to oil as the dominant energy source, with shares of 41.3% in 2015 and 45.4% in 2040, followed by electricity with shares of 16.1% in 2015 and 19.4% in 2040, coal with shares of 8.9% in 2015 and 12.3% in 2040, natural gas with shares of 10.3% in 2015 and 11.3% in 2040, with the remaining as heat and others. The dominant share of oil use in the final energy consumption is due to the increased oil use in the transport sector. Total power generation is projected to grow at 6.3% per year on average from 2015 (equivalent to 32.9 terawatt-hours [TWh]) to 2040 (equivalent to 53 TWh). The share of coal-fired generation is projected to be the largest, at 53% in 2040, a significant increase from 32.9% in 2015. The share of natural gas is projected to drop from 46.6% in 2015 to 34.1% in 2040, while the share of hydropower will also fall from 13.6% in 2015 to 7.4% in 2040. The share of geothermal will decrease from 2.2% in 2015 to 1.5% in 2040. The remaining share (wind, solar, biomass) of 1.6% in 2015 is projected to be 3.1% in 2040.

The increasing energy demand in ASEAN reflects an overall trend for developing Asia. This is worrisome due to the challenge of securing the energy needed at an appropriate price and supply stability. The OECD may be in the best position to assist ASEAN for its energy transition towards clean energy use by having more renewables and clean energy technologies in its energy system. Therefore, the appropriate energy policies for energy security and energy affordability will need to be flexible considering the role of fossil fuel in the energy transition, as noted in the case of ASEAN. It is also important to mention that meeting the growing energy demand will need the appropriate energy policies and energy infrastructure investments to ensure sustainable energy use and economic growth.

Managing Energy Transition and Energy Reality

The world is undergoing an energy transformation, from a system based on fossil fuels to a system based on cleaner energy use, including renewables and the cleaner use of fossil fuels, in order to reduce global greenhouse gas emissions and avoid the most serious impacts as a result of climate change. Addressing the energy transition towards a cleaner energy system has been a common goal as reflected in the global agreement of the United Nations Climate Change Conference, COP21, where global leaders agreed to set the goal of limiting global warming to well below 2 degrees Celsius compared to the pre-industrial level.

Although agreement on a common goal has been reached, the policy measures and actions undertaken in each country have varied, reflecting the differences in their socioeconomic, political, and geographical contexts. To be explicit, the energy transition is an economic problem, since the present financial system tends to look only toward immediate profit, discounting the medium- and long-term advantages. In this way, new and clean technology seems more expensive than the conventional fossil fuel-based energy system. So, an appropriate energy policy to allocate economic resources for the energy transition is vital to ensure equitable and affordable access to energy for everyone.

According to ERIA's Energy Outlook (Kimura and Han, ed., 2019), the fossil fuel (oil, coal, and natural gas) demand in the ASEAN region will almost triple from 507 Mtoe in 2015 to 1393 Mtoe in 2040 under the Business as Usual (BAU) Scenario, driven mainly by the objectives of ensuring energy security, fuel supply stability, and affordability. Even under the Advanced Policy Scenario (APS) assuming more aggressive energy efficiency and the higher penetration of non-fossil fuels, fossil fuel demand in 2040 is projected to be 1,027 Mtoe, double the value in 2015. Notwithstanding ongoing efforts in the East Asia Summit (EAS) region to promote energy efficiency and renewable energy sources, it is obvious that fossil fuels will play a crucial role in the energy mix in the ASEAN region. Managing the energy transition in ASEAN will require stress on the presence of fossil fuels (coal, oil, and natural gas) in the short and medium-term energy system, and what matters is how to explore ways to use fossil fuels in an environmentally sustainable manner to act as a bridge to a carbon-free energy future, rather than simply ruling them out completely. For the successful implementation of energy transition and climate change policy objectives, policymakers will need to balance the other equally important policy objectives of energy security, energy access, and affordability, for instance, policy blind of banning public financing on Clean Coal Technology (CCT) could be counterproductive in terms of climate mitigation since the lack of finance for high-efficiency but more expensive CCT would simply result in the deployment of cheaper and less-efficient technologies, such as critical or sub-critical technologies and higher CO₂ emissions.

The energy transition and its shift towards a cleaner energy system will have fundamental impacts for ASEAN and the global economy. The pace at which countries adopt policies has seen drastic change in the energy system, where more renewables have penetrated the electrical grid. One of the greatest challenges that the energy transition presents is the cost and associated knowhow for technology, and infrastructure and the related costs to obtain a higher share of renewables in the energy system. Equally important is the shift in the geopolitical landscape, where fossil fuel-producing countries will need to shift at a similar pace to adopt a new, diversified economic model to cope with the changes. It is important to note that the shift and pace of energy transition will involve costs and investments in all energy-related infrastructure and will have a huge impact on energy affordability. Bridging from the current energy system to a future cleaner energy system requires consideration of the cleaner use of fossil fuels and innovative technologies that can reduce CO₂ and greenhouse gas (GHG) emissions. Therefore, urgent steps are needed to decarbonise the energy sector through pathways to a low-carbon economy, which will require the rapid deployment of the clean use of fossil fuel technologies, renewable energy development, and a doubling of energy efficiency, given that the energy sector accounts for two-thirds of global GHG emissions.

ASEAN and EU Energy Policy Directions

The ASEAN Plan of Action for Energy Cooperation (APAEC) Phase 2, which is under preparation for endorsement by ASEAN Ministers on Energy Meeting (AMEM) within 2020, will set key energy policy targets and have energy policy implications for energy infrastructure-related investment in the region. Key targets include the revision of the new energy efficiency and conservation target from a 30% energy intensity reduction by 2025 (based on 2005 levels) to more ambitious levels – the likely new target of a 35%–40% reduction will involve the expansion of energy efficiency measures to transport and industries. It will also establish a new sub-target for the renewables share in installed power capacity that shall complement the existing target of a 23% share of renewables in the Total Primary Energy Supply (TPES) by 2025. APAEC Phase 2 will also include policy measures to pursue smart grids and renewable energy grid integration, and measures to address emerging and alternative technologies, such as hydrogen, energy storage, bioenergy, nuclear energy, climate change and decarbonisation, energy investment and financing and private sector participation, disasters-related vulnerability and resilience, capacity building requirements and other cross-sectoral issues. APAEC Phase 2 will maintain focus on energy connectivity and market integration but will add a sub-theme on energy transition and energy resilience on how the region will need to have a strategy to deal with fossil fuels and new technologies.

In the ASEAN region, there are wide gaps in economic development in terms of GDP, population growth, energy use, and technologies. However, each country is committed to doing the utmost to address the common climate change issue. The countries share their commitments through various policies, such as energy intensity targets or through the actual targets of the renewables share in the energy mix. Nevertheless, emerging countries face the issues of providing energy access and energy affordability, while promoting renewables and other clean energy technologies will remain expensive – although solar and wind module costs have dropped drastically, the system costs remain expensive when applied in developing countries. Making these clean and green technologies available to the developing countries in ASEAN will require policy attention, including regulations and financing mechanisms with support from developed countries.

The European Union (EU) aims to be climate neutral by 2050 (EU, 2020). Among other targets, the foreseeable 2030 climate and energy framework includes EU-wide targets and policy objectives for the period from 2021 to 2030. The key targets for 2030 include at least 40% cuts in GHG emissions from 1990 levels, at least a 32% share for renewable energy, and at least 32.5% improvement in energy efficiency. The cut in GHG emissions will enable the EU to move towards a climate-neutral economy and implement its commitments under the Paris Agreement. For renewables, the binding renewable energy target for the EU for 2030 of at least 32% of final energy consumption will include a review clause by 2023 for an upward revision of the EU-level target. For energy efficiency, the headline target of at least 32.5% for energy efficiency is to be achieved collectively by the EU in 2030, with an upward revision clause by 2023. To achieve effective implementation towards these targets, a transparent and dynamic governance process will help deliver on the 2030 climate and energy targets in an efficient and coherent manner. The EU has adopted integrated monitoring and reporting rules to ensure progress towards its 2030 climate and energy targets and its international commitments under the Paris Agreement.

Investments in Low-Carbon Energy Infrastructure

The rapid increase in the foreseeable energy demand in ASEAN will need coordinated and appropriate energy supply infrastructure and investments to ensure the region's energy sustainability, development, and environment. Investments in some of the new and renewable energy and clean technologies are still faced with instability and high energy supply costs. Thus, the energy policy targets and clean technologies' penetration into the energy system will need to be promoted. The investments in low-carbon technologies and renewables are seen as important for managing the energy transition towards the cleaner use of energy and addressing environmental issues. The OECD may not favour financing of coal-fired power plants globally, however, ASEAN will build more coal-fired power plants to meet the increasing energy demand in response to energy affordability and accessibility.

Based on this reality, perhaps, it is safe to ensure that coal use in ASEAN's energy transition is more environmentally friendly by using the best available technology to reduce pollutants and emissions, while at the same time gradually increasing the penetration of renewables. There are huge areas of cooperation in which the EU could assist ASEAN towards achieving a cleaner and lower-carbon economy through the transfer of technologies and investments.

The world's cumulative demand in energy infrastructure investment is projected to be US\$60 trillion in 2014–2040 (IEA, 2016). This also means that energy investment of US\$2.7 trillion per year is needed by 2040. For Southeast Asia alone, about US\$1.7 trillion in cumulative investment in energy supply infrastructure to 2035 is required, with 60 % of the total in the power sector (IEA and ERIA, 2013). While IEA and ERIA (2013) predicted the required investment needed in energy infrastructure, including the actual situation and the extent of investment needed, the current investment deficit in the energy sector is yet to be done, which encompasses the extraction, generation, and distribution of traditional fossil fuels as well as renewable sources. So, funding the gap in the required energy investment is a key issue for ASEAN countries. Energy infrastructure and clean technologies are costly and require large investment and involvement from different stakeholders. When it comes to financing clean energy-related infrastructure projects, the words bankable, financeable, and investable are always discussed amongst different stakeholders, as each stakeholder will look at the project from a different perspective in terms of how much they will get in return from their investments. For example, each investor, such as a bank, government, or developer, will have a different idea of what a project's risk/return profile should be. By and large, a bankable project is a project that a bank is willing to finance. But bank financing is only one component of the capital investment structure, and most private investors seek much higher returns on their investment. So, the term 'financeable and investable' is used if the green project looks like a strong project with stable revenue, a suite of credit guarantees, and political risk insurance, with expected single-digit or mid-teen returns. This is far below the hurdle rates for risk-adjusted equity investors for frontier market projects. Normally, green projects are subjected to many risks unless the projects are guaranteed by the government.

Energy infrastructure project finance requires a mix of investors (either developers and/or private equity firms or corporate investors) and debt providers provided by commercial banks or public-sector funding. Within a particular capital structure, for example, a project may receive equity investment from a private equity firm or group of investors, with an insurance wrap from Development Financial Institutes (DFIs) like the Multilateral Investment Guarantee Agency (MIGA), the Overseas Private Investment Corporation (OPIC), the International Finance Corporation (IFC), the World Bank, or the Asian Development Bank, and pledged debt from a bank, such as Standard Bank. Institutional investors may participate either directly or through a private equity allocation or the purchase of other financing options, such as a government infrastructure bond. Currently, most infrastructure investment is financed by the public sector, public–private partnerships (PPPs), or external official development assistance

for emerging ASEAN countries. For PPPs, the ASEAN Member States have different levels of infrastructure policy, financing methods, and financial capacity. PPP programmes have been significantly developed and utilised in Malaysia, Indonesia, Thailand, and the Philippines, and also recently in Singapore. Whilst Cambodia and Viet Nam are yet to formalise PPPs, private sector participation has become increasingly important in infrastructure development. The Lao PDR and Myanmar have potential, but they are facing multiple challenges, from a lack of fiscal resources to fiscal sustainability. PPPs still have a less significant role in Brunei Darussalam, which has abundant public financial resources to build infrastructure.

How to Deal with Coal Use in the Energy Transition in ASEAN

Coal, as the most abundant and reliable energy resource, will continue to be the dominant energy source in power generation to meet the fast-growing electricity demand in the ASEAN region and for emerging economies around the world, even though its use has been drastically reduced in OECD countries and the developed world due to the role of gas, renewables, and advanced technologies. In 2015, ASEAN's share of coal use in power generation was 32%, and its share will increase to 42% by 2040; while the share of gas in power generation was 42% in 2015, and its share will drop to 37% in 2040 (Kimura and Phoumin, 2019). The increase in coal use for power generation in ASEAN countries will lead to the widespread construction of coal-fired power plants, which without the employment of the best available clean-coal technology (CCT), will result in increased GHG and CO₂ emissions. Meanwhile, the climate narrative at COP25 and the coming COP26 will likely enforce the banning of public coal financing, not limited to OECD countries but throughout the globe. The efforts of developed economies to ban coal financing have their merits, but the countries need to understand the unintended impacts that could arise from such policies. It should be noted that technological developments in CCTs have been fast achieved in developed nations, while the transfer and diffusion of know-how technology of the CCTs to the developing world has been slow. The actions taken to abate CO₂ and GHG emissions have gained momentum in the developed world, especially amongst OECD countries, while developing nations lack the means to afford the available technologies to reduce CO₂ and GHG emissions. Further, China is leading the financing of coal-fired power plants around the developing world as it is not bound to the OECD's rules and obligations to ban coal financing.

