

RCI CHAT

The Monthly Newsletter of the Asia Regional Integration Center

IN THE NEWS

SAARC holds workshop for regional economic integration study; BIMSTEC to endorse final BTILS report. The South Asian Association for Regional Cooperation (SAARC) and Asian Development Bank (ADB) held a workshop 21 July in Thimphu, Bhutan for the second phase of SAARC's Study on Regional Economic Integration (RCI). The study will be expanded to further detail how to implement RCI for the subregion. Meanwhile, the final workshop for the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation's (BIMSTEC) Transport Infrastructure and Logistics Study (BTILS) was held 14–15 July in New Delhi, India. The study defines strategies, policies, projects, and proposed actions for implementing the BIMSTEC Connectivity Program.

Japan and Australia sign Economic Partnership Agreement (EPA). The Japan-Australia EPA (JAEPA) was formally signed 8 July. It grants duty-free access to 97% of Australian exports to Japan—including agricultural products and services. Remaining tariffs on Japanese imports, such as the 5% tariff on motor vehicles and electronics, will be eliminated upon full implementation.

Asia reinforces financial cooperation. The 6th People's Republic of China (PRC)-Japan-Republic of Korea Central Bank Governors' Meeting was held 29 June in Basel, Switzerland to discuss recent economic and financial trends affecting the three countries. The amended ASEAN+3 Chiang Mai Initiative Multilateralization came into effect 17 July—doubling its size to \$240 billion, among other changes. Also on 17 July, the Reserve Bank of India and the Hong Kong Monetary Authority signed a Memorandum of Understanding (MoU) on Supervisory Cooperation.

ADB strengthens commitment to clean and renewable energy in Asia and the Pacific. In July, ADB announced it would help fund several clean energy projects through various new investments and loans. In India, ADB invested \$50 million in equity to help finance more wind power projects; in Nepal, ADB will provide a \$180-million loan for the South Asia Subregional Economic Cooperation (SASEC) Power System Expansion Project. In the Pacific Islands, ADB will invest \$228 million in energy projects over the next 3 years to help the subregion reduce reliance on fossil fuels. In Uzbekistan, ADB is providing a \$300-million loan to upgrade the Takhiatash thermal power plant, while a \$300-million dual-tranche loan will help increase Sri Lanka's use of clean energy. ADB will also provide Indonesia with a loan of up to \$50 million for project development and exploration for the Rantau Dedap geothermal project.



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WHAT'S NEW AT ARIC

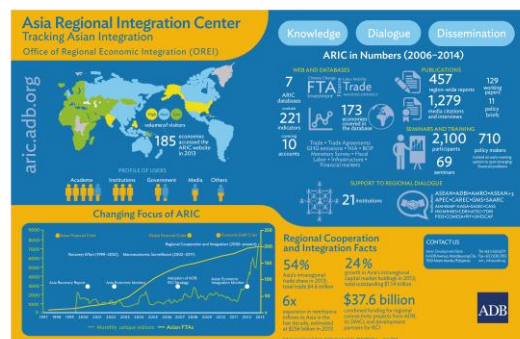
4 July REI Seminar features Prof. Roland-Holst

At the ADB Seminar Series on Regional Economic Integration (REI), David Roland-Holst, professor at the University of California, Berkeley, discussed the potential of RCI policies to promote more sustained and inclusive growth in Asia and the Pacific, both nationally and regionally.



Infographic on ARIC history and milestones

View full-size infographic.



OREI participates in ASEAN Business Conference. OREI Head Iwan Azis, Deputy Head Noritaka Akamatsu, and economist James Villafuerte were speaker-panelists at the 2nd ASEAN Business Conference—"ASEAN 2015 Approaching", held 26–27 June in Makati, Philippines. Akamatsu spoke on the Future of ASEAN Banking and Financial Markets.

new ARIC's FTA database newly updated! Access the Free Trade Agreements (FTA) database.

RCI Chat is the monthly newsletter of the Asia Regional Integration Center (ARIC). It tracks regional cooperation and integration (RCI) activities and events in ADB's 48 regional member economies under ADB's four RCI pillars: (i) cross-border infrastructure, (ii) trade and investment, (iii) money and finance, and (iv) regional public goods.

