



VII. REGIONAL COOPERATION: FORGING A COMMON VISION

The preceding chapters have highlighted the symbiotic relationship between globalization and regional cooperation that is evolving in the Asia-Pacific region. Is regional cooperation the “middle path” or the “second-best approach” for responding to globalization, as some models suggest? Can regional cooperation be disentangled as a separate step in building consensus on a global multilateral framework? This is unlikely to be the case. The two processes are intertwined with economic and financial liberalization and rapid application of ICT, which are pushing the region towards closer economic, trade and financial relations. Globalization and regional cooperation are not so much competitive as complementary trends which can and should proceed simultaneously. Better management of globalization itself requires better management of regional cooperation, with national policies aligned to these processes to maximize benefits. In this model, there is a close global-regional-local nexus that has to be exploited to reap benefits.

Globalization confronts smaller and disadvantaged countries with many challenges that can be handled more effectively through cooperation with other States. Such cooperation strengthens the position of individual States as they strive to secure their national interests in an integrating world economy. It makes it possible for many countries to overcome the small size of their domestic economies, specialize in niche products and reduce transaction costs across borders. The Asia-Pacific experience is beginning to show that regional cooperation can be a powerful means to minimize the risks of globalization. It can also provide a defence against protectionist pressures.

Emerging trends suggest that the world economy in this century is likely to consist of a network of various forms of regional cooperation. Developments in regionalism in other parts of the world such as Europe and the Americas make it clear that the Asia-Pacific region needs to speed up its economic integration or risk becoming marginalized in an increasingly competitive global landscape. The diverse histories and differing economic, social and political policies of countries in the Asia-Pacific region have caused regional cooperation to move more slowly than in other regions. However, the emergence of East Asia, in particular, as a dynamic, export-led economic growth centre and the

The emerging global economy: a network of various forms of regional cooperation

bitter experiences of the economic crisis of 1997 have invigorated and accelerated regional cooperation to deal with the challenges of globalization. The outbreak of diseases such as SARS and avian influenza and the evidence that national surveillance policies were inadequate to deal with them also increased recognition of the need for greater regional cooperation, which should not be confined to economic interests only but should also extend to emerging social issues which are an integral part of economic development.

An Asia-Pacific framework for integration would differ from that of the European Union

What is the Asia-Pacific framework for regional cooperation? As discussed in chapter II, the European model of integration and other traditional approaches whereby a group of countries form a simple free trade agreement which moves progressively towards deeper economic integration, culminating in economic and monetary union, is unlikely to be the model for Asia-Pacific integration process and should not be the benchmark for monitoring it. Increasing globalization and the rapid cross-border exchanges brought about by technological changes require a different approach in the Asia-Pacific region, an approach which blends in with its heterogeneous and complex economic environment and is based on felt needs and perceived benefits.

Today's global economy, including that of the Asia-Pacific region, involves open and competitive market-based economies whose various agreements in trade, finance and transport have contributed to fundamental change in the way regional integration is taking place. The process now demands both an intraregional and interregional focus.

Developing countries are linking up not only with other regional partners but also with industrialized countries in various sectors, especially trade. In the Asia-Pacific region, this has created a so-called "spaghetti bowl" of bilateral, subregional and interregional arrangements. There is concern about the variety of approaches to issues like rules of origin, "positive" and "negative" lists and new issues such as services, investment and intellectual property rights. But in the medium and long terms, these differences can be ironed out as arrangements mature and converge. On the positive side, these agreements can be viewed as building blocks for larger trade arrangements that will ultimately have to dovetail with the multilateral framework for trade. The experience countries gain trading under these regional arrangements makes them more competitive and better prepared to cope with multilateral agreements regulating the global market instead of trying to cope with the full pressure of the global market from scratch.

Three interconnected layers of regional cooperation

This study has identified three layers of regional cooperation:

- Intergovernmental forms of subregional cooperation through formal institutions such as ASEAN, ECO, the Pacific Islands Forum and SAARC, which forge "rules-based" cooperation among members and those outside, such as ASEAN+3.

- Activities-based regional cooperation through such organizations as the Greater Mekong Subregion, which promotes cross-border projects such as roads and power. Included in this layer are private sector-driven growth triangles.
- Transnational corporation-driven initiatives in the form of integrated international production networks and outsourcing arrangements, often with public sector backing and incentives.

These layers are interconnected, are part of the globalization process and represent the Asia-Pacific way of promoting incremental economic integration. They are driven by both Governments and the private sector and exhibit some of the characteristics of public-private partnerships. Even the intergovernmental cooperation is influenced by contributions to the regional agenda made by chambers of commerce and other private institutions.