It is a real concern that if not paired with the proliferation of more sustainable energy development, increasing coal use in emerging Asia will have negative effects on the region's environmental security. With the projected increase in coal-fired generation capacity, both local pollutants – CO₂ and GHG emissions – will become major issues in the future.

Based on Green House Gas Emission Data,¹ emissions from fossil fuel combustion and industrial processes contributed to about 78% of the GHG emissions increase from 1970 to 2011. China, the United States, Europe, and India were the largest emitters, contributing 30%, 15%, 9%, and 6% of global GHG emissions, respectively. With substantial new generation capacity required to generate power, unabated coal-fired power generation plants are increasingly being constructed in developing Asia. These trends bring forward the urgent need to address the environmental sustainability of powering emerging Asia's economic development and the need for clean coal technology deployment.

How to Scale-up Renewables Penetration

While economic growth has increased the affordability of renewable energy (RE) around the world, many emerging economies are still in the early stages of development. For ASEAN members who can afford greater investment in RE, an important concern is the need for electricity storage and smart grids to support higher RE penetration levels in the electricity sector. Smart grid technologies are already making significant contributions to electricity grids in some developed countries of the OECD. However, these technologies are still undergoing continual refinement and improvement and, hence, are vulnerable to potential technical and non-technical risks. RE growth will thus be constrained by infrastructure development as well as by the evolution of technology. These also include capacities in assessing and predicting the availability of renewable energy sources. These capacities offer additional benefits, notably the promise of higher reliability and overall electricity system efficiency.

In the climate narrative, RE provides a bright prospect for the world's energy sector. ASEAN countries will have to follow the same trend as the rest of the world and expand their RE industries. Due to technological advances, the great growth potential of RE in the future will come from wind, solar, and biofuel power, which will compete with traditional fossil fuels. Among the ASEAN economies, there is also ample scope for growth in hydroelectricity, particularly in relatively less-developed economies, such as Cambodia, Myanmar, and the Lao PDR. In several ASEAN countries, there is also the potential for growth in geothermal energy. Therefore, the largest reduction in CO₂ emissions is expected in the power sector, by introducing renewable energy as much as possible. To have a high penetration of renewables in the power system, there needs to be a huge investment in power system integration to enable the coordination the interplays of distributed generation (wind power plants, mega-solar photovoltaic (PV) plants, rooftop solar PV systems on buildings), market system, demand response technologies and information technology (IT, i.e. data acquisition

¹ EPA, *Global Greenhouse Gas Emissions Data*, available at <http://www.epa.gov/climatechange/ghgemissions/global.html> (accessed 10 February 2015).

and communication). This coordinated power system integration by using the Internet of Things (IoT) is known as the smart grid system. As the EU has achieved a high penetration of renewables using IoT or the smart grid system, ASEAN can learn much from the EU. As a smart grid system involves a complex arrangement of infrastructure whose functions depend on many interconnected elements, investment in smart grid system components will have huge potential for future electrical system demand.

The Future Clean Energy Potential of Hydrogen

Hydrogen is the most abundant element in the universe, and it has the potential to fuel the economy while emitting little or no emissions. Hydrogen can be used as a clean energy for vehicles, heating, electricity generation, industrial processes, and energy storage.

In the EU's ambition to make Europe the first climate-neutral continent in the world by 2050, hydrogen fuel will play a large role as an enabler for achieving carbon neutrality. Hydrogen is likely to be on the EU's agenda as there is an overwhelming agreement amongst players on the importance of hydrogen in a carbon-neutral Europe (McKenna, 2020). The EU plans to launch the Innovation Fund, which is a promising tool to support hydrogen applications in hard-to-abate sectors, such as steel manufacturing. For the past 10 years, the focus was on power generation and how to decarbonise it. But now, EU policy is looking at sectors that are more difficult to decarbonise. There is a big focus on steel, but the EU is also looking at refineries, the chemical sector, and transport, including heavy-duty and maritime transport. Europe's focus is on accelerating the production of green hydrogen from renewable sources, but there is still a long way to go, and most likely this will not happen at scale until 2030. In the meantime, it will have to rely on large-scale conventional production methods combined with carbon capture technology – otherwise known as blue hydrogen.

ERIA's research in hydrogen energy in the past two years has identified the significant potential of hydrogen energy supply and demand in the EAS region. ERIA's study projected the potential growth of hydrogen adaptation and usage in all sectors to 2040, with the cost of hydrogen falling from US\$0.90/Nm³ (normal cubic metre) currently in Japan to US\$0.30–US\$40/Nm³ in 2040, which is competitive with the target price for gasoline. China is one of the biggest potential producers and consumers of hydrogen energy in the near future. China aims to get one million fuel-cell vehicles on its roads by 2029, and by 2023 it will have invested more than \$17 billion in hydrogen. Japan is actively promoting the global adoption of hydrogen for vehicles, power plants, and other potential uses. What we knew is that the use of hydrogen is expanding in the transport sector, and its adoption is gaining momentum. For example, the Tokyo Metropolitan Government will increase the number of hydrogen buses to 100 by 2020, and Sarawak Local Government will start to operate hydrogen buses soon.

In June 2019, ahead of the G20 summit in Osaka, the International Energy Agency (IEA) recommended that the world must ‘tap into hydrogen’s potential to play a key role in a clean, secure, and affordable energy future’. While challenges remain, the cost of producing hydrogen from renewable sources is expected to decrease by 30% over the next decade.

While countries around the globe, especially the OECD countries and China, try to promote the introduction of hydrogen fuels, there are various costs and institutional barriers. Experts have shared two major barriers to developing green or clean hydrogen energy in China. First, there is a lack of comprehensive and valid feasibility studies on potential renewable or clean energy hydrogen projects, as well as the associated energy infrastructure networks for transportation and distribution. Second, there are institutional and regulatory barriers to enabling the hydrogen projects. For example, current regulations on power grid companies have no capacity to transmit the curtailed renewables as well as nuclear energy to hydrogen production facilities near the demand market, and neither do they have the incentive to build dedicated new lines for such purposes. Furthermore, the current power sector regulations do not allow the onsite production of hydrogen at renewable power stations using the curtailed electricity.

Conclusion and Policy Implications

ASEAN’s economic, social, and political dynamics have made it one of the fastest-growing regions. However, the challenges of growing energy demand, energy security, and energy affordability to steer the growth is true for all of developing Asia, not just ASEAN. While OECD countries have achieved a fast reduction of GHG emissions in response to the climate commitments of COP21, developing Asia has still some way to go to achieve a balance of economic growth, energy affordability, and availability. Much of the future energy mix of emerging ASEAN countries will rely on coal use for power generation. In case of ASEAN, many member states are locked into coal use for many years as the contracts for coal-fired power plants locked for 20–35 years. Thus, ignoring the coal use in ASEAN means ignoring the reality and emissions from coal use. Treating coal use as part of the energy transition in ASEAN is most important for addressing the priority of energy affordability and climate change. Thus, the deployment of clean coal technology will be urgent and crucial in the region. Although ASEAN’s energy targets have been set to bring in more renewables, ASEAN faces challenges in the implementation for the targets as renewables remain expensive in terms of system cost, and the high penetration will be obstructed by the traditional grids, which cannot manage the higher penetration of renewables. Thus, smart grids using IoT will be a new and green investment infrastructure to allow the greater penetration of renewables but will need a lot of investment, such as in hard grids, applications, data management, and human resources. Hydrogen fuel has future clean energy potential due to its versatility in many sectors.

The promotion and adoption of hydrogen fuel will be key for a future clean society. The EU and developed world are leading the hydrogen research and development, and ASEAN will need to catch up, learn, and adopt the application and uses of hydrogen in the economy. Below are key policy recommendations prompted for leaders' attention:

Clean Use of Coal

Assisting developing Asia and ASEAN towards realising a clean energy future will require dealing with the current and future substantial new generation capacity of coal required to generate power. Unabated coal-fired power generation plants are increasingly being constructed in developing Asia, and this trend brings forward the urgent need to address the environmental sustainability of powering emerging Asia's economic development and the need for clean coal technology deployment. Below are the key policy recommendations.

- The current climate narrative and policy approach of banning coal use shall be reviewed to assist emerging Asia to afford CCTs, providing that there are less available alternative energy options for emerging Asia in the medium term to meet energy demand. Treating CCT as a technology solution in the energy transition will be a win-win solution.
- Developing Asia will rely on whatever CCTs are available in the market with an affordable price. The upfront costs of such ultra-supercritical (USC) technology or advanced ultra-supercritical (A-USC) technology are higher compared to Supercritical (SC) and sub-critical (C) technologies. Thus, it is necessary to lower the upfront cost of A-USC or USC through policies, such as attractive financial/loan schemes for USC technologies, or a strong political institution to deliver public financing for CCTs to developing Asia.
- A policy framework should clearly state the corporate social responsibilities of developed and developing nations, respectively, by highlighting the near- and long-term policy measures towards the coal industry and coal-fired power generation, with the speedy acceleration of the research and development (R&D) of carbon capture sequestration, utilisation and storage (CCUS) for commercialisation sooner or later in the near future. A business model will need to be developed around the CCUS.
- There is a need for public consultation or local participation on the potential impacts of any selected coal technologies. However, for developing Asia, institutions may not emphasise such local participation. Thus, an active organisation is needed to disseminate information on the potential harm resulting from less-efficient coal-fired power plants.
- China, the leader in public financing on coal-fired power plants to Asia, may consider to embed the environmental standard into the funding mechanism to ensure that the deployment of coal-fired power plants is at least using USC Chinese technologies for developing Asia.

Penetration of RE through Smart Grids and IoT

The EU's assistance and cooperation will be key to pushing ASEAN into a high level of RE through smart grid investment and cooperation. These include:

- Investment in 'hard' infrastructure, which includes the physical component of the grid within the country and for the ASEAN Power Grid Connectivity, power generation, transmission, and the distribution network as well as energy storage facilities to balance the load fluctuations as the result of higher RE penetration.
- Investment in telecommunications, which represents the telecommunication services that monitor, protect, and control the grid. These include wide area networks, field area networks, home area networks, and local area networks.
- Investment in data management, which ensures proper data mining and utilisation to facilitate smart grid applications.
- Investment in tools and software technologies that use and process collected information from the grid to monitor, protect, and control the hard infrastructure layer and reinforce the grid to allow the integration of renewable energy.

The Future Clean Energy of Hydrogen Fuel

Hydrogen energy-related industries will be a huge investment in the foreseeable future. However, the large scale and adoption of hydrogen use policy will need to be considered. Below are key policy directions for investments in hydrogen.

- There is a huge potential for investments in hydrogen production from renewables and nuclear energy. Further, curtailed electricity from RE is suitable for hydrogen production, but there needs to be clear policy and regulations to promote such hydrogen production.
- For hydrogen vehicles to be widely adopted, hydrogen refuelling stations and hydrogen transportation and storage facilities will need to be developed.
- Public awareness and willingness to pay together with public financing on the hydrogen production and supply chain will be key to promote the investment.
- Governments will need to establish targets for hydrogen penetration/use in all sectors. Energy policy and targets to promote hydrogen use will encourage the investment of the supply chain.

The ASEM Summit in 2021 will deliberate the future of Asia–Europe cooperation for a sustainable development programme that addresses the future concerns of the two regions. The recommendations above will help ASEM to develop the roadmap for cooperation in the field of clean energy for Asia and Europe.

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Enhancing Parliamentary Diplomacy for Sustainable Development

CHHEANG VANNARITH

Introduction

The international domain is growing more complex as it rapidly evolves into a multiplex world characterised by complex interconnectedness, interdependence, and inter-operability. Nation states are becoming more interdependent, and global issues are becoming more complicated and interrelated. It is now clear that no country can singlehandedly address global issues such as climate change, terrorism, violent extremism, natural disasters, and pandemic diseases. However, the legitimacy and functions of global governance and multilateral systems are in decline amidst a wave of protectionism, populist politics, and geopolitical contests. One key factor that has led to the disaffection with globalisation and multilateral systems is the lack of public participation in shaping a type of global governance that truly benefits people's lives.

