

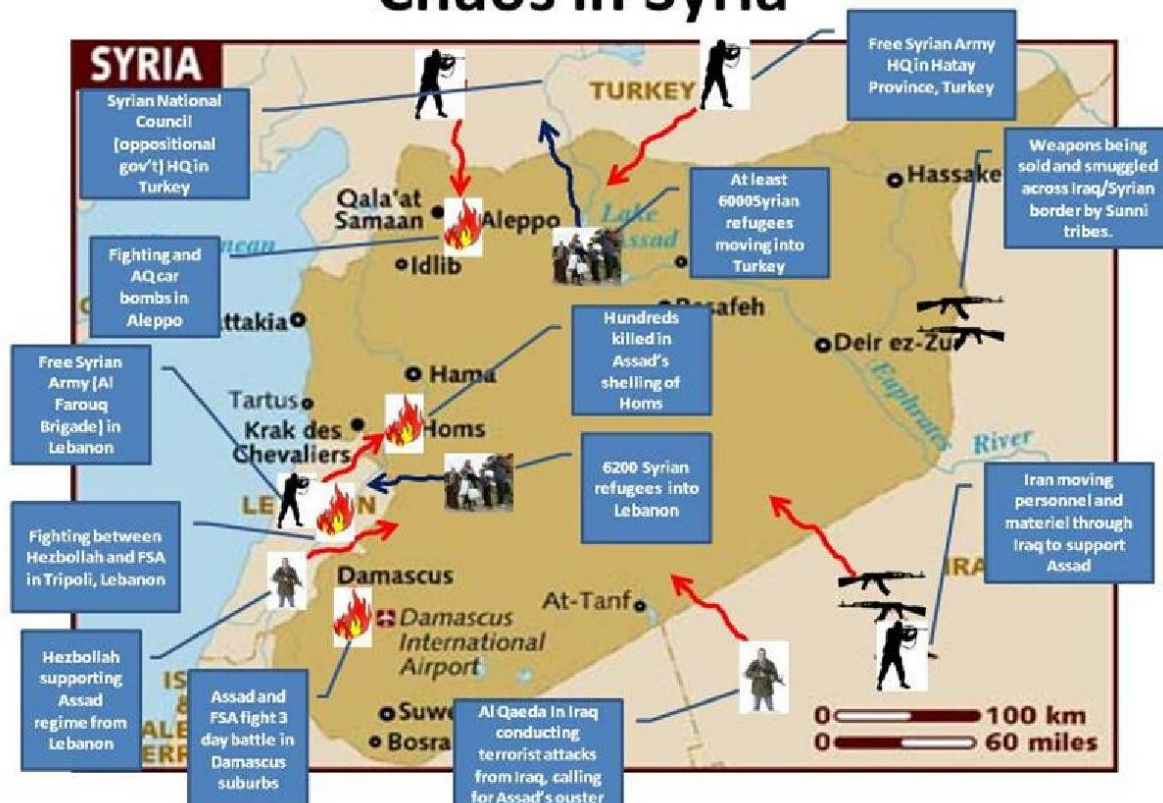
# ISIS FOCUS



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## Chaos in Syria



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INSTITUTE OF STRATEGIC AND INTERNATIONAL STUDIES (ISIS) MALAYSIA  
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## ABOUT ISIS MALAYSIA

The Institute of Strategic and International Studies (ISIS) Malaysia was established on 8 April 1983, in realization of a decision made by the Malaysian Government to set up an autonomous, not-for-profit research organization that would act as the nation's think-tank. ISIS Malaysia was envisioned to contribute towards sound public policy formulation and discourse.

The research mandate of ISIS therefore spans a wide area. It includes economics, foreign policy and security studies, social policy, and technology, innovation, environment and sustainability.

ISIS Malaysia today fosters dialogue and promotes the exchange of views and opinions at both national and international levels. It undertakes research in collaboration with national and international organizations, in important areas such as national development and international affairs.

ISIS Malaysia also engages actively in Track Two diplomacy, fostering high-level dialogues at national, bilateral and regional levels, through discussions with influential policymakers and thought leaders.

## RESEARCH

### Economics

Research in this area is generally aimed at promoting rapid and sustained economic growth and equitable development in the nation. We study specific (rather than generic) issues that concern the nation's competitiveness, productivity, growth and income. Areas of research include macroeconomic policy, trade and investment, banking and finance, industrial and infrastructure development and human capital and labour market development. The objective of all our research is to develop actionable policies and to spur institutional change.

### Foreign Policy and Security Studies

The primary aim of this programme is to provide relevant policy analyses on matters pertaining to Malaysia's strategic interests as well as regional and international issues, with a focus on the Asia-Pacific Region. These include security studies, foreign policy, Southeast Asian politics and military affairs.

## Social policy

Demographic and socio-cultural trends are changing Malaysian society and the social policy programme was established to respond to these developments. Research in this area is concerned with effective nation building, and fostering greater national unity. In particular, we look at issues involving the youth, women and underprivileged communities. In conducting its research, ISIS Malaysia networks with non-governmental organizations and civil society groups.

