



Regional Integration in Asia: Issues and Challenges

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Key Messages

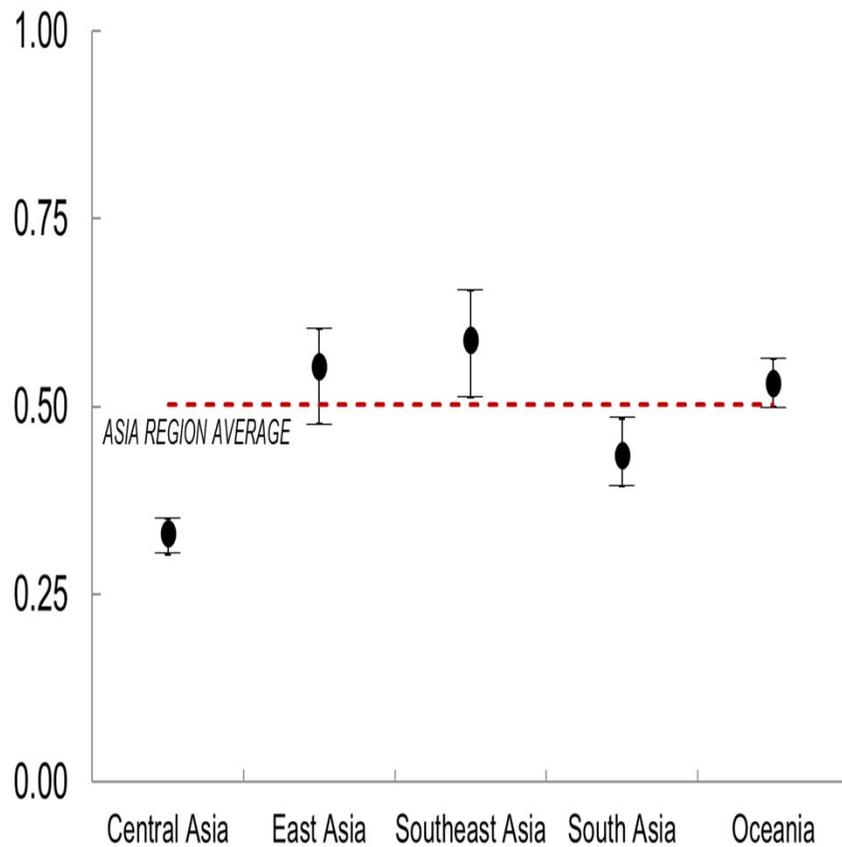
- Regional integration shows large variations across subregions and six dimensions
 - ✓ Southeast Asia shows most advanced regional integration
 - ✓ Trade and investment/regional value chains drive regional integration in Asia-Pacific
- Intraregional trade and investment linkages strengthen even as Asia's global value chain participation is stagnating
 - ✓ Trade facilitation matters more than ever
 - ✓ FDI policies need to be designed to fit country-specific conditions to maximize the benefits
- ADB remains a key partner in regional cooperation; prioritizing on better connectivity and knowledge sharing



