MEETING THE CHALLENGES IN AN ERA OF GLOBALIZATION
BY STRENGTHENING REGIONAL DEVELOPMENT
COOPERATION

Is regional cooperation the “middle path” or the “second-best approach” for responding to globalization in the Asia-Pacific region? Can regional cooperation be disentangled as a separate step in building consensus on a global multilateral framework? This is not likely to be the case as the two processes are intertwined. Economic and financial liberalization and the rapid application of information and communication technology (ICT) are pushing economic, trade and financial relations in the region closer. Rather than being contrasting trends, globalization and regional cooperation can and should proceed simultaneously. Better management of globalization requires better management of regional cooperation, with national policies aligned to these processes to maximize benefits.

What is the Asia-Pacific framework for regional cooperation? The increasing globalization and rapid cross-border exchanges brought about by technological changes require an approach that blends in with the region’s heterogeneous and complex economic environment and is based on felt needs and perceived benefits. Today’s global framework, including the Asia-Pacific region, involves open and competitive market-based economies in which various trade, finance and transport agreements are emerging and have contributed to a fundamental change in the way in which regional integration is taking place. The process now demands both intraregional and interregional agreements.

The study has noted the following three layers of regional cooperation:

• Intergovernmental forms of subregional cooperation with formal institutions, such as ASEAN, the Economic Cooperation Organization (ECO), the Pacific Islands Forum and the South Asian Association for Regional Cooperation (SAARC), which forge “rules-based” cooperation among members and selected outsiders as in ASEAN+3

• Activities-based regional cooperation through such programmes as the Greater Mekong Subregion initiative, 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 international integrated production networks and outsourcing arrangements, often with public sector backing and incentives.

All these layers are interconnected; they are part and parcel 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.

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

(a) While respecting the region’s diversity of culture, politics and religion and stages of economic development, regional cooperation strengthens interdependence in forms that promote stability and prosperity;

(b) Regional cooperation should build upon and strengthen the various interlocking frameworks of cooperation in the region;

(c) It should be consistent with the broader multilateral consensus 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 examines regional cooperation taking these principles into account in the four selected areas of trade, transport, ICT and finance. Areas which require further development cooperation include the following:

**Trade**

- Promoting harmony among the bilateral and regional trading arrangements in the region’s “spaghetti bowl” to make them consistent with the rules-based multilateral trading system and the spirit of the Doha Development Agenda
- Focusing trade cooperation efforts so as to harmonize product standards to face non-tariff barriers
- Expanding cooperation in such areas as trade facilitation, transit trade and regional investment agreements to harness the full potential of expanding trade
Transport

• Making the Asian Highway network 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 transport costs and substantially improve the competitiveness of the region’s products
• Assisting countries in building infrastructure, and especially feeder roads that link major highways, railways and ports, so that the benefits can be dispersed to a wider hinterland, 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 Asia-Pacific 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 strengthening existing cooperative arrangements such as the Chiang Mai Initiative and Asian bond initiative to take account of 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.

Global agreements, including the Monterrey Consensus, the Johannesburg Plan of Implementation, the Almaty Programme of Action for landlocked developing countries and the Plan of Action of the World Summit on the Information Society provide emphatic acknowledgement of the need for regional cooperation to achieve their goals. They articulate clearly 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 play an important role in supporting economic and social development through regional and subregional cooperation. The study provides illustrations of ESCAP’s significant achievements in fostering regional cooperation through such initiatives as setting up the Asian Development Bank, promoting trade arrangements such as Bangladesh-India-Myanmar-Sri Lanka-Thailand Economic Cooperation (BIMST-EC) and the Bangkok Agreement and supporting the development of the Asian Highway, the Trans-Asian Railway and, more recently, the use of ICT.

There can be little doubt that bodies such as ESCAP are uniquely positioned to assist countries in forging greater integration in the region and in particular 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 a need to bring these initiatives together to create fuller understanding and tap synergies among them. To promote greater regional integration, ESCAP could be mandated to play a coordinating role in bringing these initiatives together. As its membership spans the entire region, it could play the role of 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.

As pointed out earlier, 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. This 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 Asian and Pacific region in areas in which 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.