## Technology, Innovation, Environment & Sustainability (TIES)

The TIES programme provides strategic foresight, collaborative research and policy advice to the public sector, businesses and policy audiences, on technology, innovation, environment and sustainable development. Its focus includes green growth as well as energy, water and food security. Towards this end, TIES has been active in organizing dialogues, forums, policy briefs and consultancies.

## HIGHLIGHTS

ISIS Malaysia has, among others, researched and provided concrete policy recommendations for:

- Greater empowerment and revitalization of a national investment promotion agency;
- A strategic plan of action to capitalize on the rapid growth and development of a vibrant Southeast Asian emerging economy;
- A Master Plan to move the Malaysian economy towards knowledge-based sources of output growth;
- The conceptualization of a national vision statement;
- Effective management and right-sizing of the public sector; and
- Strengthening of ASEAN institutions and co-operation processes.

ISIS Malaysia has organized the highly regarded Asia-Pacific Roundtable, an annual conference of high-level security policymakers, implementers and thinkers, since 1986.

## INTERNATIONAL NETWORKING

As a member of the Track Two community, ISIS Malaysia participates in the following networks:

- ASEAN-ISIS network of policy research institutes;
- Council for Security and Cooperation in Asia and the Pacific (CSCAP);
- Network of East Asian Think Tanks (NEAT); and
- Pacific Economic Cooperation Council (PECC).

It is also a partner institute of the World Economic Forum (WEF).

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## The Economic Impacts of EPA – GTAP Model Simulations

**D**r **Kenichi Kawasaki**, Counselor of the Cabinet Secretariat, Japan, spoke at an International Affairs Forum chaired by **Tan Sri Dato' Seri Mohamed Jawhar Hassan**, Chairman and Chief Executive, ISIS Malaysia on 19 August 2013. ISIS Analyst **Zarina Zainuddin** reports.

Dr Kenichi Kawasaki in his talk discussed his study on the economic impact of the Economic Partnership Agreement (EPA), in particular the GTAP model simulation, which meant impact assessments in a quantitative rather than qualitative manner. GTAP stands for the Global Trade Analysis Project, a global network of researchers and policy makers who conduct quantitative analysis of international policy issues. It is coordinated by the Center for Global Trade Analysis in Purdue University's Department of Agricultural Economics.

Three findings were discussed. One was the potential impact of the signing of the Trans Pacific Partnership (TPP) on the Japanese economy, future areas of economic study, and finally, the impact on the Malaysian economy of moving from bilateral EPAs to multilateral EPAs.

Kawasaki said it has been the practice of the Japanese government to set up a joint study group with the country it is considering an EPA with before negotiations begin in earnest. This was the case with the Japan-Malaysia Economic Partnership Agreement (JMEPA), where a working group was first formed to discuss terms of reference for the EPA. This was followed by a joint study group which discussed in detail various topics, including liberalization, facilitation of trade in goods and services, and the impact of the EPA on economic sectors. The final report was submitted in December 2003, two years before the JMEPA was officially signed.

The Japanese government has also made it a practice to do a study on the potential impact of such an EPA on the Japanese economy in order



*Kenichi Kawasaki*

to inform Japanese stakeholders, the public, private enterprises, the media and academia. The most recent study, presented by Kawasaki in his capacity as Counselor of the Cabinet Secretariat was the numerical estimate of the impact of TPP on the Japanese economy using the GTAP model. Unfortunately, said Kawasaki, since Japan was unable to join TPP negotiations until very recently, it is only able to unilaterally estimate the potential impact of participating in TPP negotiations.

In assessing the economic impacts of EPAs, said Kawasaki, sustainable impact is the key phrase in terms of determining the economic benefit that a country can gain. Sustainable impact refers to impact remaining unchanged even after the EPA has been realized; hence sustainable impact translates into sustainable economic benefits.

Kawasaki said his study estimates that assuming 100 per cent tariff removals as a result of Japan's participation in TPP, real GDP would be boosted by 3.2 JPY trillion, accounting for 0.66 per cent of GDP. However, according to other studies, those macroeconomic benefits could be much larger if the impacts of Non Tariff Measures (NTMs) reductions and liberalization of services and investment are included.

Lastly, Kawasaki argues that the TPP and the Regional Comprehensive Economic Partnership (RCEP) will be complementary rather than competitive towards the larger goals of establishing the Asia Pacific region wide FTAAP or Free Trade Agreement Asia Pacific. RCEP members include ASEAN 10 plus Japan, Korea, China, India, Australia and New Zealand (original members of the East Asian Summit) and FTAAP is the free trade agreement envisioned for members of Asia Pacific Economic Cooperation (APEC) (Fig 1).

### Japanese Government Growth Policy

Current Japanese Prime Minister Abe's key policy measures for economic growth have been likened to 'shooting three arrows.' The first is monetary expansion by the Bank of Japan (BOJ). The second is the fiscal stimulus package by the Ministry of Finance, including aid packages for recovery from the earthquake and third, major structure reforms including participating in EPAs. What is the difference between the three reforms? Kawasaki said monetary expansion or fiscal expansion is efficient in boosting the economy in a short-term business cycle adjustment.