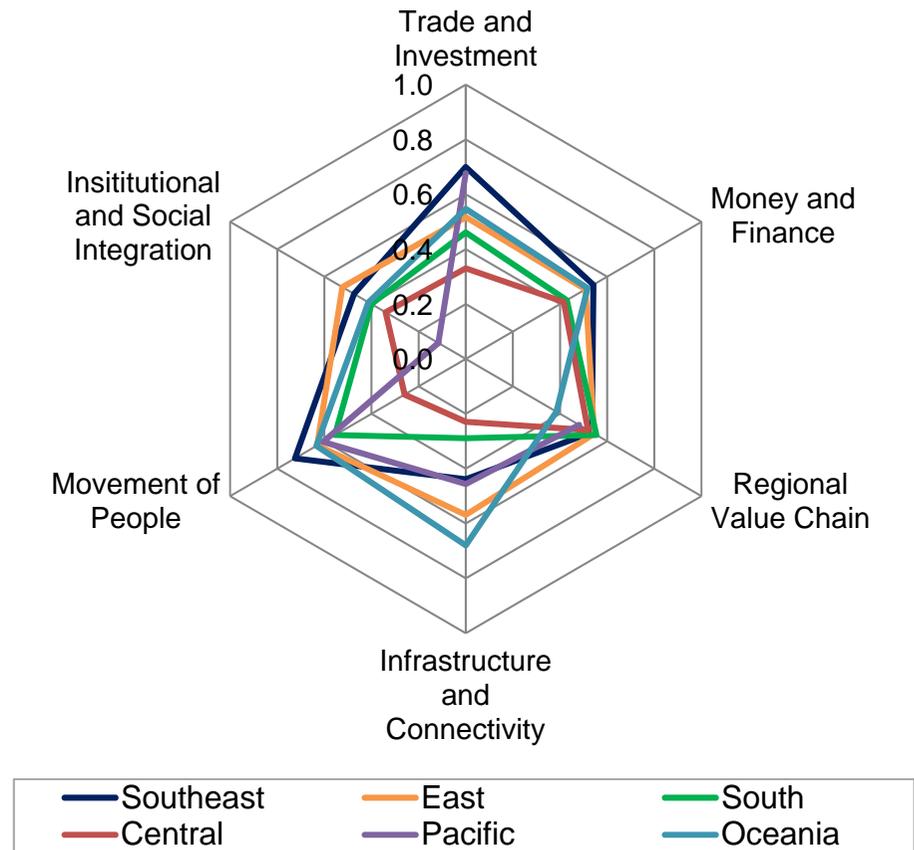
Asia-Pacific Regional Cooperation and Integration Index