The key challenges facing Asia-Pacific regional cooperation are:

- (a) Significant differences in the depth and breadth of cooperation across subregions. ASEAN is making greater headway than other subregional groups and no institutional framework exists for intergovernmental cooperation in North-East Asia;
- (b) Cooperation and interlinkages between subregions are weak;
- (c) Emphasis is being placed on trade and related matters, but the “developmental” possibilities of cooperation in other sectors are not given sufficient prominence. Small island economies and least developed and landlocked countries need special attention in the Asia-Pacific wave of regionalism. The Millennium Declaration’s aspirations require stronger underpinnings in cooperative arrangements;
- (d) There is a wide range of issues on which Asia-Pacific countries need to take stronger action to face the pressures of globalization. These include:
 - (i) The need to develop resilient domestic and regional, public and private institutions and frameworks to respond to the dynamic global environment;
 - (ii) Effective governance;
 - (iii) Building a social consensus on the benefits of outward-looking policies and regional cooperation;
 - (iv) Solving political differences and other impediments to sustainable cooperation;
 - (v) Paying adequate attention to the social and environmental effects of globalization and, above all, the needs of the poor;
 - (vi) The huge requirement for human and financial resources to deal with the benefits and costs of globalization and regional cooperation.

*Key challenges:
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Principles of Asia-Pacific regional cooperation

The emerging principles of regional cooperation in Asia-Pacific may be summarized as follows:

1. While respecting the region's diversity of culture, politics, religion and stage of economic development, regional cooperation strengthens interdependence throughout the region, enhancing stability and prosperity;
2. Regional cooperation should build upon and strengthen the various interlocking frameworks for cooperation in the region;
3. It should be consistent with the broader multilateral consensus that is enshrined in the Millennium Declaration and other agreed international development goals.

Underlying these principles is the objective that regional cooperation will contribute to both regional and national shared interests and prosperity, consistent with multilateral frameworks.

The study has examined regional cooperation taking these principles into account in four selected economic growth-enhancing areas: trade, transport, ICT and finance. Some examples of areas which require further development cooperation are set out below:

TRADE

- Addressing the challenge of harmonizing the “spaghetti bowl” structure of bilateral and regional trade arrangements in the region to make them consistent with the rules-based multilateral trading system in the full spirit of the Doha Development Agenda.
- Focusing cooperation efforts in product standard harmonization, trade in services and improving patent system.
- Expanding cooperation in other areas such as trade facilitation, transit trade and regional investment agreements to harness the full potential of expanding trade.

TRANSPORT

- Making the Asian Highway and the Trans-Asian Railway the main international trunk routes in the region with substantial emphasis on building intermodal connections to meet increasing traffic demands.
- Promoting the use of logistics and supply chain methodologies and full integration of ICT by means of favourable investment regimes and cooperative ventures in order to reduce the costs of transport and substantially improve the competitiveness of the region's products.

- Cooperating on development by assisting countries in building infrastructure, especially feeder roads that link the major highways, rail and ports, so that benefits can be dispersed to the wider hinterland and, in particular, remote rural areas.

ICT

- Converting the “digital divide” into a “digital opportunity” for all, particularly marginalized countries, through regional cooperation that harnesses the region’s surplus capital, world-class expertise in electronics, hardware, software and space technologies, and its outstanding technical institutes.
- Building an Asia-Pacific information society by developing new forms of partnership and cooperation among Governments and other stakeholders, such as the private sector, civil society and regional research and training institutes.
- Garnering commitment from all stakeholders to implement the Digital Solidarity Agenda set out in the Plan of Action adopted by the World Summit on the Information Society.

FINANCE

- Establishing a strong, safe and efficient financial architecture to support economic development and in this regard strengthening existing cooperative arrangements such as the Chiang Mai Initiative and the Asian Bond Initiative to include the needs of disadvantaged economies.
- Developing a regional cooperation road map to greater financial integration and more efficient financial markets in the light of the Monterrey Consensus.
- Promoting arrangements to enable SMEs to access regional capital markets, helping them to achieve economies of scale and compete in a growing regional market.

This list is not exhaustive and indicates only some of the areas where regional cooperation can help to develop resilient legal and regulatory institutions and frameworks which can diversify and deepen the region’s economic and financial base. Consideration has to be given specifically to the interlinkages among trade, transport, ICT and finance as well as other development concerns.