However for medium-to-long term growth, the third arrow, that is structure reform, is needed and is deemed the backbone of the economic policy of the current administration. One way to ensure domestic reforms is to participate in EPA; adherence to the terms of the

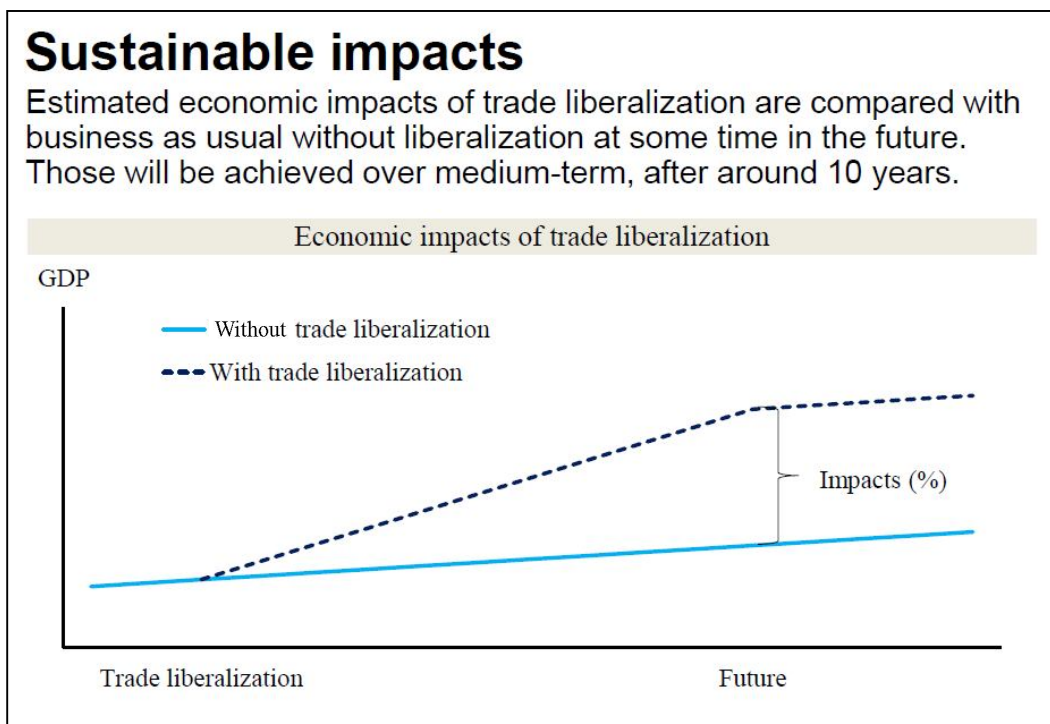


Figure 1



agreement would lead to liberalization and increased competition in economic sectors, leading to sustained macro-economic benefits.

In measuring the impact of Japan's participation in the TPP, Kawasaki assumed immediate 100 per cent tariff removals for all the participants in TPP (including Japan and Malaysia, Australia, and the US). There would be no NTM reductions or liberalization of services and investment and no additional policy measures implemented (Fig 2).

The TPP according to Kawasaki will boost the Japanese economy by 0.66 per cent. He then

However, an increase in imports contributes to a decrease in domestic production, which is why an increase in imports contributes in a negative manner to GDP growth/a country's income. So while exports and imports will be boosted, if imports reduce total GDP activity, then exports will do the reverse, i.e. increase GDP activity, and in the end the nett result will be a neutralizing by one of the other.

But the third component is quite important – if imports result in cheaper commodities from overseas which in turn will boost household real income, real consumption will be rapidly boosted. So it is real consumption,