Asia-Pacific Regional Cooperation and Integration Index by Subregion

Overall ARCII



ARCII by Dimension

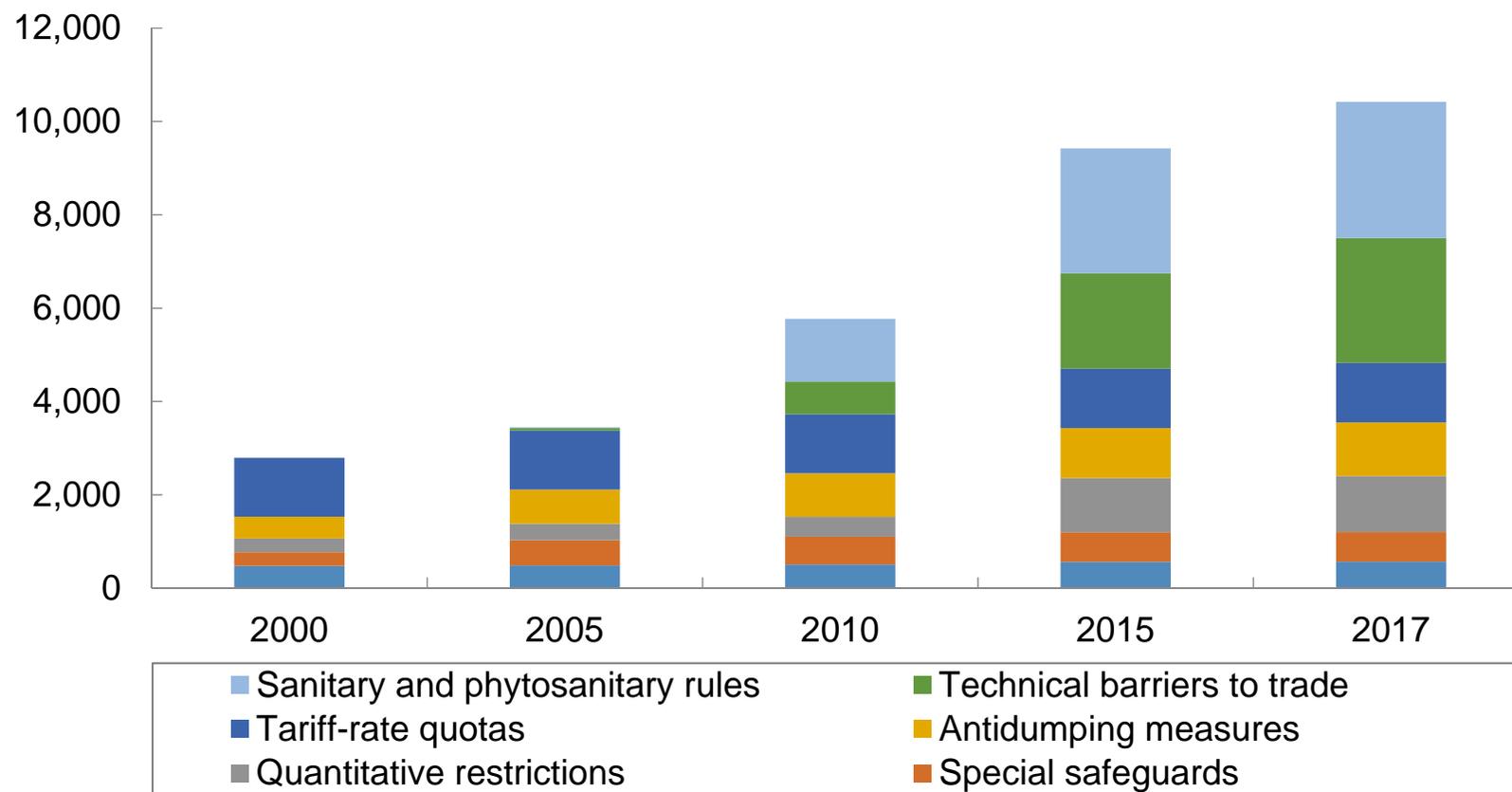


Trade and Trade Facilitation



Trade measures continue to rise in Asia

Trade-related Measures in Asia (cumulative)



Notes: A stock approach is used wherein measures in force at the selected date are recorded. Measures in force are discounted from measures initiated, and measures withdrawn are discounted from measures in force.

Source: ADB calculations using raw data from World Trade Organization. Integrated Trade Intelligence Portal (accessed July 2017).

Implementation of WTO TFA and other trade facilitation measures bring significant benefits

- Big savings in trade costs for Asia and the Pacific.
- Benefits much larger when paperless trade measures are included.



Reducing time at the border is more beneficial than reducing costs to boost trade

