



Comments on “A Resurgent East Asia”

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East Asia's "Growth with Equity" has worked

- Outward oriented, manufacturing-based, labor intensive growth
- Basic human capital development
- Sound economic governance

More detail on the context in which these countries were growing would have been helpful. When East Asian economies embarked in manufactured goods export-oriented growth strategies, there were relatively few competitors. East Asian economies were able to capitalize on this situation.

Also the move from low to middle income is relatively "easy". The goal and the pathway is well-known. However, the difficulties lie in the transition from middle to high income, since the pathway is not laid out.

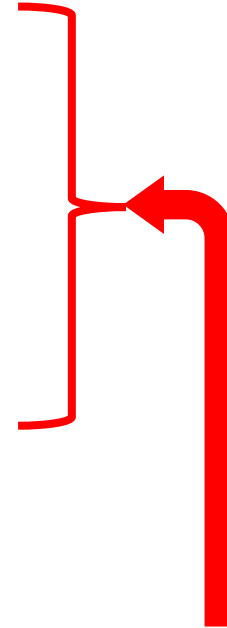
This is especially so in the slowing international trade.

Policy directions proposed

- Boosting economic competitiveness
- Building skills
- Fostering inclusion
- Strengthening state institution
- Financing the transition to high-income status

Policies for “boosting economic competitiveness”

- Reforming services sector
- Deepening trade agreements
- Broadening innovation policies
- Improving SMEs access to finance



Building up regulatory compliance capabilities as a way to improve export competitiveness

Why do we need to care about regulations?

- Developing countries strive to expand their exports
- That means that they need to comply with regulations and standards of importing countries.
- In some cases, if they are able to ship their products from their countries, they could face rejections at the borders of importing countries, because they do not meet the **regulations**.

Some examples

- EU's Restriction of the use of certain Hazardous Substances in electrical and electronic equipment (RoHS) (2003)
 - Restricted the use of six substances: lead, mercury, cadmium, Hexavalent chromium, Polybrominated biphenyls, Polybrominated diphenyl ether
- EU's Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) (2006)
 - Substances of Very High Concern (SVHC) list
 - Need to report chemical composition of a product
- Food safety regulations (port rejections)
 - In 2013, an estimated US\$9328 million worth of agriculture and food products (all food and feeds) were rejected at the borders of four markets (Australia, EU, Japan, and US).
 - The reasons for these rejections are because the products are not complied with the food safety regulations in these markets.
 - In particular, residual traces of agricultural chemicals and veterinary drugs
 - The border rejections are just a tip of an iceberg.
 - A larger amount of potentially exportable goods are rejected within the supply chain

To meet these regulatory requirements, firms need :

- To develop capabilities in regulatory compliance
 - Proactive information gathering, changes in manufacturing process, better management of information
- Public support towards regulatory compliance
 - Information dissemination
 - Access to testing facilities
 - Access to finance for additional investment, especially for SMEs
- Improvements in management of logistics industry
 - “Chain of Custody” (CoC) is required to ensure that compliant products are handled separately from non-compliant products

Logistics Performance Index 2012-2018 (out of 167 countries)

Country	LPI Rank	Country	LPI Rank
Singapore	5	Vietnam	45
Japan	7	Indonesia	51
Hong Kong, China	9	Philippines	64
Korea, Rep.	23	Brunei	73
Taiwan	24	Cambodia	89
China	27	Lao PDR	120
Thailand	34	Mongolia	129
Malaysia	35	Myanmar	139

Source: <https://lpi.worldbank.org/>

Application of dissimilarity indicator: regulatory harmonization costs in regional integration in East Asia

- Which country should be a base country?
- In AEC: Thailand
- In RCEP: Thailand or Australia
- In TPP: Australia or US

Benchmark	AEC		RCEP		TPP		
	Intra-		Intra-		Intraregional		
	Regional	Open	Regional	Open	11	12	Open
Brunei	4.45 (.495)	6.76 (.520)	7.38 (.527)	8.52 (.532)	5.06 (.506)	5.64 (.512)	6.81 (.523)
Malaysia	4.66 (.518)	6.90 (.531)	7.55 (.540)	8.63 (.540)	4.99 (.499)	5.52 (.502)	6.81 (.524)
Singapore	4.64 (.515)	6.87 (.528)	7.57 (.541)	8.67 (.542)	5.15 (.515)	5.69 (.517)	6.85 (.527)
Vietnam	5.17 (.575)	7.25 (.557)	8.01 (.572)	8.95 (.559)	5.48 (.548)	5.94 (.540)	7.01 (.539)
Indonesia	5.31 (.591)	7.58 (.583)	8.30 (.593)	9.43 (.589)	..	..	..
Cambodia	5.28 (.586)	7.46 (.573)	8.19 (.585)	9.30 (.581)	..	..	..
Lao PDR	5.57 (.619)	8.57 (.660)	8.36 (.597)	9.87 (.617)	..	..	..
Myanmar	5.07 (.563)	7.78 (.598)	8.52 (.609)	9.82 (.614)	..	..	..
Philippines	5.36 (.596)	7.75 (.596)	8.33 (.595)	9.52 (.595)	..	..	..
Thailand	4.50 (.500)	6.58 (.506)	7.29 (.521)	8.28 (.518)	..	..	..
Japan	..	7.05 (.542)	7.91 (.565)	8.64 (.540)	4.95 (.495)	5.31 (.483)	6.35 (.488)
China	..	8.04 (.618)	8.94 (.638)	9.98 (.624)	..	..	8.17 (.629)
Australia	..	..	6.93 (.495)	7.84 (.490)	4.81 (.481)	5.22 (.475)	6.25 (.481)
New Zealand	..	..	7.60 (.543)	8.60 (.537)	5.44 (.544)	5.93 (.539)	7.16 (.551)
India	..	..	9.40 (.672)	10.61 (.663)	..	..	..
Canada	..	..	..	..	5.50 (.550)	5.87 (.534)	6.99 (.538)
Chile	..	..	..	..	5.27 (.527)	5.82 (.529)	6.92 (.532)
Mexico	..	..	..	..	5.74 (.574)	6.38 (.580)	7.70 (.592)
Peru	..	..	..	..	5.89 (.589)	6.48 (.589)	7.76 (.597)
US	..	6.57 (.506)	..	8.03 (.502)	..	5.22 (.475)	6.09 (.469)
European Union	..	7.04 (.542)	..	8.64 (.540)	..	..	6.46 (.497)

Source: Nabeshima and Obashi (2019)

Conclusion

- Attentions to regulatory compliance capabilities are needed to improve the export competitiveness to firms in East Asia
 - This requires improvements in management practices of firms, additional financing assistance to SMEs, improvements in operations and productivities of services sectors, especially of logistics industry
 - Deeper integration efforts will also need to address regulatory issues across countries.

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Thank you