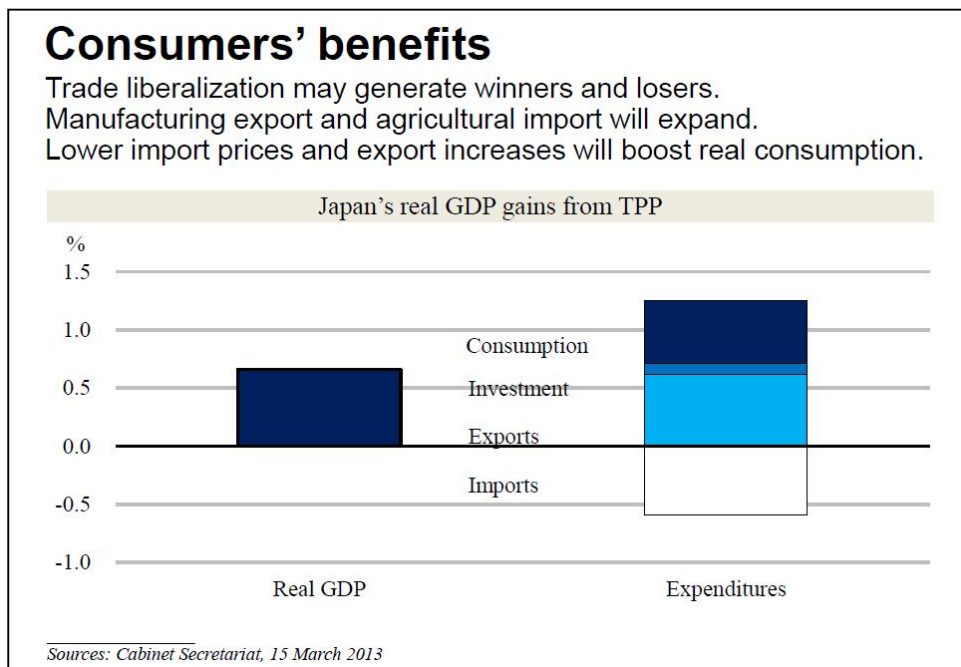


Figure 2

broke down the impact into different components: imports, exports, consumption, and investment. Clearly exports would be boosted because of the opening of trade and the absence of restrictions on products that the Japanese are competitive in. Imports would be boosted as well while restrictions and trade impediments would be dismantled.

not imports or exports that will boost the country's income. That's why, said Kawasaki, the third arrow of reform measures could be more beneficial to domestic reform measures, by switching benefits from producers to consumers. That's why macroeconomic gains can be expected.

When the previous government mooted the idea of joining the TPP, it failed to gain much support. One of the main reasons was confusion about potential gains in joining the TPP. Three different figures were released on the TPP's impact on the economy — each with a different outcome: (a) Kawasaki's, which estimates gain at the macroeconomic level; (b) negative outcome from the Ministry of Agriculture, Forest and Fishery (MAFF) which estimates negative impact on the agriculture sector and, (c) mixed outcome from the Ministry of Economics, International Trade and Industry (METI) on the impact on the manufacturing sector.

The Abe administration has learned from past mistakes, and now only one figure was released on the key outcome of the TPP's impact on the economy: Kawasaki's GTAP model, released in March this year, which incorporates estimates from both MAFF and METI — a key

achievement, according to Kawasaki. This time the response from the public was more muted.

Kawasaki continued with the second part of his talk which was on future areas of study including analysis of the impact of non-tariff measures, assessing the impact of the TPP or RCEP, and comparing his study with that of Peter A Petri of Brandeis University. The studies estimate the impact of the TPP, RCEP and the Asia Pacific Free Trade Area (APFTA) (Fig 3).

### Findings

Petri's study estimated a much larger gain in the Japanese economy compared to Kawasaki's study. The reason is clear: Kawasaki studied the impact of tariff removal while Petri studied the impact of removal of NTMs on services, and investment liberalization which cover a much larger area of the EPA. According to Petri's study, a country can

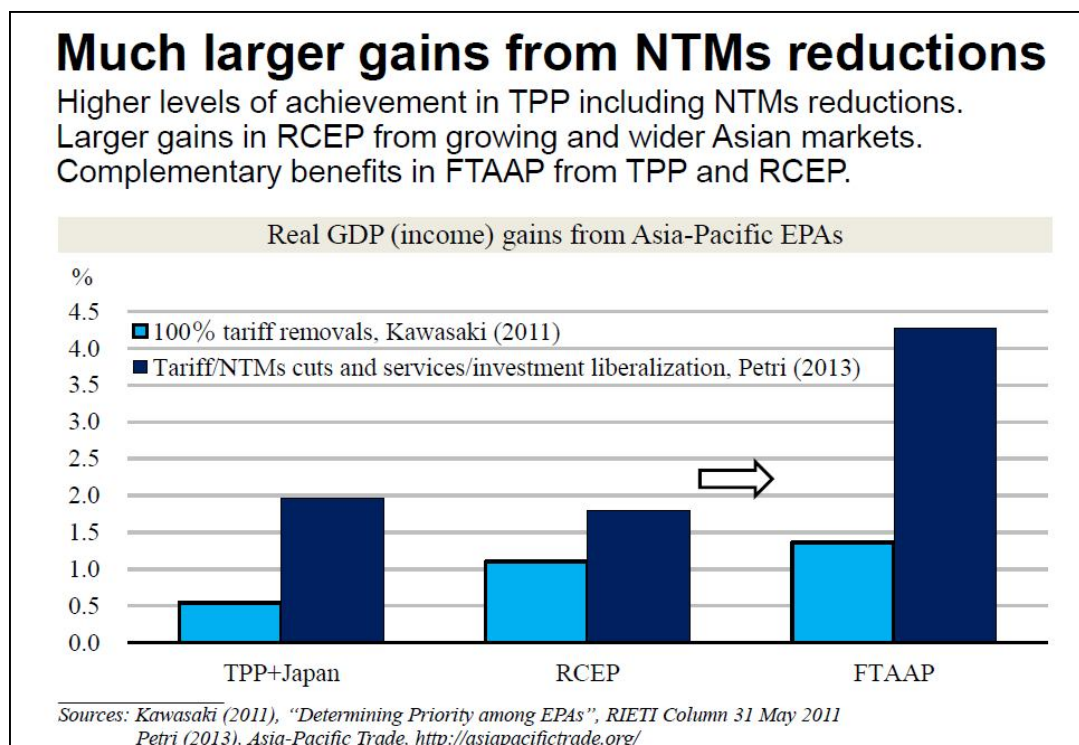


Figure 3

benefit more from NTMs, services, and investment liberalization than from focusing solely on the market access issue of tariff removal.