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CROSS-BORDER INFRASTRUCTURE

ADB receives award for landmark Afghan railway project; signs \$2-billion cofinancing partnership with KfW. ADB received a US Department of Treasury award for a 75-kilometer railway—funded by a \$165-million ADB grant—that creates a new cross-border trade link crucial to Afghanistan’s post-conflict economy. On 2 July, ADB signed an MoU with German development bank KfW to cofinance up to \$2 billion over 3 years development projects in Asia and the Pacific, focusing on energy, urban infrastructure, climate change, small and medium enterprise financing, vocational training, and regional integration.

UN leverages power of social media for development in Asia and the Pacific. The United Nations Economic and Social Commission for Asia and the Pacific’s (UNESCAP) training center for information and communication technology (ICT) held a regional workshop on Social Media for Development 30 June–2 July in Incheon, Republic of Korea. A Social Media for Development training module was officially launched.

SASEC road connectivity projects aim to boost trade and cooperation in Bangladesh, Bhutan, India, and Nepal. On 31 July, ADB approved over \$50 million of loan and grant financing package—with \$18.7-million counterpart financing from the Royal Government of Bhutan—for the construction and upgrading of its national highway network, as part of Bhutan’s SASEC Road Connectivity Project. Meanwhile, a Joint Technical Task Force between India and Nepal for the Mechi River Crossing has been set up as part of India’s SASEC Road Connectivity Investment Program. Its first meeting was held 4 July in New Delhi, India to discuss construction of a new bridge from Karkavitta in Nepal to Panitanki in India.

Bangladesh readies Dhaka–Chittagong Expressway PPP. On 3 July, Bangladesh concluded arrangements for a joint venture with ADB to prepare the detailed public-private partnership (PPP) design project that will transform the existing two-lane Dhaka–Chittagong highway into a six-lane freeway. To be completed in 2023, the project will be funded through a \$10-million ADB loan, with the Government of Bangladesh contributing \$2.5 million in cofinancing.



TRADE AND INVESTMENT

PRC’s FTA with Switzerland and Iceland takes effect. The PRC–Switzerland and PRC–Iceland free trade agreements (FTAs) became effective 1 July. These FTAs apply zero tariffs to about 90% of PRC’s trade with Switzerland and Iceland. The agreement also covers government procurement and cooperation on the environment, labor and employment, intellectual property, and competition policy.

12th Republic of Korea–PRC FTA negotiation discusses service and investment framework. The Republic of Korea and the PRC held their 12th round of FTA negotiations 14–18 July. The negotiations tackled tariff exemptions on manufacturing and agricultural goods, and market opening for services and investment. The two economies also reached agreement on competition and e-commerce, while progress was made on the environment, customs procedures, economic cooperation, and government procurement.

SAARC CCI submits non-tariff measures recommendations to SAFTA experts. Recommendations to reduce non-tariff measures (NTMs) were submitted by the SAARC Chamber of Commerce and Industry (CCI) to the South Asian Free Trade Area (SAFTA) Committee of Experts 19 July in Thimpu, Bhutan. NTM desks would be established as a monitoring tool and policy basis for removing NTMs across the region. Pilot desks are already in place in Bangladesh, India, Nepal, and Pakistan.

The Philippines and EFTA sign Joint Declaration of Cooperation. The Philippines and the European Free Trade Association (EFTA) signed a Joint Declaration of Cooperation 23 June, enhancing bilateral economic ties with Norway, Switzerland, Iceland, and Liechtenstein, and to explore possible free trade agreements. The economies agreed to submit a Scoping Paper on the negotiation process in September, hoping to begin negotiations by the end of 2014.



MONEY AND FINANCE

PRC pivots to Latin America. At the [PRC-Latin America and Caribbean Summit](#) held 17 July in Brasilia, Brazil, the Forum of PRC-Community of Latin American and Caribbean States was established to promote, among others, stronger financial cooperation. In addition, an MoU on financing development projects was signed between the [Brazilian Development Bank](#), the [China Development Bank](#), and the [Export-Import Bank of China](#). On 18 July, the [People's Bank of China \(PBOC\)](#) and [Central Bank of Argentina](#) signed a 3-year currency swap arrangement for CNY70 billion (\$11 billion). [Banco Central de Venezuela and PBOC](#) signed a cooperation agreement promoting exchange of information on statistical methodologies, monetary policy strategies, and funding mechanisms.