In this respect, multi-stakeholder collaboration has been recognised as the fundamental approach to identify holistic and effective solutions to these shared challenges. Governance plays a critical role in realising the United Nations (UN) Sustainable Development Goals (SDGs). The targets most relevant to governance are Target 16.6 on developing 'effective, accountable and transparent institutions at all levels'; and Target 16.7 on ensuring 'responsive, inclusive, participatory and representative decision-making at all levels'. Related to these objectives are Target 17.14 on enhancing 'policy coherence for sustainable development'; and Target 17.16 on enhancing 'global partnerships' and 'multi-stakeholder partnerships'.

The decline of globalisation and the weakening of global governance due to the return of great power politics, rising protectionism and populist politics, and inefficient multilateral systems pose a significant threat to global peace and prosperity. In this context, parliamentary diplomacy plays an increasingly important role in strengthening global governance and promoting multi-stakeholder consultation and partnership. This chapter explores the roles of parliamentary diplomacy and parliamentarian institutions in addressing global issues, with a focus on the realisation of the SDGs, and how the Asia-Europe Parliamentary Partnership (ASEP) can be used as a mechanism to achieve these ends.

Parliamentary Diplomacy and Global Issues

Global issues are becoming more complex, transboundary, and interconnected. Multiplexity has emerged as the new normal and main characteristic of an evolving world order shaped by multiple actors, including not only major powers but also middle powers, small states, international institutions, parliamentary institutions, multinational corporations, international nongovernment organisations, international social movements, and transnational crime and terrorist networks, amongst others (Acharya, 2017). This multiplex world order is characterised by (i) the absence of a single overarching global hegemonic power; (ii) the increasing number and diversity of actors; (iii) the persistence of cultural, ideological, and political diversity; (iv) increasing global and regional interdependence; and (v) multiple layers of governance. In this multiplex world, collaborative leadership is of utmost importance in maintaining peace, development, and justice (Acharya, 2019). The question is, what are the roles of parliaments in this evolving multiplex world order?

Since the end of the Cold War, the role of parliamentary actors in international relations has grown remarkably quickly. Parliamentary institutions engage in international affairs in four ways: (i) by enhancing their oversight capacity on their government's foreign policy, (ii) by conducting parliamentary diplomacy at both the bilateral and multilateral levels, (iii) by getting involved in international and regional organisations, and (iv) by conveying the concerns or messages of local people to international and regional organisations (Coefelice, 2017). The Inter-Parliamentary Union (IPU) stresses that 'parliamentary diplomacy is an essential part of international cooperation, helping to building bridges between countries and peoples and seeking to contribute a parliamentary perspective to global governance as well as the promotion of peace' (IPU, 2019).

Parliamentary diplomacy generally refers to the use of parliamentary procedures and mechanisms to impact international relations and the conduct of foreign policy. It is about 'the construction of state actors', 'the pooling of power', and 'common ideals' (Gots, 2005: 276). It targets 'catalysing, facilitating and strengthening the existing constitutional functions of parliaments through dialogues between peers on countless open policy questions across continents and levels of governance' (Stavridis and Jancic, 2017). Parliaments have the important role of communicating policy, and can act as 'transmission belts' amongst governments, civil society, nongovernment organisations, the media, and the citizens themselves (Stavridis and Jancic, 2016: 115). Ample evidence demonstrates that parliamentary assemblies and parliamentarians are 'autonomous actors, prime movers, path breakers, agenda setters, and actors on their own initiative' in international affairs (Stavridis, 2016: 368).

In terms of activities, parliamentary diplomacy covers the full range of international affairs conducted by parliamentarians, with the aim to ‘increase mutual understanding between countries, to assist each other in improving the control of governments and the representation of a people and to increase the democratic legitimacy of inter-governmental institutions’ (Weisglas and de Boer, 2007: 93–94). Globalisation, socialisation, and technical cooperation enable parliamentarians to discuss various international issues and exchange best practices of control of their respective executives in international affairs (Stavridis and Jancic, 2017). In a parliamentary democratic system, parliamentary institutions are ‘autonomous foreign affairs actors that provide their own input into foreign policy making and have their own impact on it through parliamentary diplomacy’ (Stavridis and Jancic, 2017: 5).

Parliamentary diplomacy can be categorised into four layers at the intra-state, inter-state, intra-regional, and inter-regional levels. Parliaments are most effective at mobilising different actors and stakeholders, ranging from grassroots campaigners to political leaders, to address global issues (Fiott, 2011). Some of parliaments’ international roles are (i) to contribute to intergovernmental negotiations and institutional building processes, (ii) to carry out parliamentary oversight over international negotiating processes, (iii) to ratify and enforce international agreements, (iv) to promote multi-stakeholder dialogues on international issues and responses, and (v) to disseminate information on international issues and organisations to citizens.

Global issues such as climate change, epidemic diseases, and violent extremism have become more complex, with impacts that cross national boundaries. Parliaments have started to adapt their approaches to position themselves to address global issues effectively, having realised that the only effective way to address such issues is through international cooperation and partnership. Parliamentary diplomacy is a key means of enhancing the legitimacy of and public trust and confidence in international cooperation mechanisms and multilateral systems. The sources of parliamentary diplomacy include institutional capacity, legitimacy, knowledge, and access (Fanck, 2018).

Parliamentarians are key agents in communicating and gathering inputs for and from their constituents regarding international issues that affect their security and socioeconomic well-being. Given the increasing democratisation of opinion thanks to the omnipresence of information and communications technology, parliamentarians are compelled to communicate with their constituents more effectively to meet the people’s rising expectations. Parliamentarians, especially those who deal in foreign affairs, can invite leaders of government ministries and state agencies to give briefings and address probing questions on international issues, foreign affairs, and trade policies that affect their citizens.

In addition to being an effective and legitimate means of governmental outreach to the people, parliamentary institutions can influence foreign policy and international relations through the ratification of international treaties and enactment of laws relating to bilateral and multilateral cooperation, parliamentary oversight mechanisms such as hearings and petitions, approval of annual budgets for foreign activities, and bilateral and multilateral diplomatic negotiations, especially addressing transboundary issues and conflicts (Sayfullaev, 2016). In addition, parliamentary institutions play a critical role in regional conflict prevention, peacebuilding initiatives, and post-conflict national reconstruction (United Nations Development Programme [UNDP], 2006).

In 2016, the IPU together with the UNDP issued a joint policy framework and assessment tool kit on the role of parliaments in realising the 2030 Agenda for Sustainable Development, a groundbreaking global commitment to end poverty and set the world on a sustainable path to inclusive development. This ambitious people-centric development agenda, which was endorsed by government leaders at a UN summit in September 2015, centres on a set of 17 SDGs and 169 actionable targets. The 2030 Agenda for Sustainable Development states that,

We acknowledge also the essential role of national parliaments through their enactment of legislation and adoption of budgets and their role in ensuring accountability for the effective implementation of our commitments... ‘We the peoples’ are the celebrated opening words of the Charter of the United Nations. It is ‘we the peoples’ who are embarking today on the road to 2030. Our journey will involve governments as well as parliaments, the United Nations system and other international institutions, local authorities, indigenous peoples, civil society, business and the private sector, the scientific and academic community – and all people. (UN, 2015)

To realise the SDGs, a whole-of-society approach is needed, meaning the people must be included at every stage, from initial policy design to implementation and monitoring. National and subnational parliaments must work to facilitate this. Parliamentarians have a constitutional responsibility and democratic accountability to support and monitor SDG implementation by acting as an interface between the people and state institutions, and promoting and empowering people-centred policies and legislation to ensure that no one is left behind. One of parliaments’ primary objectives is to establish a dialogue about the SDGs with local stakeholders that allows them to express how they want to see the SDGs implemented in their community. Such a dialogue should be a natural part of the interaction amongst governments, parliaments, parliamentarians, and the public (UNDP, 2017).

Parliamentarians play a critical role in policy-based leadership by framing and integrating the SDGs in national development agendas and instrumental leadership, crafting political consensus and specific policy solutions to realise the SDGs, sharing their reflections and inputs, and proposing recommendations on SDG implementation. Parliament speakers from around the world held an assembly in Hanoi in April 2015 and a conference in New York from 31 August to 2 September 2015 with the aim of contributing inputs to the SDGs. The Hanoi Declaration stresses the following:

We commit to doing our utmost to strengthen national ownership of the goals, particularly by making them known to our constituents. People must understand how the goals are relevant to their lives. As representatives of the people, we are responsible for ensuring that each and every voice is heard in the political process without discrimination and irrespective of social status... We commit to translating the goals into enforceable domestic laws and regulations, including through the critical budget process. Each country must do its part to ensure that all the goals are met... We urge governments to conduct negotiations keeping in mind the real needs and expectations of citizens and addressing the critical linkages between sustainable development, democratic governance and human rights. (IPU, 2015b)

The Declaration of the Fourth World Conference of Speakers of Parliament highlights parliaments' important role in implementing the SDGs.

We recognize the important responsibilities that are incumbent on parliaments to ensure implementation of the new SDGs. As Speakers, we are ready to do everything in our power to facilitate the consideration of relevant legislation and allocation of budgetary resources, and to hold governments accountable for the attainment of the goals. We will draw from a vast catalogue of actions to help build public awareness and national ownership, strengthen coherence within and between national and local administration and parliament, facilitate citizen involvement and evaluate and report on progress. (IPU, 2015a)

The key roles of parliamentary institutions in addressing national and global issues are related to their legitimate power and intervention in law-making, budgeting, oversight, and representation. It has been argued that,

...the parliamentarians give political impetus towards the domestication, implementation and monitoring of the SDGs. The parliaments in many developing countries are facing the challenges and constraints to effective parliamentary engagement are (a) insufficient capacities, resources, structures and processes, and lack of political will; (b) lack of easy access to aid, budget and information; (c) lack of systematic civic engagement; and (d) under-representation of women and key populations. (United Nations Economic and Social Commission for Asia and the Pacific, 2019)

Sustainable Development Matters for the Asia–Europe Meeting Process

The Asia–Europe Meeting (ASEM) process initiated a dialogue on sustainable development, with the aim of further promoting discussions and policy consultations as to how to achieve the SDGs. The first ASEM Dialogue on Sustainable Development, which took place in Budapest in 2012, focused on the role of water in sustainable regional development strategies. The Eighth ASEM, held in Siem Reap, Cambodia in 2019 on the theme ‘Enhancing Water Partnership Towards Sustainable Development and Inclusive Growth’, aimed to promote the exchange of knowledge, experiences, and best practices within the ASEM framework on key policy areas, such as the water–energy–food security nexus, climate change, and public–private partnership for achieving the SDGs.

The ASEM leaders have also paid special attention to enhanced interregional cooperation and partnership on sustainable development. For instance, the Statement of the 11th ASEM Summit in 2016 reads:

Leaders underlined the importance of adapting the relevant national policy planning process, development plans or strategies to integrate the Sustainable Development Goals (SDGs) and of putting in place systematic and multi-layered follow-up and review of the implementation of the 2030 Agenda at the international and national level. They expressed readiness on the part of ASEM to contribute to the follow-up and review process of the UN and other organizations at the global level, including at the high-level forum on sustainable development under the auspices of the United Nations Economic and Social Council and the UN General Assembly. Recognizing the opportunities, but also the challenges that the implementation of the 2030 Agenda represents for ASEM partners, Leaders agreed to promote further cooperation, including sharing of the best practices and experiences among partners within the framework of the ASEM Sustainable Development Dialogue launched by the Budapest Initiative. (Chair’s Statement, 2016)

Moreover, the Statement of the 12th ASEM Summit in 2018 reads:

Leaders stressed their commitment to implement fully the 2030 Agenda for Sustainable Development and its Sustainable Development Goals and Addis Ababa Action Agenda with the aim of eradicating poverty and building an inclusive and sustainable future for all, with no one left behind and a strong focus on reaching the most vulnerable. Leaders emphasised the role of young people in contributing to sustainable development and the role that various stakeholders can play in pursuing social and economic inclusion, sustainable societies and people-centred development and the importance of public–private partnerships. Leaders also underlined the significance of science, technology and innovation cooperation in accomplishing the 2030 Agenda and tackling global challenges in a sustainable way. (Chair’s Statement, 2018)

At the ASEM foreign ministers meeting in 2019, the ministers called for ‘accelerated action’ and ‘full implementation’ of the 2030 Agenda for Sustainable Development.

Ministers emphasised the importance of the eradication of poverty in all its forms and dimensions, including extreme poverty, as well the protection of human rights, are indispensable requirements for sustainable development. They called for a paradigm shift to forge a virtuous cycle of environmentally-conscious growth, while stressing that sustainable development, security and human rights are mutually reinforcing. Ministers stressed the role of young people, civil society and various stakeholders, including responsible business. They highlighted the positive role of ASEM cooperation and the exchanges of best practices and capacity building on education, research, science, innovation and technology to fight inequality and poverty. (Chair’s Statement, 2019)

Parliaments’ Roles in Realising Sustainable Development Goals

To realise the SDGs, governments and international institutions must earn legitimacy in mobilising action and resources. The value judgements and trade-offs amongst economic, social, and environmental objectives cannot be determined by governments alone.