The second minor difference between the two studies is that the Japanese macroeconomic gain could be larger from RCEP rather than TPP, mainly due to the respective main players, RCEP's main player being China and the TPP's being the US. China has a bigger economic presence than the US for most countries in the region.

However, Petri asserted that the Japanese benefit could be greater in the case of the TPP (slightly more than RCEP) mainly because in the case of East Asia, the level of ambition and limitations in removing tariffs are lower compared to the TPP standard. It was a chief assertion in Petri's study, that in the case of the RCEP, tariffs cannot be removed 100 per cent, and judging from studies of past EPAs in the region, a 90 per cent tariff removal is a likely target.

In the case of the TPP, given the more vigorous nature of its negotiations, one can expect more tariff removal measures and this coupled with the expected liberalization of investment and services, Petri argues, would yield a bigger gain than from RCEP. Kawasaki said that ultimately where RCEP or TPP will yield the bigger gain will very much depend on the final outcome in the terms of the negotiations (Fig 4).

Finally, the most important common finding made by both Kawasaki and Petri was that the impact from APFTA would be much larger than from either TPP or RCEP. This is the reason why Kawasaki wants TPP and RCEP to be treated as complementary rather than competitive processes. The total impact from APFTA in terms of microeconomic gains could be larger than from TPP or RCEP. Hence APFTA should be the endgame while RCEP and TPP would be steps forward towards achieving the endgame.