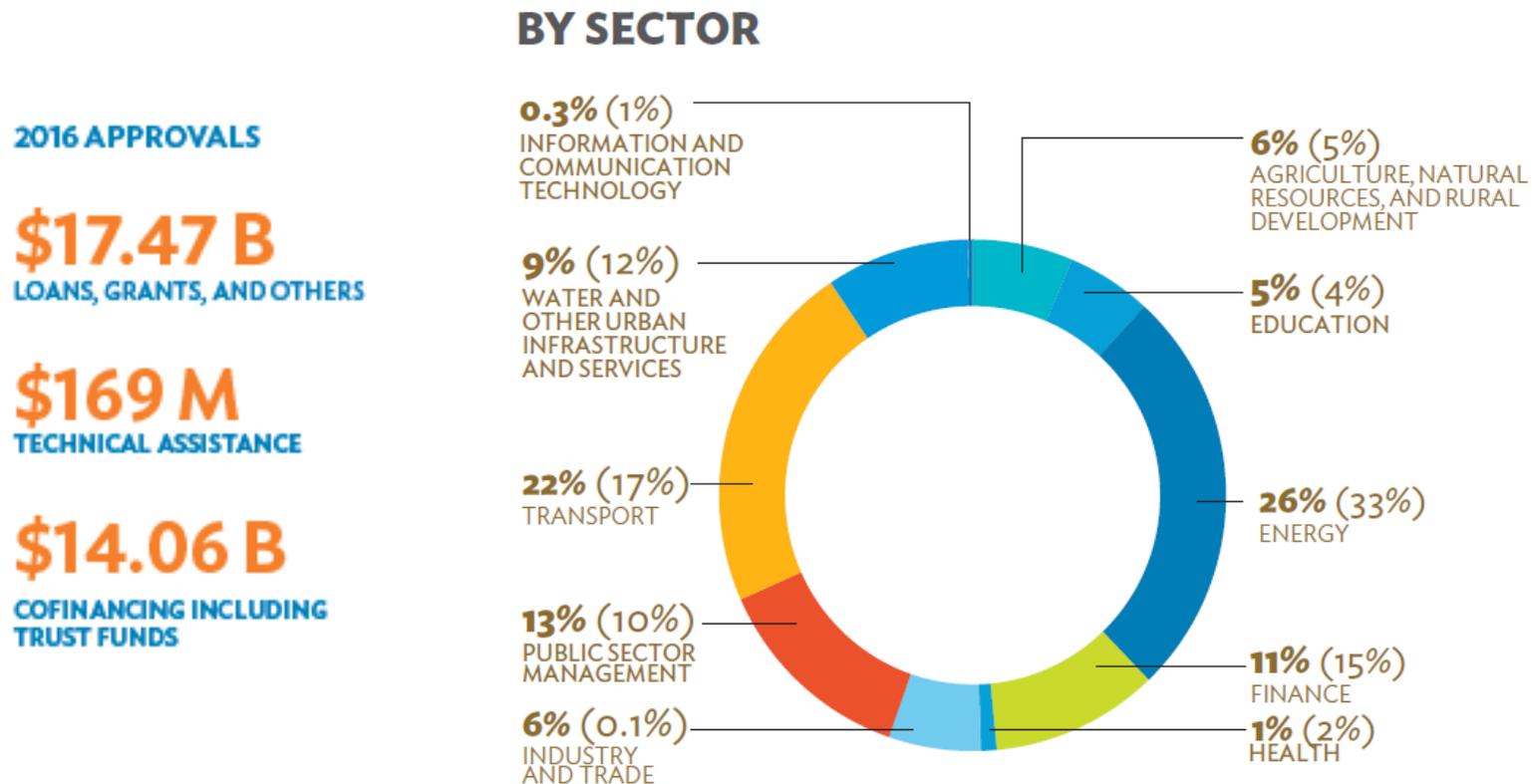
- Using the Corridor Performance Measurement and Monitoring Trade Facilitation Indicators, empirical evidence shows that shortening customs queuing and clearing at the importers' border can increase trade flows in the CAREC region.



ADB's trade-related operations

ADB OPERATIONS, 2016

Ordinary Capital Resources and Asian Development Fund Approvals (\$17.47 billion)