The engagement of a wide range of stakeholders and a shared understanding of the nature and benefits of the SDGs are critical for building ownership and mobilising action. Multi-stakeholder engagement is essential in light of the long-term nature of the SDGs (Monkelban, 2019: 56).

Building global partnerships on sustainable development is expressed in SDG 17, which implies that international partnerships and multi-stakeholder collaboration are critical to realising the SDGs. The SDGs also stress the importance of inclusiveness – the participation of all segments of society – in order to mobilise and share knowledge and expertise, and provide necessary technical and financial resources.

Parliamentary institutions, which are a vital bridge between the state and society, are key stakeholders in mobilising resources and directing national agendas towards realising regional and international goals. Therefore, public-private and civil society partnerships are critical to concretising the SDGs. SDG 16 elucidates the importance of promoting peaceful and inclusive societies for sustainable development. The Declaration of the 2030 Agenda for Sustainable Development states that, ‘we acknowledge the essential role of national parliaments through their enactment of legislation and adoption of budgets and their role in ensuring accountability for the effective implementation of our commitments’.

Parliaments have four important roles to play in realising the SDGs: oversight, legislation, representation, and budget scrutiny. To help fulfil this mission, parliaments can (i) increase national involvement, (ii) provide a platform for national and international discussions and dialogues, (iii) encourage debate and consensus building amongst national stakeholders, (iv) develop robust legal frameworks that motivate stakeholders to implement the SDGs, (v) collect input from citizens and civil society groups, (vi) allocate appropriate levels of funding, and (vii) conduct oversight using annual checks and requesting and reviewing reports from the relevant committees concerning progress made in achieving the SDGs.

Parliaments can contribute to the design and implementation of national plans on the SDGs by implementing a wide-ranging, public consultation process; formally adopting the national plan after a comprehensive review and formal debate; and asking governments for regular progress reports on the implementation of the national plan. The core parliamentary roles of law-making, budgeting, oversight, and representation of constituency interests are all critical to the full implementation of the SDGs (IPU, 2017).

Parliamentary contributions to voluntary national reviews (VNRs) help to evaluate and track progress regarding the SDGs. The key functions of the VNRs are planning and institutionalising, gathering inputs and data, writing and reviewing, and conducting presentations and follow up. The VNRs' deliverables are the enhancement of multi-stakeholder partnerships and promotion of active participation, along with a sense of ownership, amongst all relevant parties. Furthermore, prioritisation of the SDGs in national development planning, the raising of public awareness, policy advocacy, and the development of effective and inclusive assessment mechanisms regarding the implementation of the SDGs are considered vital.

With regard to SDG 16 (peace, justice, and strong institutions), parliaments have a critical role to play in meeting two specific targets: Target 16.6 on developing 'effective, accountable and transparent institutions at all levels'; and Target 16.7 on ensuring 'responsive, inclusive, participatory and representative decision-making at all levels'. Other targets refer to key principles of democratic governance such as the rule of law, justice, access to information, and fundamental freedoms. Parliaments must engage in the implementation and oversight of the entire SDG framework (IPU, 2017).

The key challenge for parliaments, especially in Asian countries, is how to increase their engagement and influence over the SDG agenda, as SDG programmes are mainly shaped by the executive body. International parliamentary forums such as the IPU, ASEAN Inter-Parliamentary Assembly, the Asia–Pacific Parliamentary Forum, the World Parliamentary Forum on Sustainable Development, and the ASEP need to invest more effort and resources in developing international consensus as well as planning an engagement strategy regarding the SDGs.

Asia–Europe Parliamentary Partnership Meeting and the Sustainable Development Goals

The ASEP Meeting brings together parliamentarians from Asia and Europe to provide policy inputs and recommendations to the ASEM process. ASEP is the parliamentary arm of ASEM, and its first meeting took place in 1996, in tandem with ASEM. It is an informal forum and its declarations are not legally binding.

ASEP has two main objectives. First, it serves as a forum for inter-parliamentary contacts, exchanges, and diplomacy amongst parliaments, and as a vehicle to promote mutual understanding amongst the people and countries of Asia and Europe. Second, it provides a link between the parliaments of Asia and Europe and ASEM, thereby enabling active parliamentary contributions to the ASEM process, particularly in annual meetings. ASEP parliamentarians have underscored the relevance of inter-parliamentary diplomacy to deepen mutual trust and understanding further and boost multifaceted cooperation between Asian and European countries through reinforced political, economic, sociocultural, and educational cooperation.

Achieving the SDGs is one of the key areas of cooperation facilitated by ASEM. ASEP plays a significant role in promoting dialogues and impacting national and regional policies on the SDGs. In almost all ASEP declarations, sustainable development and inclusive growth are the two key terms. For instance, at the Eighth ASEP in Rome in October 2014, the parliamentarians stressed the importance of a holistic approach in addressing sustainable development, that is, the balance and integration of social, economic, and environmental dimensions. They also stressed the importance of food security and integrated water resource management, and the role of clean technologies.

ASEP Parliamentarians insisted on pushing for the exchange of best practices of European and Asian experiences of sustainable place-based development of agriculture and food systems... they emphasized the need to integrate water resource management in economic, social and environmental dimensions of sustainable development... ASEP Parliamentarians agreed on the importance of sharing experience and knowledge on integrated water resources management [and]... underlined the important role of clean technologies (cleantech) as a cross-cutting element for enhancing competitiveness and promoting sustainable development. (ASEP, 2014)

At the Ninth ASEP Meeting on 21–22 April 2016 in Ulaanbaatar, the parliamentarians stressed that,

In line with the goals set in the 2030 Agenda for Sustainable Development, ASEP Parliamentarians reiterated the need to build peaceful, just and inclusive societies on the basis of transparent, effective and accountable institutions, including legislative bodies at all levels. Therefore, ASEP Parliamentarians emphasized the vital role of national parliaments in implementing the 2030 Agenda with a view to adopting relevant legislations, allocating budgetary resources and ensuring government accountability. They acknowledged the importance of dialogue and cooperation amongst ASEP Parliaments which are well supported by the exchange of best practices on parliamentary procedures, functions and administrative set-up in the form of capacity-building. (ASEP, 2016)

At the 10th ASEP Meeting on 27–28 September in 2018 in Brussels, the parliamentarians highlighted collective efforts to address climate change and achieve the SDGs.

ASEP 10 calls for the highest political commitment to the effective implementation of the Paris Agreement in all its aspects, including, inter alia, mitigation, adaptation, finance, technology development and transfer, capacity-building and transparency of actions and support, in reflection of equity and the principle of common but differentiated responsibilities and capabilities... ASEP 10 expresses the need to set ambitious goals on production and consumption of plastic, particularly single-use plastic items, and invites ASEM to consider firm recommendations in this direction towards achieving significant progress to ensure sustainable consumption and production patterns (Goal 12 of the Sustainable Development Goals)... ASEP 10 expresses its serious concern about the continuing loss of biodiversity which has an overwhelming intrinsic value that must be protected for the benefit of future generations, and stresses the critical role of biodiversity in the Sustainable Development Goals. (ASEP, 2018)

Conclusion

Global issues, especially sustainability issues, have become more complex and interconnected. Sustainable development is a means of achieving sustainability, and implies a broad understanding of environmental, social, and economic systems. The lack of effective governance at the local, national, regional, and global levels in addressing sustainability issues is a matter of concern. Innovative shifts in thinking and acting are therefore needed. Addressing sustainability issues requires the participation of all stakeholders at all levels of governance; that is to say, a coordinated response across governance levels and amongst all sectors and actors in society.

Within the evolving multiplex world order, multi-stakeholder engagement and partnership building are critical. Parliamentary institutions are playing an increasingly critical role in addressing a range of complex and interconnected global issues. With respect to the SDGs, parliaments have several important roles to play, such as oversight, legislation, and budget scrutiny. However, to increase their influence in shaping and implementing the SDGs, the parliaments must strengthen their leadership and institutional capacity, and develop effective engagement strategies.

ASEP is a key international parliamentary forum that can further promote parliamentary dialogues and consultation on the SDG agenda, especially in promoting political consensus at both the national and international levels, mobilising action and resources, and building international partnerships and multi-stakeholder collaboration necessary to realise the SDGs. To this end, capacity building, knowledge sharing, and collective efforts on the SDGs must be further promoted.

Specific recommendations for ASEP are as follows: (i) encourage all ASEP members to carry out a VNR for their country and create a knowledge-sharing platform encompassing the results of those VNRs; (ii) institute capacity-building programmes in ASEP developing member countries on the SDGs for parliamentarians and their staff; and (iii) create an ASEP Special Envoy on the SDGs to engage effectively with the parliamentary members of ASEP and international organisations, such as the UN.

ASEM requires all its components to promote peaceful and inclusive societies for sustainable development in Asia and Europe. The 13th ASEM Summit (ASEM13) in 2021 is well placed to promote the ASEP into taking forward the above recommendations and to utilise the ASEP as a powerful arm of ASEM process.

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The Asia–Europe Meeting and Social Sustainability in the Age of Competitive Connectivity

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Introduction

For nearly a decade, connectivity has been the buzzword in the struggle to overcome poverty and underdevelopment in Asia and other parts of the Global South. Whilst connectivity is a broad concept covering physical infrastructure, institutional networks, and people-to-people interactions, most governments prioritise the infrastructure component focusing on the development of seaports and airports, roads, railways, and energy facilities as a prerequisite for sustained economic growth. This perspective responds to projections of the Asian Development Bank (ADB), suggesting that, for the 2016–2030 period, developing Asia needs infrastructure investments amounting to US\$1.7 trillion annually to graduate from least developed country status or evade the middle-income trap (ADB, 2016).

With its 2010 Master Plan on ASEAN Connectivity,¹ amended in 2016,² the Association of Southeast Asian Nations (ASEAN) spearheaded Asian infrastructure modernisation. Yet it was the announcement of the gigantic Chinese Belt and Road Initiative (BRI) in 2013 that catapulted connectivity into the public limelight. The BRI is a US\$1 trillion long-term strategy connecting China and Europe by a series of land-based infrastructure corridors, maritime links, and, quite recently, a polar route.

The Chinese initiative was followed by Japan's Partnership for Quality Infrastructure in 2015. Other Asian countries including India, the Republic of Korea, Thailand, and Malaysia have also stepped up their infrastructure activities in the region. Early in 2015, the Asia–Pacific Economic Cooperation³ presented a connectivity blueprint and, as latecomers, in 2018, the European Union⁴ and the United States⁵ also entered the race

¹ Available at <https://cil.nus.edu.sg/wp-content/uploads/formidable/18/2010-Master-Plan-on-ASEAN-Connectivity.pdf> (accessed 26 June 2020).

² Available at <https://asean.org/storage/2016/09/Master-Plan-on-ASEAN-Connectivity-20251.pdf> (accessed 26 June 2020).

³ Available at <http://publications.apec.org/Publications/2015/01/APEC-Connectivity-Blueprint> (accessed 21 June 2020).

⁴ Based on the strategy paper 'Connecting Europe and Asia – Building Blocks for an EU Strategy', 19 Sept 2018.

⁵ Facilitated by the 'Better Utilization of Investment Leading to Development' (or BUILD Act) passed by the US Congress, 5 October 2018.

for infrastructure development. Whilst all these schemes correctly assume that infrastructure is a key prerequisite for economic growth, connectivity – although denied by protagonists – became entangled with the intensifying geopolitical competition in the Indo–Pacific region.⁶ As geopolitical competition requires donors to provide infrastructure as fast and economical as possible, it has raised sustainability questions amongst analysts.

Commensurate with the BRI's westward orientation, connectivity unsurprisingly also became a major theme of the Asia–Europe Meeting (ASEM), an interregional dialogue forum convening in summit format biennially since 1996 (Rüland, 1996). Following the tenth ASEM Summit in 2014 in Milano, Italy, the chair statements devoted increasing space to connectivity (Gaens, 2019). The subsequent 2016 summit in Ulaanbaatar, Mongolia even made connectivity its overarching theme.⁷ Since then, in the light of an increased international focus on the seemingly inadequate financial, economic, environmental, and social sustainability of many newly launched infrastructure projects,⁸ the delivery of sustainable connectivity has become a major concern for ASEM decision makers, an objective highlighted in mantra-like style in virtually every ASEM document. Sustainable connectivity is thereby portrayed as a concept closely associated with the Sustainable Development Goals, the developmental agenda adopted by the United Nations General Assembly in 2015 after the expiry of the international community's predecessor programme, the Millennium Development Goals.⁹

A closer look at the Eurasian project reality on the ground suggests that the commitment to provide sustainable infrastructure is still more rhetoric than substance. Whilst increasing criticism of infrastructure projects and other connectivity schemes seems to have sharpened attention for economic, financial, and environmental sustainability, this is less the case for the projects' social implications. Development is socially sustainable if it is inclusive, equitable, fair, diverse, transparent, and providing a good quality of life through household incomes substantially above the poverty threshold as well as affordable and accessible public services. Many infrastructure projects do not yet meet this definition and are thus surrounded by serious controversies. This paper analyses this crucial facet of sustainability and provides thoughts on how ASEM can improve the social sustainability of Eurasian infrastructure projects.