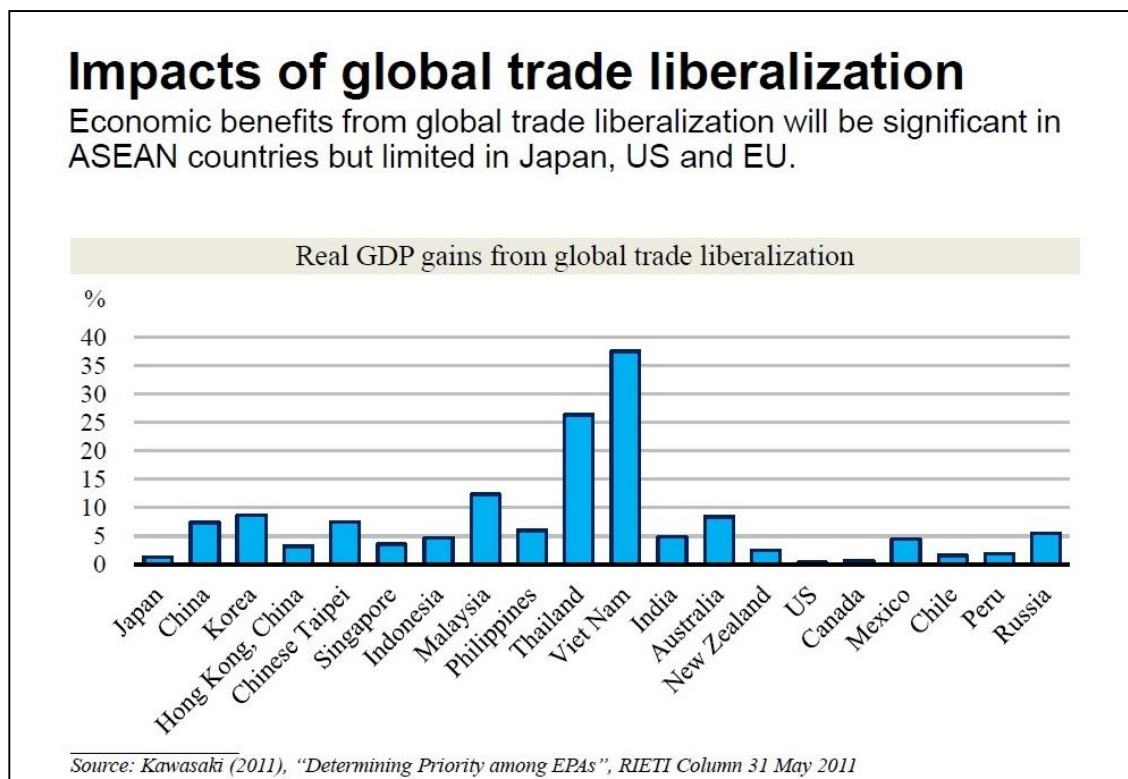


Figure 4

### The Case of Malaysia

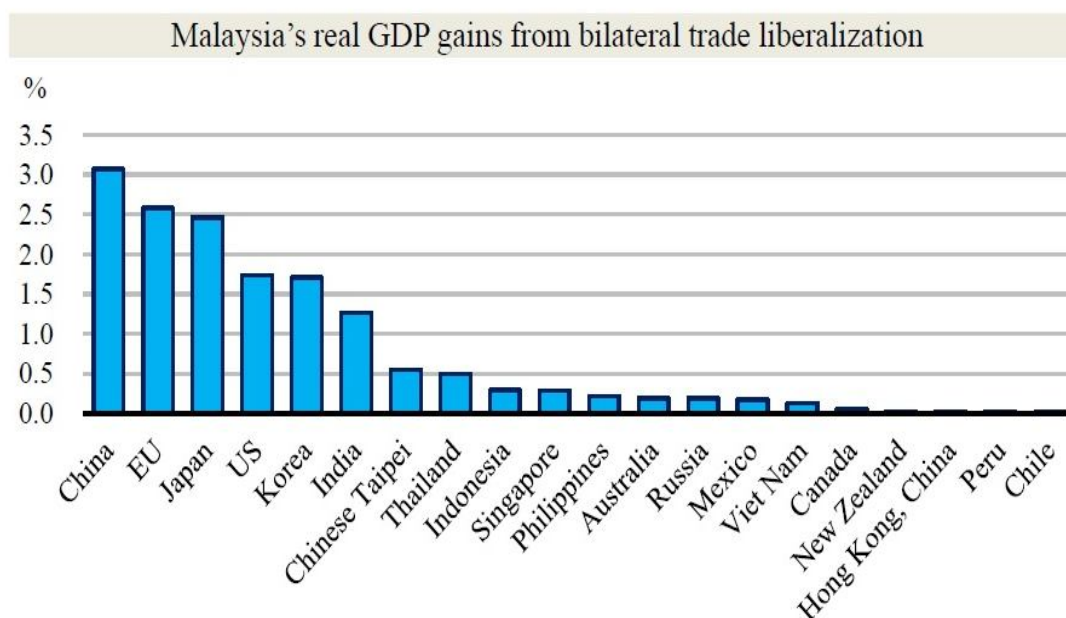
Kawasaki estimates that Malaysia's gain from participation in the TPP would be a rise in real GDP of 4.6 per cent; the corresponding macro-economic gains would be 8.3 per cent from RCEP and 9.4 per cent from APFTA. As in the case of Japan, Malaysia's gain would be larger in RCEP than TPP. Likewise, Petri's study finds Malaysia's gain from TPP participation to be a 5.6 per cent hike in income, greater than the 3.3 per cent gain from RCEP. Like Kawasaki, Petri's estimate of Malaysia's participation in APFTA yields the biggest gain at 8.9 per cent.

Lastly, Kawasaki shares his findings on which bilateral EPAs would give the largest impact

in terms of income gains in Malaysia's economy. He indicates that bilateral EPA with China would give the largest gain followed by EPA with the EU, Japan, the US, Korea and India (Fig 5). The corresponding figures for Japan also ranks China at the top, followed by the US, Thailand, EU, and Australia. Malaysia ranked at the eighth spot (Fig 6). If one takes into consideration the built-in assumptions in Kawasaki's and other such studies, such insightful findings could be useful for policy study or trade negotiators to decide on which bilateral EPA should be prioritized, given resource constraints and human capacity. It could also put in perspective which TPP and RCEP should be pursued and how, while keeping in sight the endgame (in this case APFTA).

### Impacts of bilateral EPAs: Malaysia

Malaysia's real GDP gains from bilateral trade liberalization will be the largest with that of China followed by EU, Japan, US, Korea and India.



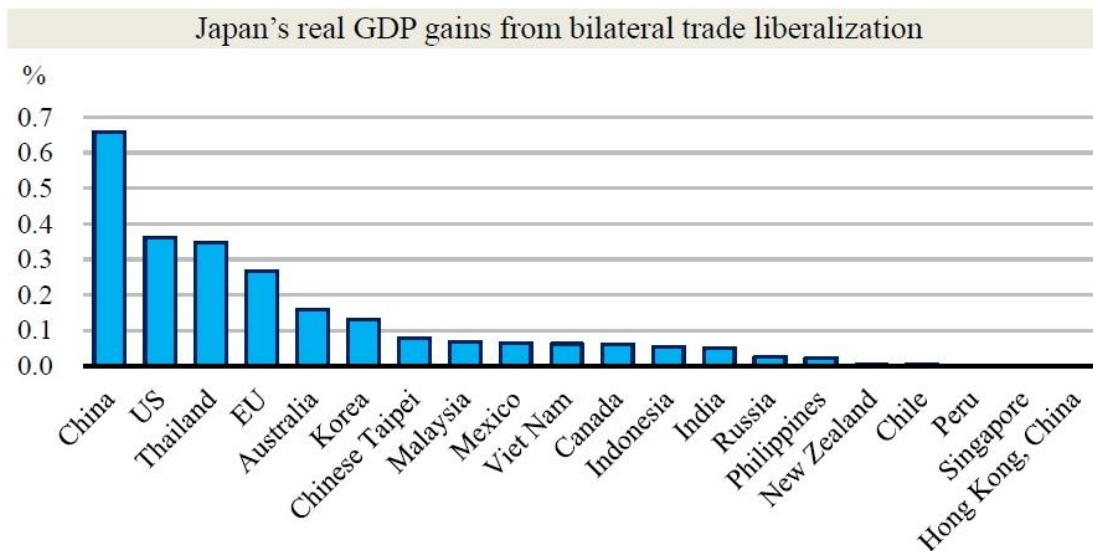
Source: Kawasaki (2011), "Determining Priority among EPAs", RIETI Column 31 May 2011