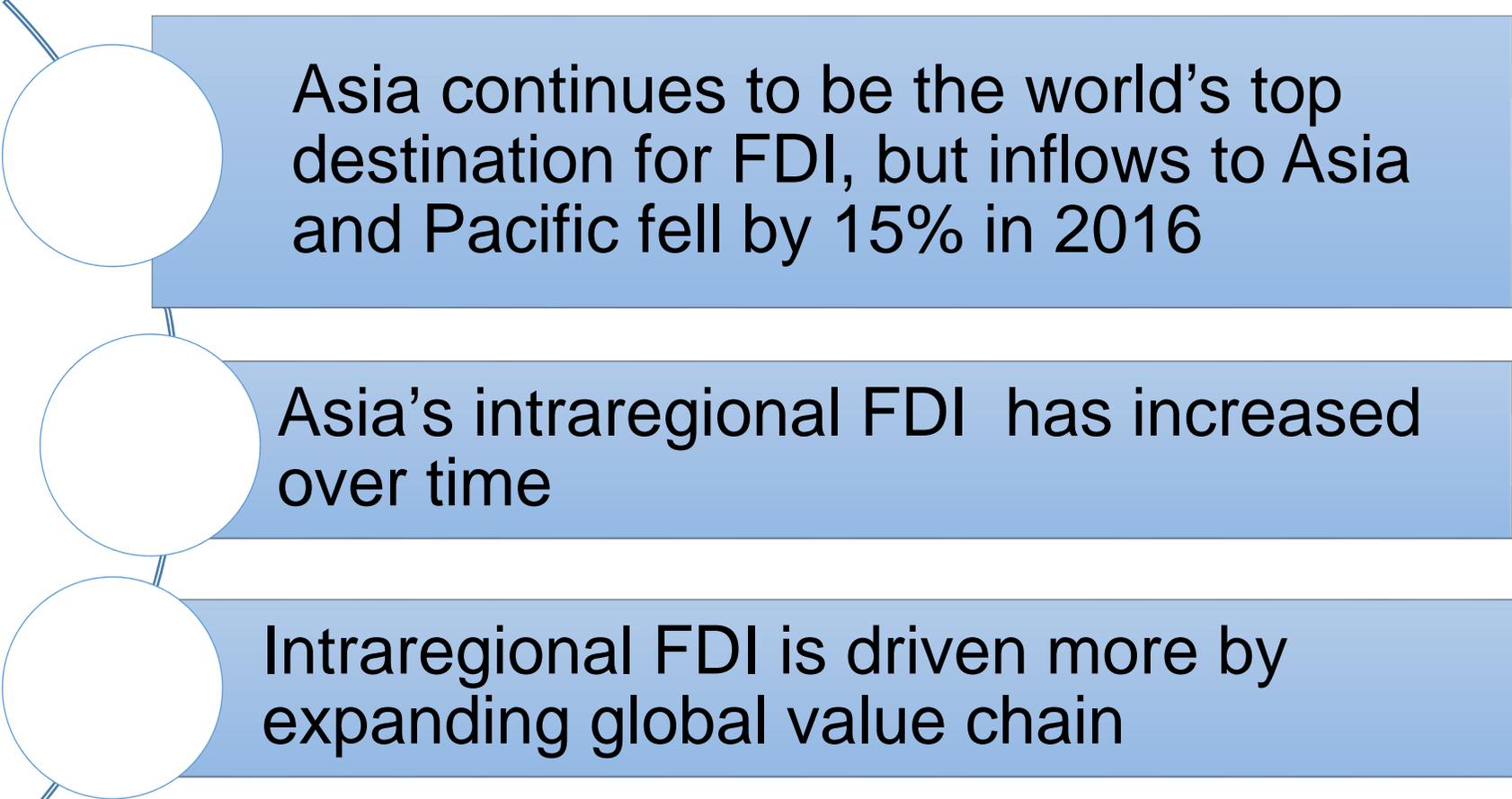


Source: ADB Annual Report 2016.