The paper is organised as follows: After this introduction, the next section highlights familiar social sustainability problems characteristic for Eurasian infrastructure projects.

⁶ The Singaporean *Business Times* designated the infrastructure competition between China and Japan in the Mekong region as 'developmental war'. See *The Business Times*, 6 July 2015. See also *East Asia Forum*, 14 July 2013, 23 November 2018, 15 September 2019; *The Diplomat*, 30 January 2019.

⁷ The summit was held under the motto '20 Years of ASEM: Partnership for the Future through Connectivity'.

⁸ See *The Business Times* (Singapore), 23 December 2016, 6 May 2020.

⁹ *The Jakarta Post*, 22 October 2018; *Nikkei Asian Review*, 16 May 2019. See also the G7 Ise–Shima Principles for Quality Infrastructure, <https://www.mofa.go.jp/files/000196472.pdf> (accessed 21 June 2020).

The third section suggests inputs on how ASEM could contribute to overcome these shortcomings. The last section concludes the paper and highlights the need for reframing infrastructure planning towards greater environmental and social sustainability.

The Social Costs of Competitive Connectivity

Large infrastructure projects have always been risk-prone in terms of technical quality, life cycles, costs, and environmental and social sustainability. Yet despite a 6-decade global wealth of experience in infrastructure development, the social dimension of projects often continues to be relegated to a subordinate priority by governments, investors, and contractors. Michael Cernea, a former World Bank expert and dean of resettlement studies, thus estimates that globally in the 2011–2020 period infrastructure projects are or will be forcibly displacing more than 200 million people (Cernea and Maldonado, 2018).¹⁰ The largest number of them – some 80 million according to the Internal Displacement Monitoring Centre (2017) – have been victims of hydropower projects. As a much-cited study by Richter et al. (2010) shows, an even far greater number of people living in downstream areas – nearly 500 million based on conservative calculations – are additionally exposed to the adverse social effects of dams.

The deficient social sustainability in the current Eurasian infrastructure boom is thus not without coincidence. Even incomplete appraisals suggest that hundreds of thousands are affected or threatened by involuntary displacement in the wake of large-scale infrastructure projects in the Eurasian region. For the Lao PDR alone, a small country of 7 million, reports estimate that more than 110,000 people have been relocated in the past years due to dam construction.¹¹

One of the main problems associated with large-scale infrastructure projects is their enormous demand for land. The water reservoir of dams often covers hundreds, if not thousands, of square kilometres, but also special economic zones (SEZs) require large swaths of land. Land acquisition is also pivotal for new power plants, power transmission facilities, gas pipelines, roads, railways, and port and airport modernisation. Project implementers thus acquire and sometimes even confiscate the required land and relocate the people living on it (Mark and Zhang, 2017).¹² Yet resettlement and compensation for the loss of assets and livelihood are the most complex and sensitive components of infrastructure projects.

¹⁰ *Mongabay*, 20 August 2018. Other estimates such as the one by the Internal Displacement Monitoring Centre (2017) are even higher, amounting to up to 300 million people or 10 million to 15 million per annum.

¹¹ *Mongabay*, 13 January 2017.

¹² See, inter alia, *The Bangkok Post*, 24 November 2014; *Mekong Eye*, 16 March 2017; *The Nation*, 13 July 2017; *Focus Global South*, 27 April 2019; *Frontier Myanmar*, 2 April 2020.

Careful socio-economic baseline and cadastral surveys are required at the outset of the projects for resettlement and compensation but are often conducted in great hurry, are delayed, or even entirely missing. Project governance and transparency become a frequent casualty (Rüland, 2019). Although often celebrated as success stories, even the World Bank–financed Nam Tuen 2 Dam in the Lao PDR or the Thilawa special economic zone near Yangon, Myanmar has struggled with displacement issues (EarthRights International, 2014).¹³

Resettlement usually triggers a host of follow-up problems. Frequently, the resettlement site is far from the original residence and not suitable for agriculture and fisheries, or for alternative employment and livelihood projects (DDA, 2014; Thame, 2017). Resettlement is also followed by the disruption of once tightly knit social fabrics, which protect villagers in times of crisis. Such crises occur when resettled households have to contend with declining incomes, on the one hand, and surging costs of living, on the other: for food, agricultural inputs, transportation, housing, education, water supply, and health services (Yee, 2005). Migration to urban centres then becomes an inevitable choice. In the slums and informal settlements where relocatees eventually find shelter, they continue to live under the threat of forced eviction due to urban renewal activities, transforming them into social quicksand.¹⁴ In general, it is the poorest and most vulnerable segments of the population – peasants, fisherfolk, the urban poor, the elderly, women, children, and indigenous people – who carry the brunt of the social burdens induced by infrastructure modernisation. Infrastructure development which relegates a sizeable segment of the population to modernisation without prospects for a marked improvement of their living conditions is an unacceptable waste of human resources.

How to Make Competitive Connectivity Socially Sustainable?

As highlighted at the outset of this paper, infrastructure can be a significant prerequisite for economic growth, poverty alleviation, and inclusive socioeconomic development. However, infrastructure modernisation only lives up to these expectations if projects are meticulously planned and implemented and safeguards and mitigation measures for the socially weak, marginalized, disadvantaged, and otherwise vulnerable groups are taken seriously and not sacrificed on the altar of geopolitical competition. As ASEM is a forum where traditional (Western) donor countries of the Organisation for Economic Co-operation and Development and newly emerging (Asian) economies providing infrastructure meet,

¹³ *M2 Presswire*, 6 June 2007; *Irrawaddy*, 17 November 2017; *Global English*, 23 June 2018; *Thai News Service*, 28 October 2019; *Frontier Myanmar*, 2 April 2020.

¹⁴ *Irrawaddy*, 17 November 2017.

it is well positioned to bring together the wealth of experiences of established donors and the dynamism of new actors for the sake of socially sustainable infrastructure benefiting the forum's members. For this purpose, this section proposes a catalogue of measures intent to strengthen the social sustainability of infrastructure in ASEM countries.

- (i) Although ASEM has defined sustainable connectivity,¹⁵ the social dimension remains hazy. ASEM Partners should thus pass a framework declaration concretising the meaning of socially sustainable infrastructure. Principle 3 of the G7's Ise-Shima principles for quality infrastructure would be a good point of departure. Details can be appropriated from the safeguard and mitigation regulations of multilateral development banks including the World Bank and ADB or international organisations such as the World Commission on Dams (Okano-Heijmans et al., 2018; Okano-Heijmans et al., 2018). These organisations define infrastructure as socially sustainable if nobody is left behind.
- (ii) The ASEM framework for socially sustainable infrastructure must include the issues of resettlement and livelihood of people affected by infrastructure projects. It should state that involuntary displacement must be limited to an absolute minimum. Where unavoidable, it should be in line with international standards which define resettlement as *development projects*, implying that relocated households must become *project beneficiaries*. This means that they receive fair and timely compensation for their loss of assets and livelihood based on *current* market values. Compensation must include households with a legal land title, *bona fide* landowners and tenants. In the process, their standard of living must be *rising* as a result of improved livelihood, better access to affordable public services, and participatory project management (Clark 2000, 2002; Cernea, 2008; Wade, 2011; Mathur, 2013; Perera, 2014; World Bank and UNCTAD, 2018).
- (iii) The framework must specifically address hydropower and coal-based power generation projects – popular amongst investors in developing countries – for their high social and environmental costs (Minh et al., 2016; Eyler and Weatherby, 2019). It must make project financiers aware of the urban bias that many of these projects entail and which needs to be tackled (Siciliano et al., 2015).
- (iv) It should also address the need for transparency and credible consultation with stakeholders and highlight the dangers for social sustainability that emerge if quick project completion is prioritised over careful planning (Ministry of Foreign Affairs, 2017; Mao and Müller, 2020). The framework declaration should further include a recommendation for investors to install independent inspection panels – as multilateral organisations including the World Bank and ADB have done.

¹⁵ See 'Definition of ASEM Connectivity', <https://composite-indicators.jrc.ec.europa.eu/asem-sustainable-connectivity/about> (accessed 21 June 2020).

- (v) The framework declaration should encourage infrastructure providers (in case they have not done it yet) to develop a rigorous and independent performance evaluation system like that of many established bilateral donors and multilateral development agencies. The evaluation system should include indicators that examine as to what extent projects not only accomplish their economic objectives but also comply with international social and environmental standards.
- (vi) The ASEM platform can potentially mitigate competition by endorsing the compatibility of the ongoing connectivity schemes. It could promote dialogue on procedures, regulations, and standards that help improve the social sustainability record of Eurasian infrastructure projects. The Asia–Europe Foundation could become such a conduit for improving the knowledge on the social pitfalls of infrastructure projects. Other options are capacity building and training centres such as the one established by the Asian Institute of Technology in Viet Nam.¹⁶
- (vii) ASEM should initiate dialogue amongst donors for greater cooperation in and coordination of infrastructure projects. Whilst creating synergies, this will reduce competition, limit wasteful overlaps, and preserve project quality (Broer, 2018; Rüländ and Michael, 2019). The people must be the ultimate beneficiaries of such cooperation.
- (viii) The development of ASEM connectivity indicators is in principle a welcome initiative. However, the tool must be overhauled by conceptualising indicators that quantify the social and environmental damages of infrastructure projects.¹⁷

Conclusion

The current Eurasian infrastructure boom is welcome as a powerful developmental stimulus. This holds particularly true for post–COVID 19 efforts to kick-start economic recovery. Similarly, it provides opportunities for reframing infrastructure planning towards greater environmental and social sustainability.¹⁸ Yet there is no need for infrastructure development to reinvent the wheel. It suffices to activate institutional memory and take note of the wealth of lessons and best practices generated by more than 6 decades of infrastructure development in countries of the Global South. These experiences are well documented and have been translated into safeguard and mitigation measures by multilateral and bilateral infrastructure providers with a long track record in the field.

¹⁶ *Thai News Service*, 10 April 2013 and 28 October 2019; *TendersInfo*, 3 April 2015.

¹⁷ See ASEM Sustainable Connectivity Portal, <https://composite-indicators.jrc.ec.europa.eu/asem-sustainable-connectivity/> (accessed 21 June 2020).

¹⁸ See, based on a study of the Singapore Institute of International Affairs, *The Business Times* (Singapore), 6 May 2020.

The ASEM summit in Cambodia in 2021 should take a meaningful note of the need for social sustainability in infrastructure projects. ASEM's contribution to connectivity will be strengthened if it brings forth a framework for socially sustainable infrastructure along with follow-up mechanisms through its connectivity platforms and activities.

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Multilateral Cooperation for Sustainable Development

WATER MANAGEMENT IN THE MEKONG AND DANUBE REGIONS

THEARITH LENG

Introduction

The Danube and Mekong rivers are two of the world's longest rivers, and play a crucial role in supporting the livelihoods of people and other species living in the river basins. The Danube is Europe's second longest river, with a total length of 2,857 kilometres (km). Its basin, which extends for approximately 817,000 square km (about 10% of the European continent), is shared by 19 countries (Shepherd, 2018: 2). The river is one of Europe's main sources of hydropower, agriculture, recreation, water supply, and access to the natural environment. The river flows through four national capitals – Vienna, Bratislava, Budapest, and Belgrade – and nearly 20 million people depend on it for their daily water needs.

The Mekong River is nearly 5,000 km long and flows across six countries: China, Myanmar, Thailand, the Lao People's Democratic Republic (Lao PDR), Cambodia, and Viet Nam. Seasonal variations in water level and the wide range of wetland habitats have made this river a great source of agricultural production, energy, and tourist attractions in Asia. Its rich biodiversity is crucial to the livelihoods of the 60 million people who live in the river basin. The fishery sector alone brings about \$17 billion in annual revenues: approximately 3% of the GDP of Cambodia, the Lao PDR, Thailand, and Viet Nam; and 13% of the total value of the world's fisheries (about \$130 billion) (VietnamNet, 2016).

Due to the extreme significance of the two rivers, several multilateral mechanisms have been created in these regions to ensure the sustainable use of water and related resources. While these regional mechanisms have overall contributed to peaceful relations amongst countries in these regions, some challenges remain. For example, over the years, tensions have simmered amongst the countries in the Mekong River basin, particularly between the upstream and the downstream countries. To tackle outstanding water problems more effectively, countries in Asia and Europe have been working together through a new intercontinental mechanism known as the Asia–Europe Meeting (ASEM).