Figure 5



## Impacts of bilateral EPAs: Japan

Japan's real GDP gains from bilateral trade liberalization will be the largest with that of China followed by US, Thailand and EU.



Source: Kawasaki (2011), "Determining Priority among EPAs", RIETI Column 31 May 2011

Figure 6

## The Conflict in Syria: An Insider's View

**M**other Superior Agnes-Mariam De La Croix, Spokesperson for the Catholic Media Centre of the Diocese of Homs, Hama and Yabroud, Syria, and Representative of the Mussalaha (Reconciliation) Initiative gave an insider's view on the conflict in Syria in an International Affairs Forum moderated by **Dr Chandra Muzaffar**, President, International Movement for a Just World (JUST). ISIS Researcher **Kamal Zharif Jauhari** reports.

Mother Superior Agnes-Mariam De La Croix said mainstream media worldwide depict the wrong picture of Syria. For example, Al-Jazeera had claimed that a village outside of Damascus was under attack. However when Mother Superior Agnes-Mariam telephoned a friend who resided in this village, she was told that no such attack had occurred. Instead of reporting on the truth, the mainstream media resort to employing youths to depict attacks in their studios, she said.

As the conflicts are concentrated around the borders it comes as no surprise that the rebels are made up of mostly non-Syrians. Rebel actions are viewed as an invasion of the nation. Up to five million Syrians have been displaced. As a result more and more beggars are appearing, in stark contrast to the years when there were no beggars. The damage the rebels have caused include the destruction of buildings of historical and cultural heritage, such as shrines, mosques, and churches.

Mother Superior Agnes-Mariam De La Croix is involved in the non-government organization, Mussalaha (Reconciliation) Initiative,



*Mother Superior Agnes-Mariam De La Croix*

a peaceful initiative to solve the problem in Syria including fixing and repairing the physical damage to the infrastructure of the nation.

One of the activities of the Mussalaha Initiative was holding meetings with the rebels and the Syrian government to discuss the conflict peacefully. Due to their background and activities which include trying to free up to 80,000 Syrian abductees, the Mussalaha Initiative has gained international recognition. The Mother Superior said it needs the support of institutions such as ISIS and other non-government organizations to exert pressure on the Syrian government and the rebels to stop using violence and to resort to peaceful negotiation.

Mother Superior Agnes had some advice for those who wished to donate to the Syrian cause. She advised them to ascertain who it is you are donating to. She advised against going on

***Money donated to camps that consist only of women and children will end up being used for buying weapons instead of food.***



*A participant posing a question*

guided tours of Syria and its camps, as one may not be shown the whole truth. Money donated to camps that consist only of women and children will end up being used for buying weapons instead of food.

There are many foreigners in Syria, such as Palestinians, who move around from camp to camp. Another alarming fact is that women in camps are being raped and end up becoming prostitutes because they have no help.

Syria needs international recognition of their current situation to help solve the crisis. Finally she said, in this conflict in Syria where other parties, be they Syrians or foreigners, are trying to break up the Muslim world through various methods, the victims are the Sunni Muslims.

***European countries have not lifted the ban on medicines but ironically, have lifted the ban on weapons***

During discussions following the presentation, the Mother Superior said she was of the opinion that while the Arab world is back in the headlines of the mainstream media, it is an injustice that Arab countries are going against Syria. Qatar has been spending billions on building a death squad and killing innocent people, making the peace movement more difficult to carry out. Libya is another nation from which there is a supply of weapons.

Historically, the role of governing Syria has been handed down from father to son, although the nation claims to be a republic. Remarkably, an independent study conducted by the CIA found that 75 per cent of Syrians want Assad to be their leader.

Another problem regarding this conflict is that no international organization is willing to step in and intervene. She said Malaysia can ease the conflict by not fueling the violence, but by starting a dialogue and discussion between the parties and inviting neighbouring countries to participate. Many people are dying in Syria because of the lack of medicine. European countries have not lifted the ban on medicine but ironically, have lifted the ban on weapons. The Mother Superior ended the discussion by saying 'you cannot bring peace with extremism.'