These proposals are some of the ways to implement the global consensus achieved in the Millennium Declaration and other international development goals. In this regard, regional cooperation requires an emphasis on constructive and genuine partnership, particularly between developed and developing member economies and between the public

*Regional cooperation
is a public good*

and private sectors, and a commitment to reduce the economic disparities in the region. Regional cooperation is a “public good” with strong externalities, which are positive in the long term, although they might involve short-term costs for some countries. The delivery of regional cooperation as a “public good” would involve some level of subordination of the sovereignty of individual country interests and the provision of resources by wealthy to poorer countries, but this is for the long-term creation and maintenance of a stable, competitive and prosperous Asia-Pacific region.

Asia-Pacific on the threshold of a major transformation

The Asia-Pacific region’s dynamism is the result of its successful response to globalization and it stands on the threshold of a major transformation. It is the world’s fastest-growing region and, with a combined population of 4 billion people, it is viewed as the region most likely to become the economic locomotive of the whole world in the same sense as the United States is today. Two of the world’s most populous countries, India and China, are emerging as economic giants. Together with the developed and newly industrializing countries in the region, they have the potential to make Asia and the Pacific a more attractive market and investment destination. However, not all Asia-Pacific countries or subregions are able to match the level of growth achieved by its most dynamic economies and the region has to address this disparity.

Forging a common strategic vision from the various layers of regional cooperation will be a challenge

Without the kind of formal regional architecture that exists, for instance, in the EU, the challenge for Asia and the Pacific is to forge a common strategic vision from the various layers of regional cooperation. This requires effective leadership by the larger countries as well as determination. The region has the best opportunity to eliminate poverty and improve living standards by promoting economic and social fundamentals, improved governance, outward-oriented policies and deeper linkages among countries. The region also needs to develop its institutions and cooperative frameworks to respond to the emerging challenges of terrorism, human security, population ageing, migration, human trafficking, disease, environmental degradation, corruption and international crime. At the same time, individual countries must also take steps to put “their house in order” and recognize that globalization is an unstoppable phenomenon. Their policies and institutions must continuously adapt to the fast-changing environment. This is not an easy task for each country on its own, and countries will need to look beyond their borders to tap and leverage one another’s strengths.

United Nations and other global frameworks also require strengthening to ensure a level playing field

Regional cooperation is blooming not only in the Asia-Pacific region, but also in Africa, the Americas and Europe. It is important that the efforts at regional cooperation parallel steps to strengthen the United Nations, WTO and other global frameworks to ensure a level playing field for all countries in the intensely competitive arena of the global

economy. It is important to have fair and transparent rules that are implemented justly for all countries, taking into account different levels of economic development.

Various recent global conferences have provided emphatic acknowledgement of the need for regional cooperation to achieve their goals. They have clearly articulated the role that regional commissions can play in assisting implementation at the national, subregional and regional levels. With more than five decades of experience in forging regional cooperation, ESCAP will continue to have an important role to play in supporting economic and social development through regional and subregional cooperation. This study provides illustrations of ESCAP's significant achievements fostering regional cooperation through such initiatives as setting up ADB, promoting trade arrangements such as BIMST-EC and the Bangkok Agreement and supporting the development of the Asian Highway and the Trans-Asian Railway and, more recently, the use of ICT.

ESCAP's role in promoting regional cooperation

ESCAP is uniquely positioned to assist countries in forging greater integration in the region and, in particular, in promoting greater linkages among subregional institutions. There are separate tracks of regional economic cooperation being forged in the fields of trade, transport and finance, for instance. ASEAN is building arrangements among its members and with other regional partners in the context of ASEAN+3 and ASEAN+1. ECO, the Pacific Islands Forum and SAARC similarly have their own tracks. There is merit in bringing these initiatives together and creating a fuller understanding to tap synergies among these initiatives. In the interest of promoting greater regional integration, ESCAP could be mandated to play a coordinating role in bringing these initiatives together, at least starting with the promotion of a deeper understanding of the cooperation mechanisms. ESCAP, whose membership spans the entire region, could play the role of a facilitator to promote greater awareness among the various subregional groups of the other cooperation mechanisms that are being pursued and their linkages to the multilateral processes.

Harnessing ESCAP's role in promoting greater interlinkages among subregional initiatives

One way to proceed would be for ESCAP to be granted observer status in various forums such as ASEAN, ASEAN+3, SAARC and ECO on a mutually agreed basis. At present, ESCAP has observer status at ministers meetings organized by the Pacific Islands Forum Secretariat. Observer status would enable ESCAP to increase awareness of developments in trade, finance and other fields that are rapidly changing. In the spirit of the Monterrey Consensus and other global agreements, ESCAP could facilitate policy dialogues between different subregional groupings on selected issues and at the same time become a "knowledge centre" for the Asia-Pacific region in areas where it has wide experience. ESCAP's capacity and resources would have to be built up to enable it to assist the region in such an endeavour.