Water Resources Management Mechanisms and Interstate Relations in the Danube Region

Water resources management in the Danube region encourages countries in the region to cooperate collaboratively, such as by agreeing to be bound by certain legal mechanisms intended to bring these countries into ultimately peaceful relations with one another.

The first and foremost legal tool created to manage water resources in the region was the 1994 Danube River Protection Convention (DRPC), signed by 15 entities in the Danube river basin (DRB), which covers more than 2,000 square km. These signatories were Austria, Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Germany, Hungary, Moldova, Montenegro, Romania, Serbia, Slovakia, Slovenia, Ukraine, and the European Commission (International Commission for the Protection of the Danube River [ICPDR], 2013a: 4). The parties to the DRPC agreed to cooperate on key water management problems, such as conserving surface and ground water, controlling risks from accidents and flooding, and minimising pollution discharge from DRB sources into the Black Sea (ICPDR, 2013a: 4).

Subsequently, the ICPDR was established in 1998 to coordinate water management issues, and facilitate agreement amongst the signatories on legal, administrative, and technical measures to preserve and enhance the quality of the Danube River and its tributaries. The ICPDR was managed by an ordinary meeting group in charge of formulating policy and strategy, and a standing working group responsible for providing guidance and preparing decisions. Moreover, expert groups, task groups, and representatives of stakeholder groups support the ICPDR's scientific and technical work (ICPDR, 2018: 6).

Another powerful legal tool to regulate DRB water issues is the Water Framework Directive (WFD) adopted by the European Union (EU) in 2000. The WFD is regarded as one of the strongest legally binding water protection documents in the world, and one of the highest priorities for all DRB countries. Interestingly, its implementation has become one of the key selection criteria for EU membership (Masliah–Gilkarov, 2019). In this regard, the ICPDR is tasked with developing the capacity of DRB countries to meet the EU's accession criteria. The DRB countries have been very cooperative in meeting the requirements set out in the WFD, as well as the 1994 DRPC. Another interesting aspect of the WFD is the adoption of the 'polluter pays' principle, which demands that individual countries (e.g. the hydropower plant operator) pay for any damage that they have done to the environment. This principle generally applies to acts of hydropower construction that may adversely affect aquatic ecology (e.g. habitats and species) or hydromorphology (e.g. runoff, water balance, sediment transport, and river morphology) (ICPDR, 2013b: 15).

Another strong legal tool governing water-related issues in the DRB is the European Flood Directive (EFD) that became effective in November 2007. The EFD demands that member states implement adequate and coordinated policies to mitigate flooding hazards.

This directive also enables the public to access information on flood risks and related measures. Under this directive, member states are expected to coordinate their flood risk management practices with all countries sharing an international river basin, including non-European members (ICPDR, 2012: 5).

In 2000, the coordinated Danube River Basin District Management Plan for the whole DRB was developed in compliance with the EU WFD. This plan was adopted by the signatories of the ICPDR in late 2009. In October 2012, the Ministerial Council of the Energy Community decided to carry out the EU Renewable Energy Directive, which commits the EU Energy Community (including several DRB countries) to a binding share of renewable energy as part of their overall consumption in 2020 (ICPDR, 2013b: 11). This ensures that the water level and quality of the Danube River will not be compromised by the continuous construction of hydropower plants in the DRB countries, or in the European continent as a whole.

As outlined above, water management in the DRB is generally regulated by legally binding instruments, such as the DRPC, WFD, and EFD. This encourages the DRB countries, especially those that wish to be part of the EU, to adhere willingly to a set of binding rules that effectively help minimise their differences or conflicts over water usage. In the medium to long run, DRB countries are likely to continue to cooperate with one another and be less prone to open conflicts over the water.

Water Resources Management Mechanisms and Interstate Relations in the Mekong Region

Unlike the DRB, where water management is largely regulated by regional binding rules and regulations, water in the Mekong region is largely regulated by a number of non-binding regional initiatives, such as the Mekong River Commission (MRC), Greater Mekong Subregion (GMS), Lower Mekong Initiative (LMI), and Lancang Mekong Cooperation (LMC). These flexible regional initiatives have significantly benefited the Mekong countries, which include China, the Lao PDR, Myanmar, Thailand, Cambodia, and Viet Nam, with the goal of strengthening peaceful relations amongst them. The significance of these regional initiatives can be briefly described as follows.

Mekong River Commission

The MRC, whose antecedent was the Mekong Committee, is an intergovernmental organisation established in 1995. The MRC member states comprise Cambodia, the Lao PDR, Thailand, and Viet Nam, while China and Myanmar are dialogue partners (MRC). The MRC's main mission is to ensure mutual and efficient development of the Mekong River while mitigating the negative impacts on the peoples and environment in the Lower Mekong Basin (LMB). The MRC also plays an important role as a regional knowledge hub on water resources management.

Greater Mekong Subregion

The GMS was founded in 1992 with the aim of implementing high-priority projects in the six Mekong nations (Cambodia, China, the Lao PDR, Myanmar, Thailand, and Viet Nam) with the support of the Asian Development Bank. The GMS program has mainly concentrated on promoting and facilitating economic and infrastructure development by integrating the countries in the subregion via a transport system and several other economic networks and corridors, energy grids, and power interconnections to facilitate the interstate movements of goods and people as well as telecommunications linkups (GMS).

Lower Mekong Initiative

The LMI, officially proposed in 2009, is a multinational partnership between the United States (US) and the five lower Mekong countries, namely, Cambodia, the Lao PDR, Myanmar, Thailand, and Viet Nam. The LMI predominantly serves as a platform to address transnational development and policy challenges in the lower Mekong subregion. The LMI aims to promote trade, entrepreneurship, and innovation to support physical, institutional, and people-to-people links.

Lancang Mekong Cooperation

The LMC came into being after the first LMC Foreign Ministers' Meeting in China in November 2015 with the six participating member countries (China, Cambodia, the Lao PDR, Thailand, Myanmar, and Viet Nam). The LMC's main aims are to enhance the well-being of peoples, narrow development gaps between regional countries, and build a community of shared future amongst them. Supported by China, this initiative seeks to complement existing connectivity mechanisms, such as the Belt and Road Initiative and Association of Southeast Asian Nations (ASEAN) Master Plan of Connectivity 2025. These regional initiatives have enabled the Mekong countries (the lower Mekong countries in particular) to access various sources of funding for infrastructure development, mainly from the US, China, and Japan. This economic incentive has significantly contributed to improving relations between the lower Mekong countries and the donor partners.

Moreover, the creation of various regional initiatives in the Mekong region has not only helped manage water usage effectively, but also encouraged further economic integration amongst the member states, especially between the lower and upper Mekong countries. The MRC seems to be the best water data powerhouse, while the GMS is the best bridge linking across-the-board economic cooperation amongst the Mekong countries on a wide range of issues, including trade, investment, tourism, energy, and health.

Further, the LMC helps to accelerate ASEAN integration in two ways: (i) it gives a boost to the ASEAN Master Plan of Connectivity through its focus on infrastructure development and institutional coordination (Vannarith, 2018); and (ii) it seeks to narrow development gaps amongst the Mekong countries, the primary goal of the Initiative for ASEAN Integration. The initiatives mentioned above have significantly contributed to deepening economic integration in the Mekong region.

Problems in Water Management Mechanisms in the Danube and Mekong Regions

Water Management Problems in the Danube Region

Although the water management mechanisms in the Danube and Mekong regions have largely led the countries in these regions to work together peacefully, these mechanisms have still encountered certain problems. In the DRB, the water quality is still somewhat limited, and only 25% of the region's water can be regarded as meeting the necessary environmental standards (ICPDR, 2018: 2). Thus, the existing binding regulations have apparently not helped improve water quality in the region. More cooperation amongst DRB countries, as well as between the DRB and the world, should be fostered to tackle this issue more effectively.

Another contentious water management problem in the DRB is the continuous construction of dams and reservoirs, which has led to disruptions of the river flow. Dams and reservoirs have been constructed in almost all mountainous regions of the DRB and in some lowland regions (there are more than 700 dams and weirs along the river's main tributaries) for many different purposes, but especially for hydropower generation (ICPDR, 2013a: 26). It is worth noting that, as hydropower has become an important economic lifeline for some DRB countries, it is hard for them to halt hydropower activities completely in the region. For example, about 60% of Austria's annual electricity supply is derived from hydropower generated in the DRB (ICPDR). Despite this significance, the construction of hydropower plants in the DRB has become the leading cause of the Danube River interruptions (ICPDR, 2013a: 64). This ultimately creates significant difficulties for fish migration and sediment transportation in the region. Due to these problems, the DRB countries are looking to external partners for best practices and experiences in managing water to ensure its sustainable use for generations.

Water Management Problems in the Mekong Region

Despite a number of regional mechanisms, the risks and conflicts associated with water management amongst downstream and upstream countries in the Mekong region are still rather high. Problems such as drought and dwindling fisheries have worsened.

In July 2019, it was reported that the downstream countries had encountered a major drought, which threatened fisheries and agricultural production along the river basin. The drought caused Northeast Thailand to lose access to the river (Eyler and Salzberg, 2019).

In addition, water levels are increasingly lower than the average. According to the MRC, the water level in Thailand's Chiang Sen was 2.10 metres (m) during June–July 2019, 0.92 m lower than its long-term average (3.02 m) (MRC, 2019). During the same period, the water level in Vientiane was 5.54 m, 0.70 m lower than its long-term average (6.24 m), and the water level in Cambodia's Kratié Province was 9.31 m, about 5.40 m lower than its long-term average (14.71 m). Between 10 June and 18 July 2019, there was a drop of about 0.38 m at the Kratié station. In addition, the amount of nutrient-rich sediment flowing down the river has significantly decreased. According to the United Nations Educational, Scientific and Cultural Organization, this reduction is largely attributed to the construction of dams on the upper part of the Mekong (Fawthrop, 2018).

The existing policy mechanisms have been inadequate to mitigate the ecological risks in the Mekong region. As a result, the Mekong countries have sought to cooperate with other countries and regions to learn best policies and practices to manage water usage effectively in the region and to minimise possible tensions amongst upstream and downstream countries in the Mekong River region.

The Asia–Europe Meeting Can Mitigate Water Management Issues in the Danube and Mekong Regions

With the Danube and Mekong regions both facing water management problems, there is a need to establish a cooperation mechanism between the two regions. ASEM, with the participation of over 50 countries and international organisations across Europe and Asia, is a possible avenue for cooperation on water management between the two continents. ASEM became an important platform for countries in Europe and Asia, particularly those in the Danube and Mekong basins, to exchange best policy practices and lessons learned and to seek common solutions to the water problems they have encountered.

The water issue was first raised at the Seventh ASEM Summit held in China in October 2008, where ASEM leaders mainly discussed ways to address climate change and environmental protection issues, including water resources in general. They agreed to encourage and back regional and subregional organisations to devise joint research projects, including those related to life-sustaining water resources (ASEM, 2008). However, no reference was made to either the Danube or Mekong in particular.

At the Eighth ASEM Summit, the leaders emphasised the significance of water resources management and the need to cooperate in exchanging scientific research, experiences, and best practices. They even tasked their ministers to carry out a concrete dialogue on the issue in early 2011 (ASEM, 2010).

At the Ninth ASEM Summit in the Lao PDR in November 2012, the ASEM leaders mentioned water management cooperation between the Danube and Mekong regions for the first time. Specifically, they expressed their support for the results of the first ASEM Sustainable Development seminar, held in Hungary on 21–22 June 2012, which concentrated on the crucial role of water in the Sustainable Development Goals, and agreed to share their best practices and experiences on the development and better usage of water resources between the two regions (ASEM, 2012). During the 10th ASEM Summit in Italy in October 2014, the leaders once again reaffirmed ASEM's role in forging cooperation between the two regions, and committed to concretising their cooperation on water-related issues (ASEM, 2014).

At the 11th ASEM Summit in Mongolia in 2016, the ASEM leaders acknowledged ASEM's role as an important venue to share best practices and experiences regarding water management between the Danube and Mekong regions, and recognised the importance of water cooperation between the two regions, with ASEM as a model for transforming common challenges into opportunities for sustainable development and inclusive growth (ASEM, 2016). Lastly, during the 12th ASEM Summit in Belgium in 2018, the ASEM leaders reiterated their commitment to strengthening intraregional cooperation on water resources management, and acknowledged ASEM as a role model for cooperation in this area (ASEM, 2018).

Conclusion and Policy Recommendations

The Danube and Mekong rivers are both important lifelines of Europe and Asia. In light of this extreme significance, a variety of mechanisms are being put in place to ensure the effective and sustainable use of water, boost economic cooperation, and protect the environment in these regions. In terms of water management along the Danube, the DRB countries established strong, legally binding regulations such as the DRPC, WFD, EFD, and EU Renewable Energy Directive to achieve the objectives mentioned above. The establishment of such binding documents has smoothed water management amongst the DRB countries.