*Rev David Smith*

# Transboundary Haze: Asean's Hazy Efforts in Engagement

*Nurul Izzati Kamrullah*  
*Intern, ISIS Malaysia*

In June 2013, you would probably have been either scrolling the timeline of your Facebook or Twitter accounts, or reading the newspaper and you would have found that the topic trending was the haze. Malaysia and Singapore were badly affected by the haze that followed the forests fires in Riau. The Air Pollution Index escalated to more than 700, a clear sign of danger. The negative consequences of the haze faced by Malaysians and Singaporeans included the disruption of daily activities, schools being shut down, and the cancellation and delay of domestic flights. All these resulted in unease.

Environmental lawyers have accused Indonesia of not complying with international laws. This is when the issue of externality comes into play. In economics, an externality is a cost or benefit that results from an activity or transaction that affects an otherwise uninvolved party who did not choose to incur that cost or benefit (Buchanan, James; Wm. Craig Stubblebine (November 1962). "Externality," *Economica* 29 (116): 371–384). Externality can be either positive externality or negative externality. Undoubtedly, the haze is an example of negative externality. It affects a great number of people who do not have the choice of accepting or rejecting the negative effects hence raising

debate and criticism among many. Nevertheless, in the absence of a higher authority, states remain dominant in decision-making as it is a state's obligation to protect national sovereignty and credibility. Pushing for Indonesia to observe a more structured framework of environmental laws has been a difficult task, although a few accords have been planned and implemented in the past decades.

The effectiveness of various agreements by Asean, especially those involving the three affected countries was questioned since this setback was not the first. In 1997, the API reading had exceeded 1000. While progressive cooperation was only witnessed after the severe haze in 1997, Asean had previously managed to reach a consensus with the establishment of the



*A woman photographing the severe haze shrouding high-rise buildings in Singapore*



***...Asean's capabilities are limited by their lack of assertiveness in decision-making...***

'KL Accord on Environment' in the year 1990, followed by the 'Singapore Resolution on Environment and Development' in February 1992 and also the 'Asean Cooperation Plan on Transboundary Pollution' in 1995.

Then, in 1997 the three countries combined efforts to implement the 'Asean Regional Haze Action Plan' (RHAP). On the whole, RHAP's focus was more on quick and effective action and less talk. The same themes can be observed in the 'Asean Agreement on Transboundary Haze Pollution' (ATHP) that was signed in 2002. Forum after forum concerning capacity-building efforts was held accompanied by joint exercises involving stakeholders, and yet the problem persists as if there have been no agreements in the first place.

Questions concerning Asean's policies have once again come to the fore. The non-interference element in the 'Asean Way' has long been criticized as one of the biggest barriers to successful conflict resolution in Southeast Asia. Though Asean is a regional bloc consisting of ten different countries with common goals and aspirations, dissimilarities in their respective experiences in handling disputes are responsible for creating discord in their actions, especially in Asean's participation and obligations as a functional regional bloc. The fact remains that Asean's capabilities are limited by its lack of assertiveness in decision-making and also the absence of a mature security community.

Coming back to the subject of the recent transboundary haze, while Indonesian President Susilo Bambang Yudhoyono apologized to

Malaysia and Singapore, Indonesia remained obstinate in its refusal to ratify the 2002 ATHP. Upon the urging of Singapore and Malaysia, however, it finally made the decision to ratify the agreement. In a statement, Arief Yuwono, Indonesia's Deputy Minister of Environmental Degradation Control and Climate Change claimed Indonesia would boost its efforts to speed up the ratification process so that it would be concluded either at the end of this year or early next year.

Is this a sign of Indonesia's commitment towards better environment protection in the region? Are we seeing a more stable and cooperative environment in Asean? These remain questions as the expected cooperation and mutual understanding that ought to exist in an established regional bloc are somehow missing due to Asean's lack of determination in building a set of solid, uniform principles, although the Asean Community goal is expected to be achieved by the year 2015.

This further proves that we are not ready for any mutual commitment with regard to integration similar to the European Union (EU) model. The EU reflects extensive economic and political integration which has assisted in demolishing barriers caused by domestic policies of countries in the region.

However, can strong political and economic integration really change Asean's approach in dealing with regional issues in the future? One good thing that came out of the EU's vocal criticism of Asean was the introduction of the constructive engagement policy by Thailand's

***...we are not ready for any mutual commitment with regard to integration similar to the European Union (EU) model***



*The Petronas Twin Towers seen through the haze in Kuala Lumpur*

foreign minister Surin Pitsuwan. Critical yet subtle, this policy gave Asean the chance to revamp its image in the eyes of the world. Nonetheless, when discussing aligning domestic policies with those at the regional level, priority will always be on maintaining self interest. Obviously, it is unlikely for a country to compromise its own interests as this is the essential engine for state survival.

The evidence of failing constructive engagement can be witnessed further in the usual disputes and the blame game among Asean

countries, resulting in a vain struggle to establish concrete rapport within the community.

Asean should sort out this lack of consensus among its members urgently since it is evident that it possesses a medium (the regional bloc itself) to create a firm, beneficial stance. Be it the issue of the economy, the environment, or security, all discord should be resolved coherently and harmoniously by all stakeholders for the sake of peace and stability.

## *NOTES*



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