Building Resilience through Regional Economic Cooperation

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As Asia transitions from crisis to recovery, it will face new risks and uncertainties.

Distribution of Disasters, 2000-2021

- **By region:**
  - Asia and the Pacific: 39%
  - Africa: 23%
  - Americas: 22%
  - Europe: 13%
  - Middle East: 4%

- **By subregion:**
  - Southeast Asia: 32%
  - East Asia: 27%
  - South Asia: 27%
  - The Pacific: 6%
  - Oceania: 4%
  - Central Asia: 4%

Notes:
1. For an event to be considered a disaster, it must satisfy at least one of the following criteria: (i) 10 or more deaths, (ii) 100 or more people affected/injured/homeless, or (iii) official declaration of the country of a state of emergency and/or appeal for international assistance.


Real GDP Growth (% 5-year average)

- ASEAN6: 2011-2016: 4%, 2017-2021: 6%
- CLMV: 2011-2016: 2%, 2017-2021: 4%
- JPN: 2011-2016: 0%, 2017-2021: 2%
- KOR: 2011-2016: 6%, 2017-2021: 8%
- PRC: 2011-2016: 8%, 2017-2021: 4%

Persons vaccinated against COVID-19

- **Developing Asia**
  - Total booster: 40%
  - Fully vaccinated: 60%
  - Partly vaccinated: 0%

- **European Union**
  - Total booster: 40%
  - Fully vaccinated: 60%
  - Partly vaccinated: 0%

- **United States**
  - Total booster: 40%
  - Fully vaccinated: 60%
  - Partly vaccinated: 0%

Geopolitical risk index

- US bombing of Libya
- Gulf war
- Iraq war
- London bombings
- Paris attacks
- US-Iran tensions

Notes:
- slaves: 1985
- US bombing of Libya: 1989
- Gulf war: 1993
- Iraq war: 1997
- London bombings: 2005
- Paris attacks: 2013
- US-Iran tensions: 2017
- US-Iran tensions: 2021

Asia’s regional integration has been resilient amid the pandemic

**Intraregional shares (% of total)**

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Trade</strong></td>
<td>58%</td>
<td>59%</td>
<td>53%</td>
</tr>
<tr>
<td><strong>FDI</strong></td>
<td>40%</td>
<td>69%</td>
<td>54%</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td>23%*</td>
<td>21%</td>
<td>12%</td>
</tr>
<tr>
<td><strong>Debt</strong></td>
<td>22%*</td>
<td>19%</td>
<td>8%</td>
</tr>
<tr>
<td><strong>Migration</strong></td>
<td>35%**</td>
<td>35%</td>
<td>43%</td>
</tr>
</tbody>
</table>

Notes:
* Data as of June 2021.
** Data for migration corresponds to latest available years (2019/2020)

**Enhanced ARCII framework**

- **Trade and Investment**
- **Money and Finance**
- **Regional Value Chain**
- **Technology and Digital Connectivity**
- **Environmental Cooperation**
- **Institutional Arrangements**
- **Infrastucture and Connectivity**

- ICT goods trade
- Intraregional research outputs
- Intraregional patents
- Mobile subscriptions
- Bandwidth traffic

**New dimensions**

- Environmental goods trade
- Int. environmental agreements
- Environmental health score
- Ecological footprint
Asia is relatively well integrated and on multiple dimensions compares well to developed regions.

Trade, investment, infrastructure and digital connectivity has improved since 2006.

Asia performed similarly well with EU in regional trade, investment, and value chain participation.

Notes: Worldwide normalization is used for all estimations, where the indicators are normalized using global maximum and minimum values across all regions. Higher values denote greater regional integration.

Source: ADB. Asia-Pacific Regional Cooperation and Integration Index Database (accessed September 2022).
Drivers of RCI in Asia and subregions underscore several areas for improvement

**RVCs, infrastructure and connectivity and technology and digital connectivity** are the largest contributing dimensions to Asia’s RCI.

**Southeast Asia and East Asia** remains at the forefront of RCI - with similar contributions by dimension.

**Dimensional Contribution to the overall ARCIi Estimate (2020)**

**By regions**

- Asia and the Pacific
- EU
- Latin America
- Africa
- Middle East

**By Asia subregions**

- Central Asia
- East Asia
- Southeast Asia
- South Asia

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Note: Dimensional contributions are computed as the weight of a dimension multiplied by the dimensional index.

Subregional initiatives play a key role in ADB’s support to regional cooperation

ADB’s Work in Regional Cooperation and Integration
Highlights from RCI operations in 2021

- $227 million in cargo & energy transmitted across borders
- 11 measures on cross-border environmental cooperation
- $1.08 billion in investments in trade facilitated
- 6 measures to develop economic corridors supported

Source: ADB. 2021 Development Effectiveness Review

Subregional cooperation initiatives: Key progress in 2020/2021

- 213 projects worth $39.3 billion as of end 2021, with Transport (75%) and energy (22%)
- CAREC 2030 implementation for post-pandemic recovery
- Over 73 projects worth $17.43 billion.
- Multimodal transport corridor development strengthened
- Clean energy and subregional power transmission
- 109 projects worth $27.7 billion.
- 12,000 kilometers of new or upgraded roads; about 700 km of railway lines installed
- 3000 megawatts of electricity generated and 2600 km transmission lines installed
- Systems Strengthening for Effective Coverage of New Vaccines expanded to include COVID-19 vaccines
- Investments in transport connectivity, renewable energy and ICT.

Source: ADB. Asia Pacific Regional Cooperation and Integration Index, 2022.
Global integration linkages also impact development outcomes

Assessing the impact of global economic integration

Promotes economic growth across all income groups
Induces income inequality in several income groups
Fosters inclusive growth for high income group

Estimated impact of Global Integration on growth, inequality and inclusive growth

By income group

By region

Notes: Dots describe regression coefficients assessing the association of global integration index with GDP growth, income inequality (using the Gini Index developed by the World Inequality Database) and inclusive growth (defined by growth adjusted for income inequality). Hollow dots denotes coefficients not significant at 10% level.
*Upper and lower-middle income; **Lower-middle and low income
## Fostering regional cooperation and integration for recovery and resilience

### Challenges and opportunities

- **Rapidly changing nature of work and consumer behavior due to digitalization**
- **Accelerated changes in supply and global value chains due to the pandemic and changing consumer demand**
- **Compounding and cascading disaster risks (e.g., climate change, natural hazards)**
- **Public debt, posing risks to financial stability**

### Wider, deeper, and more open RCI

#### Digital connectivity and technology
- Streamlining requirements for cross-border data flows
- Implementing digital standards, policies and regulations

#### Climate-related measures
- Integrated solutions to low-carbon transition
- Support to private sector ESG-linked investments
- Information sharing and benchmarking

#### Supply chain resilience and inclusiveness
- Multilateral approaches to trade facilitation
- Technology-enabled solutions for supply chains
- Support programs for SMEs and vulnerable groups

#### Harmonization of regulatory measures
- Alignment of RCI initiatives more closely with global agendas
- Harmonization of technical and regulatory standards
- Open platforms, knowledge sharing, and capacity building

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Source: ADB. Fostering regional cooperation and integration for recovery and resilience: Guidance note (accessed September 2022).