In addition to the legal tools mentioned above, bilateral and multilateral cooperation mechanisms have been created amongst the DRB countries in a bid to promote better cooperation and coordination in the area of water resources management. Cases in point include the agreement on water management between Romania and Hungary, and the agreement between Croatia and Bosnia and Herzegovina.

Water management in the Mekong region is governed by more flexible regional initiatives such as the MRC, GMS, LMI, and LMC. These mechanisms have, to a certain degree, helped improve ties amongst the lower Mekong countries and between these countries and their donor countries, such as China, Japan, and the US. The initiatives have strengthened information sharing on water-related issues within the Mekong region and enhanced multifaceted economic cooperation amongst these countries.

As both the Danube and Mekong regions have faced similar challenges, leaders in both regions have decided to work together, with ASEM at the centre of the conversation. The Ninth ASEM Summit specified cooperation on water resources management between the Danube and Mekong regions. The leaders expressed their view that the sharing of best practices and experiences in relation to water management should be encouraged. During the 10th–12th ASEM Summits, the leaders agreed to forge bi-regional cooperation between the two regions under the ASEM framework, and to work out concrete cooperation projects pertaining to water resources management.

Notwithstanding ASEM's current commitment to promote cooperation on water management between the Danube and Mekong regions, it should make greater efforts to translate statements into action by pooling of activities and resources. The upcoming 13th ASEM Summit (ASEM13) in Phnom Penh in early June 2021 may be a good starting point. This multilateral platform can help Asia and Europe resolve their common challenges and bring about peace and shared prosperity for both continents in accordance with the theme of the 13th ASEM Summit: 'Strengthening Multilateralism for Shared Growth'.

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Conclusion

**Moving Forward:
Multilateral Cooperation
for a Resilient, Sustainable,
and Rules-Based Future
for Asia and Europe**

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Moving Forward

MULTILATERAL COOPERATION FOR A RESILIENT, SUSTAINABLE, AND RULES-BASED FUTURE FOR ASIA AND EUROPE

ANITA PRAKASH

GARY R. HAWKE

The Asia–Europe Meeting (ASEM) is designed to strengthen the links between Asia and Europe, which would ensure the collective prosperity and inclusive growth of the two regions. Since its inception in 1996, ASEM has played a key role as a forum for dialogue and cooperation in connecting Asia and Europe. ASEM is a collective effort towards addressing the demands of greater connectivity amongst the geographies, economies, and peoples of Asia and Europe. At the 10th ASEM Summit in 2014 in Italy, ‘Leaders underscored the significance of connectivity between the two regions to economic prosperity and sustainable development’ (ASEM 2014: para. 7). The 11th ASEM Summit in 2016 in Ulaanbaatar agreed to make ASEM responsive to emerging demands and the need for connectivity. Based on the recommendations of the ASEM Pathfinders Group on Connectivity (APGC) – co-chaired by the European External Action Service and the European Union (EU) presidency for the European group, and China and Japan for the Asian group – the 12th ASEM Summit in Brussels adopted possible ‘Tangible Areas of Cooperation in the Field of Connectivity’ that would serve as a guiding tool for the competent ASEM bodies to take the ASEM process forward and conduct activities aimed at pragmatic results within their areas of expertise.

In the span of a few months in 2021, the collective and coordinated features of ASEM have been impacted as the 13th ASEM Summit (ASEM13) is held amidst a global health emergency – the coronavirus disease (COVID-19) pandemic – that has led to unprecedented impacts on the lives of people and the economies of ASEM partners. The strength of ASEM, however, lies in its potential to bring Partner countries together and agree to a common pathway for recovery, and rebuild societies in the years ahead. The ASEM13 has a mission to set out the future pathway for ASEM – built on the principles of mutual growth, sustainable development, and rules-based multilateralism.

ASEM in Transition – Significance of 2021

The COVID-19 pandemic is an unprecedented challenge that has left no country untouched. Besides the devastating impacts on life and health, the world will face one of the most severe economic recessions in modern history.

The COVID-19 pandemic is threatening lives, livelihoods, and entire economies – erasing decades of economic progress, poverty reduction, and gains in human development. The world has made great strides in reducing extreme poverty in recent decades, but was not on track to reach the goal of ending it by 2030 even before the coronavirus hit – the pandemic could push about 100 million more people into extreme poverty in 2020 (World Bank, 2020).

All countries have been hit by various economic shocks – on demand, supply, and financing. The core value of ASEM – Asia–Europe Connectivity – is under stress, and has even been disrupted, amongst several Partner countries. The ASEM region is also facing severe challenges in meeting the goals of the 2030 Agenda for Sustainable Development.

The rapid spread of COVID-19 since the end of 2019 has put immense pressure on the economic and social conditions of emerging Asia. A sharp decline in the region's economic activity is anticipated in 2020. Gross domestic product (GDP) in 2020 is expected to decline by 2.9% on average in emerging Asia and by 2.8% in the Association of Southeast Asian Nations (ASEAN).¹ Growth rates are projected to return to levels similar to those before COVID-19 in 2021 – 6.8% in Emerging Asia and 5.6% in ASEAN (OECD, 2020a). It is estimated that growth will climb to 6.8% in 2021 as ground conditions gradually return to normalcy. Southeast Asia's economy as a whole is expected to contract in 2020 by 2.8% before growth resumes in 2021. Economic growth patterns in China and India are anticipated to follow the same trajectory. China's economy is expected to contract this year for the first time since the 1970s before GDP growth improves the following year. India's economy will also decline for the first time in more than 40 years and recover in 2021.

Indications of a healthy trade rebound are also limited, as the retention of border restrictions and deflated demand from advanced economies will likely impact Asia. Emerging Asian economies have limited fiscal space, especially as revenues decline. Work on large projects has weakened. Inflow of foreign direct investment is uncertain as advanced economies struggle with their own liquidity.

¹ ASEAN consists of 10 countries: Brunei, Cambodia, Indonesia, the Lao People's Democratic Republic, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Viet Nam.

Southeast Asia is particularly impacted by losses in travel and tourism, which constituted 12% of the economy. Small and medium-sized enterprises, which comprise more than 90% of the firms in the region, are particularly vulnerable to the downturn.

Europe is facing a similar downturn. Challenges to its economic recovery are severe, and require innovative policies and global cooperation. According to the EU summer forecast, the EU's economy is set to contract by 8.3% in 2020 and grow by 5.8% in 2021 (European Commission, 2020: 1).

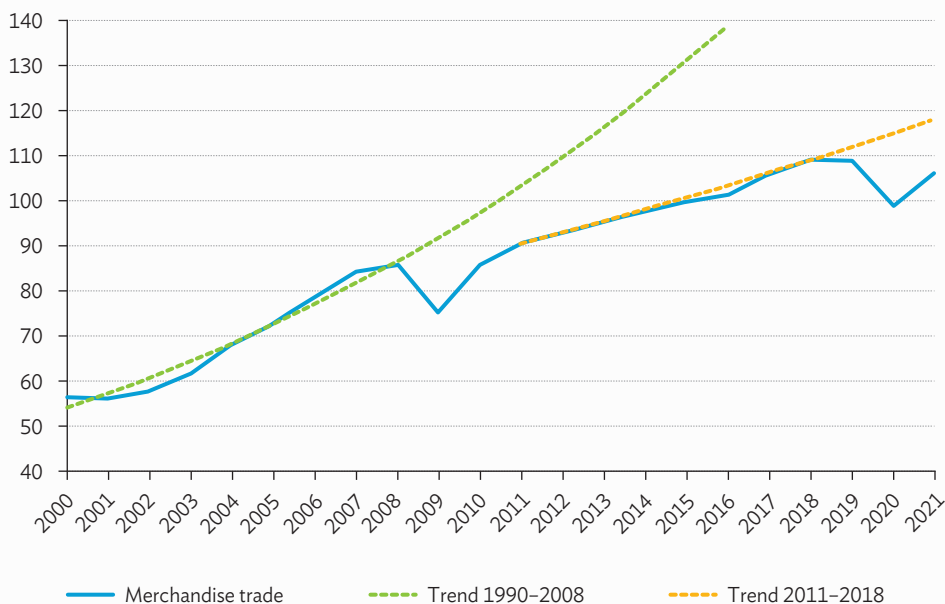
The EU is working towards a resilient and sustainable recovery plan. It has agreed to mobilise €1.8 trillion for the coming years to fundamentally change its economic and social model with the climate and digital agenda. The EU is working to become carbon-neutral by 2050, and is coordinating all national recovery and resilience plans for the European Green Deal target. Europe worries of a K-shaped recovery in which the wealthier emerge better off. The recovery plans, therefore, are concentrated in the most affected regions and the most affected sectors.

Mutual Growth for Asia and Europe: Resilient Trade and Global Value Chains

The ASEM region's prosperity is underwritten by trade and investments. Asia and Europe have a market of nearly 5 billion people, and inter-regional trade was \$32 trillion in 2018. Manufactured goods represent the largest share of trade between Asia and Europe. At present, China is the EU's biggest source of imports and its second-biggest export market. The EU and ASEAN countries have significantly consolidated their bilateral trading activity over the last decade, with the EU accounting for around 13% of ASEAN trade. Trade in services is also crucial for the smooth functioning of global value chains and has played a key role in the expansion of trade in Asia and Europe during the past decade.

The World Trade Organization (WTO) now forecasts a 9.2% decline in the volume of world merchandise trade for 2020, followed by a 7.2% rise in 2021 (Figure 1). These estimates are subject to an unusually high degree of uncertainty since they depend on the evolution of the pandemic and government responses to it (WTO, 2020).

Although the decline in trade during the COVID-19 pandemic is similar in magnitude to the global financial crisis of 2008–2009, the economic context is very different. The contraction in GDP has been much stronger in the current recession, while the fall in trade has been more moderate. As a result, the volume of world merchandise trade is only expected to decline by around twice as much as world GDP at market exchange rates, rather than six times as much during the 2009 collapse (WTO, 2020).

Figure 1: World Merchandise Trade Volume

Note: Figures for 2020 and 2021 are projections.

Source: WTO (2020).

The pandemic has induced shocks to supply chains, disruptions in production, and the prospect of a global recession. The rapid spread of COVID-19 since the end of 2019 has resulted in tightened border controls and disruptions in production. At the same time, robust monetary and fiscal policies have propped up incomes, allowing consumption and imports to rebound once lockdowns are eased. There are several risks to a sustained recovery in the medium term. Investment and employment are key to recovery, but a sustained or recurrent run of COVID-19 may cause continued loss of trade between Asia and Europe. Close cooperation on trade and investment facilitation between Asian and European countries, with concurrent cooperation in the production and supply of vaccines and other public health measures, will ensure that ASEM resumes and grows its trading links collectively, for the mutual benefit of both Asia and Europe.

Trade between Asia and Europe will diminish in the short term; and the micro, small, and medium-sized enterprises; services trade; and tourism will be the most affected. A prolonged demand shock may weaken, or even decay, the supply chains between Asia and Europe. Moreover, the infusion of liquidity in the advanced economies of Asia and Europe will slow down or reverse the financial capital flows to the developing countries.

Trade and investment facilitation, therefore, become a primary line of cooperation in ASEM. Parts of Asia and Europe have started to diversify their production value chains. This could grow with more urgency when demand returns in the economy. Asia and Europe must therefore work jointly on future-ready measures for trade and investment facilitation, and ensure the sourcing of intermediate and final goods through resilient and shortened supply links.

Short-term difficulties will present themselves, as the pandemic may continue to disturb established supply chains. These difficulties should not prevent ASEM from cooperating in a long-term trade and investment platform that is robust and beneficial to all partner countries – big or small.

Sustainable Development: Achieving the SDG Targets in the Post-COVID-19 Phase

The year 2020 kickstarts the Decade of Action – a reaffirmation of the global commitment through accelerated efforts and sustainable solutions to the world’s biggest challenges, ranging from eradicating poverty and reducing gender inequality to addressing climate change.

Yet, in only a brief period, the COVID-19 pandemic has disrupted efforts to achieve the 2030 Agenda for Sustainable Development. The global community finds itself in an unprecedented situation in which parallel health, economic, and social crises have left countries struggling to contain the epidemic and provide immediate financial relief for the many people affected by the associated macroeconomic downturns. The pandemic threatens to reverse years of progress on poverty, hunger, healthcare, and education. While the virus has impacted everyone, it is affecting the world’s poorest and most vulnerable people the most.

UNESCAP (2019) reported that Asia and the Pacific needs to accelerate progress towards all the Sustainable Development Goals (SDGs) of the United Nations 2030 Agenda for Sustainable Development. On its current trajectory, the region will not achieve any of the 17 SDGs by 2030. To live up to the ambition of the 2030 Agenda, accelerated progress is required on all fronts. For three SDGs, the situation is deteriorating and urgent action is needed to reverse course.