Trade and FDI Nexus



Trends and Patterns of FDI in Asia and Pacific



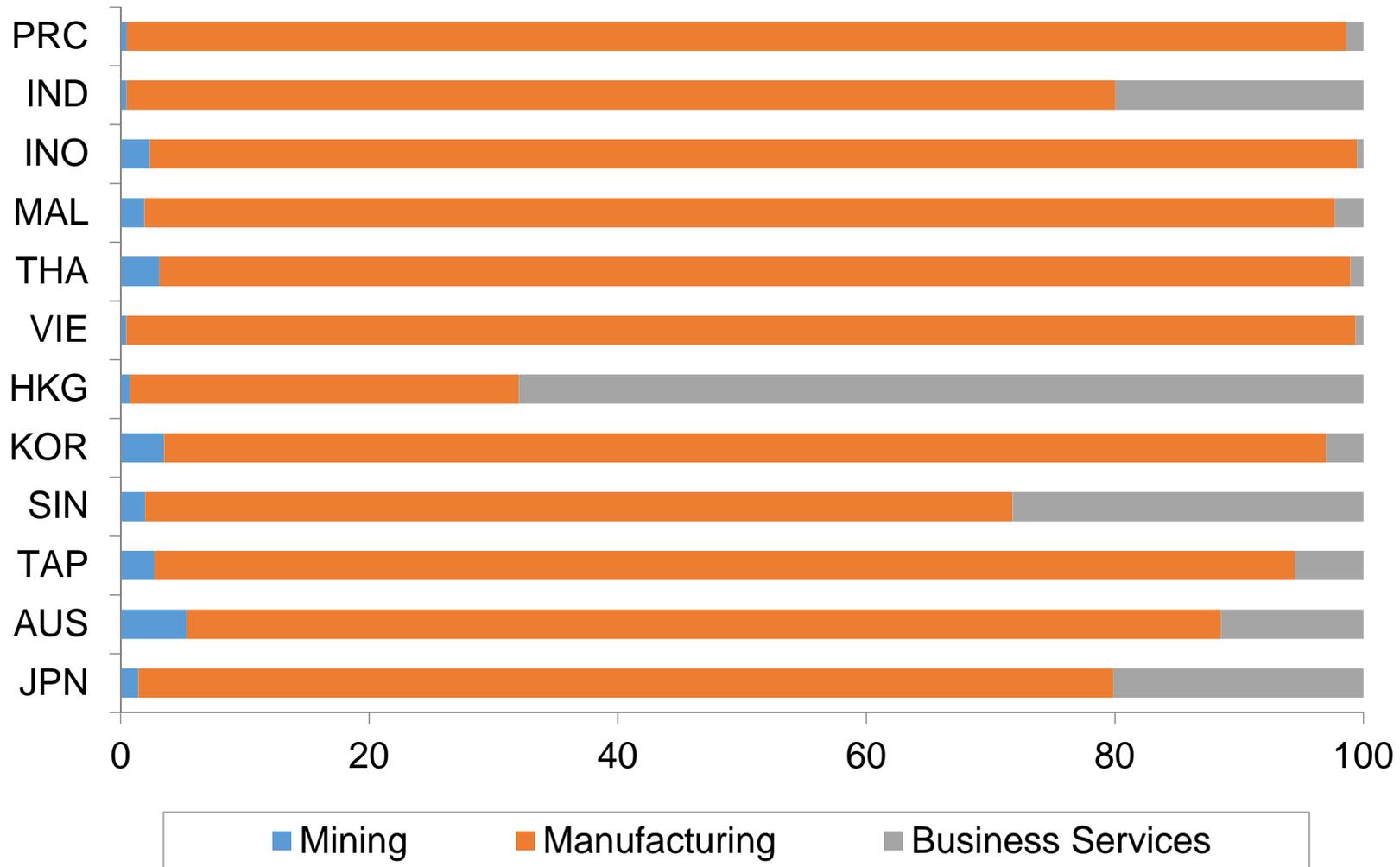
Asia continues to be the world's top destination for FDI, but inflows to Asia and Pacific fell by 15% in 2016

Asia's intraregional FDI has increased over time

Intraregional FDI is driven more by expanding global value chain

GVC-FDI into Asia: Host Economies

(% of economy total)



Policy Implications

- To maximize the benefits of FDI, policy makers need to consider the nuances involved in attracting different types of FDI in devising policies, to fit the economy's development stage, comparative advantage, and industrial policy perspective.
- Linking to GVCs through lowering trade barriers and greater trade integration helps attract FDI; Governance is the most important factor for attracting FDI.
- Labor abundance can be leveraged by economies in developing Asia.
- Investment agreements highlights the importance of government's commitment to honoring the interests of foreign investors and their investments.



Subregional Initiatives on RCI

Subregional initiatives: Progress in 2016

CAREC

- Progress in road and railway projects surpassed 2020 targets
- 7 CAREC members ratified WTO TFA
- Power interconnection projects on track

GMS

- Completion of 3 new bridges along GMS economic corridor
- Major progress in GMS CBTA activities
- Harmonizing regional power trade policy

EAST ASIA

- Pilot PRC-Mongolia joint customs control
- Regional knowledge sharing on economic zones
- Continuous support for CAREC TF program

SASEC

- Improved links in Asian Highway Network
- Electronic cargo tracking system launched
- Arrangements for energy trade forged

PACIFIC

- Endorsement of the Framework for Pacific Regionalism
- Submarine cable projects
- ICT enabled projects



Thank you!