Progress has been made towards some SDGs (1, 4, and 7) in Asia and the Pacific, but the rate of progress is insufficient. Even where good progress has been made, it is too slow for these goals to be met by 2030. For instance, while the most progress has been registered for delivering quality education (SDG 4), quicker progress is needed towards the goal’s underlying targets. For more than half the SDGs, progress is stagnant or heading in the wrong direction in Asia. Little progress has been achieved towards ending hunger (SDG 2);

supporting industry, innovation, and infrastructure (SDG 9); reducing inequalities (SDG 10); building sustainable cities and communities (SDG 11); combating climate change (SDG 13); protecting life below water (SDG 14) and life on land (SDG 15); or towards supporting peace, justice, and strong institutions (SDG 16). Negative trends have been registered in clean water and sanitation (SDG 6), ensuring decent work and economic growth (SDG 8), and supporting responsible consumption and production (SDG 12) (UNESCAP, 2019).

The COVID-19 pandemic has impacted the trend towards progress, and it is projected that Asia's progress will be slow or driven backwards. The loss in economic output of the region will be marred by the lack of progress towards the SDGs. Lack of progress towards SDG 17 could undermine the progress towards all the other SDGs, as it seeks to strengthen global partnerships and means of implementation to achieve the ambitious targets of the 2030 Agenda. Its underlying targets focus on measuring tax revenues, debt sustainability, statistical capacity, technology transfer, international cooperation, trade conditions, and policy coherence on sustainable development. Progress in all these areas is necessary to ensure that we have the means to finance, target, and implement policy solutions to achieve sustainable development (UNESCAP, 2019).

Across the world, European countries come closest to achieving the SDGs, but none are on track to achieve the goals by 2030. The 10 countries closest to achieving the SDGs are in Europe (SDSN and IEEP, 2019). Yet, Europe faces the greatest challenges on goals related to climate, biodiversity, and the circular economy, as well as in strengthening the convergence in living standards across countries and regions. In particular, countries need to accelerate progress towards climate change (SDG 13), sustainable consumption and production (SDG 12), the protection and conservation of biodiversity (SDGs 14 and 15), and sustainable agriculture and food systems (SDG 2).

Leadership from the EU is critical, not only because Europe needs to achieve the goals for its own benefit, but also because the 2030 Agenda is a global affirmation of the core values of the EU. The SDGs represent Europe's values, so the EU should use them as part of its external action (SDSN and IEEP, 2019). The European Green Deal is a decisive framework for Europe's sustainable development during the coming decade, and it should be leveraged as an instrument of cooperation with Asia for achieving the SDGs. The EU has tremendous global influence through its intellectual and policy leadership, its lead in SDG implementation, and the fact that the EU is the world's strongest champion of the rules-based multilateral order – with the United Nations Charter, institutions, and treaties at the core. ASEM must therefore be an important multilateral platform to pursue an ambitious and strategic SDG cooperation programme between Europe and Asia.

ASEM chair statements of 2016 and 2018 recognise the global mandate for sustainable development. The ASEM dialogue mechanism, including its connectivity agenda, is best suited to support the pursuit of sustainable development and climate action in Asia and Europe. Finding resilient infrastructure and innovative solutions for food, health, and cybersecurity is closely related to sustainable development in Asia and Europe. ASEM working groups on sustainable development should use this as a framework for monitoring progress in the coming years.

Infrastructure and Institutional Connectivity for the Digital World

The digital economy is here to stay. As industries, employment, trade, and economic growth continue to change under the influence of digitalisation, the ASEM region must reap the benefits of this progress. ASEM must also take leadership in ensuring that digitalisation promotes inclusiveness, especially for youth and women. Asia and Europe have different levels of digital infrastructure. However, mutual cooperation for the development of services, human capital, regulations for data protection, e-commerce, and taxation require greater institutional linkages between Asia and Europe. ASEM has not been able to create a platform which addresses the important pillar of the digital economy in Asia and Europe. When the world recovers from COVID-19, it will have the opportunity to build back better. The 13th ASEM Summit will be an opportune time to fill this gap in ASEM cooperation.

Structural transformation and employment generation in Asia and Europe will address the demands of the digital economy through greater integration and institutional cooperation. Backward and forward integration of the global value chains of the digital economy are important for and between Asia and Europe. ASEM's role in trade facilitation and the movement of skilled people suited for the digital economy will be both timely and valuable for institutional connectivity in ASEM region. Policies for consumer protection and privacy, competition policy, the taxation system, and cybersecurity also require greater attention and global calibration.

Key documents such as the ASEAN ICT Masterplan, 2020 have stressed the inclusive and affordable aspects of the digital economy. Europe's Digital Single Market strategy outlines digital opportunities for people and business through policies that embody societal values and promote inclusiveness. The APGC adopted a connectivity plan in 2018 which lists cross-border e-commerce, including the involvement of micro, small, and medium-sized enterprises, as a focus area for the ASEM partners. This confluence of Asia, Europe, and ASEM in an inclusive and value-based digital economy could well become the face of Asia–Europe connectivity in this decade.

Multilateralism, Global Actions, and a Rules-Based World: ASEM's Role

International cooperation will be the key to reviving growth, restoring incomes, and normalising movement across borders. Rebuilding and recovery from the pandemic should entail equal opportunity for all countries.

The future of ASEM is linked to restoring multilateralism and rules-based global governance which recognises diversity, yet leaves no one behind. It is worth noting that multilateralism has provided stability and prosperity to a great number of countries for nearly a century. The most recent global financial crisis could be addressed through multilateral action and cooperation. However, the rules-based multilateral order is under severe stress, and ASEM has a profound responsibility to reaffirm and contribute to restoring multilateralism. The pandemic has magnified the gaps in multilateral actions towards sustainable development, climate action, financial stability, and international trade. As ASEM reaffirms its commitment to multilateralism in all its statements, the time is ripe to actively support groups and international organisations that are working towards this goal. ASEM is an informal organisation of countries in Asia and Europe which share common interests. It would be an appropriate next step for ASEM to reach out to multilateral bodies which need strengthening and support. In turn, ASEM would help the multilateral processes to address the post-pandemic recovery, and solidify the global governance and rules-based order that seeks to support the well-being of all peoples.

Global governance of connectivity is also a new challenge, as countries contest and compete for technology which provides interconnections. Managing the internet is most apparent, but the technology underlying electronic commerce and the financial system is much more significant. The traditional chapters of trade agreements – on goods, services, and investment – while still contentious, are now subordinate to the field of technology. In 2021, ASEM must contribute to global actions which aim to resolve this challenge.

ASEM must be seen to contribute to the global governance architecture if its , irrespective of size and income, are to emerge stronger from the pandemic-induced economic downturn and build back a better and more inclusive future for themselves. Neither multilateralism nor global governance exist for their own sake. The ultimate test for both is for them to create prosperity that is inclusive and sustainable. ASEM must spell out, and provide action on, its preferred aspects of multilateralism. Multilateral bodies, such as the WTO, and intergovernmental and less formal platforms, such as the Group of Twenty (G20), are leading their and regions to participate in trade, investment, financial stability, sustainable development, and economic integration. ASEM has to represent itself in these organisations, as the influencer and shaper of rules-based multilateralism which is capable of recognising diversity and leaving no one behind.

Towards the 14th ASEM Summit: Cambodia's Vision, Global Realities, and Key Priorities Ahead

Cambodia's vision for ASEM – and the priority actions within the focus areas of ASEM connectivity – was notable for its grasp of regional needs and global realities. The Economic Research Institute for ASEAN and East Asia (ERIA) has served the successive chairs of ASEM in writing the connectivity agenda, and supporting the APGC's tasks through research and policy recommendations. Cambodia's request for a plenary study on an inclusive, sustainable, and future-ready ASEM was made to ERIA, and the resultant study conjoins Cambodia's vision with actionable policies for ASEM's future. Predating the COVID-19 crisis, the Cambodian chair of the ASEM13 recognised early that ASEM is entering a phase which is characterised by rapid changes and disruptions across all three pillars of ASEM connectivity and cooperation. Asia and Europe face an urgency amongst their peoples and stakeholders because of advances in technology, innovation, automation, robotics, digital platforms, and greater connectivity. These issues are prompting innovative economic and financial cooperation, sustainable growth, and movement of people and investment to new locations. New areas of cooperation in finance, innovation, infrastructure, global health, and multilateral governance are no longer a choice. This ought to be in the blueprint of ASEM connectivity in the future – to make ASEM future-proof and to help Asia and Europe to address the global and regional challenges together.

The 13th ASEM Summit will take place in 2021 – a year after its scheduled date in 2020 – as the COVID-19 pandemic disrupted the fabric of connectivity amongst people within and between countries. Even as countries recover from the health crisis and rebuild economies, ASEM has the opportunity to assess and give direction to the future of Asia–Europe relations. The previous chapters in this book have covered a wide range of sectoral assessment and priority actions for ASEM.

In moving towards the 14th ASEM Summit, many of the global and regional issues will likely remain, and demand ASEM's response. Trade tensions amongst larger economies will continue to persist, even if parts thereof are resolved. Political and social tensions related to communities and gender in many parts of the world will weigh upon development strategies, especially those related to employment, SDGs, climate action, and the digital economy. The monitoring (and implementation) of public health plans, SDG performance, youth employment, and gender equality will be important areas for national strategies for growth.

As connectivity plans in Asia and Europe compete with each other for resources and geographical influence, countries in Asia and Europe must align these plans with debt sustainability, resilient growth, and the trust quotient. Security challenges that simmer below the surface of important supply chain routes in the Indo-Pacific, with direct implications for trade connectivity between Asia and Europe, must be addressed and resolved.

The pandemic provides a time to build back better. For ASEM, this is an opportunity to train its focus on women and youth. In doing so, the twin challenge of human capital and productivity can be addressed in Asia and Europe, and the social and economic worth of two influential sections of people can be prioritised in all policies.

All the events around ASEM imply that ASEM must take a lead – in reconnecting countries and societies in the post-pandemic world, and in mobilising Asia and Europe towards a connected, sustainable, and inclusive future. The global pandemic provides the sober reflection to see that attempts to retreat into self-sufficiency will not significantly diminish risk and will only lead to diminished well-being. Even in areas such as medical equipment and supplies, interdependence is inescapable. In addition, the lessons of the pandemic reveal that international cooperation is much more part of the solution than of the problem.

The benefits of reconnecting economies, reversing the disruption to trade and transport links, and addressing transboundary challenges, offer immediate and deserved benefits to all people (UNECE, 2020). Concerted action will yield better results in the context of the regional frameworks of collaboration, which provide critical building blocks for multilateralism.

From Cambodia, ASEM will travel to Europe for its 14th summit. The European chair must take these priority areas forward to ensure that ASEM's work reduces barriers to connectivity, acts to create prosperity, and strengthens trust in collective action at all levels.

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13th Asia–Europe Meeting (ASEM) Summit ***Multilateral Cooperation for a Resilient, Sustainable, and Rules-Based Future for ASEM***

The Asia–Europe Meeting (ASEM) is a unique cooperation initiative, bringing in scope for transnational cooperation between Partner countries, through regional and sub-regional activities. ASEM is wide enough to accommodate global and inter-continental development priorities. And yet, it localises connectivity amongst Partner countries for economic growth, trade and investment, digital economy, inclusive growth, and sustainable development.

As the shadow of the COVID-19 pandemic holds sway in both Europe and Asia, the hosting of the 13th ASEM Summit (ASEM13) in Cambodia assumes much greater significance as it envisages an inclusive and prosperous growth pathway for the Asia–Europe region, through multilateral cooperation and sustainable development.

The study brings together scholars and practitioners from Asia and Europe who have put forth their academic and practical wisdom in their respective chapters, covering the multidimensional nature of Asia–Europe cooperation and connectivity. Partnership for economic growth, trade and investment, digital economy, quality infrastructure, skills development, education, women and youth, labour mobility, sustainable development, multilateralism, and global governance are some of the important themes covered in this study. The study captures the rich experiences amongst Partner countries that are productive and replicable. It summarises the unique role and vision of Cambodia as the host of the ASEM13, and the need to carry these into the 14th ASEM Summit in Europe. This book fulfils this purpose, and establishes a pathway for making ASEM an active, efficient, and influential multilateral platform for cooperation and connectivity between Asia and Europe.

About ERIA

The Economic Research Institute for ASEAN and East Asia (ERIA) was established at the Third East Asia Summit (EAS) in Singapore on 21 November 2007. It is an international organisation providing research and policy support to the East Asia region, and the ASEAN and EAS summit process. ERIA's research facilitate connectivity within Asia, and between Asia–Europe, Asia–Africa, and rest of the world. The 16 member countries of EAS — Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand, Viet Nam, Australia, China, India, Japan, Republic of Korea, and New Zealand — are members of ERIA.

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