BRICS launches New Development Bank. The [6th Brazil-Russia-India-PRC-South Africa \(BRICS\) Summit](#) held 14-16 July in Brasilia, Brazil agreed to launch the \$100-billion New Development Bank—to be based in Shanghai, PRC—and a \$100-billion Contingent Reserve Arrangement. India will lead operations for the first 5 years, followed by Brazil and then Russia. This is in addition to the PRC-proposed [Asian Infrastructure Investment Bank](#) and the [South Asian Development Bank](#)—proposed by India for SAARC members. On the summit sidelines, BRICS members' development banks signed a [BRICS Multilateral Cooperation Agreement on Innovation](#) to finance projects that foster investment in technological innovation.

Renminbi internationalization sees progress. On 3 July, the [PBOC and Bank of Korea](#) signed a MoU on establishing renminbi clearing arrangements in Seoul, Republic of Korea. On 7 July, [PBOC granted Germany](#) a Renminbi Qualified Foreign Institutional Investor (RQFII) quota of CNY80 billion (\$12.9 billion). On 21 July, [PBOC and the Swiss National Bank \(SNB\)](#) signed a 3-year CNY150 billion (\$21 billion) bilateral swap arrangement; SNB was also granted a CNY15 billion (CHF2 billion) renminbi investment quota.



REGIONAL PUBLIC GOODS

Australia, the Philippines sign agreement to combat human trafficking. Australian Ambassador to the Philippines Bill Tweddell and Philippine Department of Justice Undersecretary and Undersecretary-in-Charge of the Inter-Agency Council against Trafficking (IACAT) Jose Vicente Salazar signed the [Memorandum of Subsidiary Agreement](#) 3 July to launch the [Australia-Asia Program to Combat Trafficking in Persons \(AAPTIP\)](#) in the Philippines. The AAPTIP is an A\$50-million, 5-year program to reduce incentives and opportunities for human trafficking in Southeast Asia. Through the IACAT, Australia will work closely with the Philippines to identify national anti-trafficking priorities where AAPTIP can provide technical assistance and training.

SPC and ADPC team up to enhance disaster risk reduction. The [Secretariat of the Pacific Community \(SPC\)](#) and the [Asian Disaster Preparedness Centre \(ADPC\)](#) held a [one-week training workshop](#) in Nadi, Fiji 14-18 July on integrating disaster risk reduction into development. A combination of theory, case studies, and exercises were used to boost participants' knowledge and skills in areas of risk assessment, understanding the links between development and disasters, selecting appropriate risk reduction options, and identifying entry points to mainstream risk reduction in development.

ADB, Kiribati, USP collaborate to improve access to higher education. ADB, the Government of Kiribati, and the University of the South Pacific (USP) held a groundbreaking ceremony 17 July to mark their [collaboration on upgrading USP's Tarawa Campus](#) to enhance access to higher education. The ceremony marked the beginning of the construction phase of the Higher Education in the Pacific Investment Program—financed by ADB through a loan to USP. The program will provide the young and fast-growing Kiribati population with better access to quality education and training.

SPECIAL FEATURE



Highlights of the CAREC Senior Officials' Meeting

26–27 June | Manila, Philippines

Aside from assessing progress in the Central Asia Regional Economic Cooperation (CAREC) Program's four priority sectors, the [midyear CAREC Senior Officials' Meeting \(SOM\)](#) discussed a proposed economic corridor development (ECD) study, a development effectiveness review (DEFr), the corridor performance measurement and monitoring (CPMM) report, and the CAREC Institute.

There were several key talking points during the meeting.

- Three tracks for the [ECD study](#) were identified—development of domestic transport connectivity (track 1), development of corridor transit across borders (track 2), and development of economic clusters linked to the corridors (track 3). CAREC has already made considerable progress on tracks 1 and 2, while track 3 will be piloted with the Almaty-Bishkek corridor.
- Two changes resulting from a **review of the DEFr methodology** were discussed: (i) rationalization of the existing indicators, and (ii) introduction of sector outcomes as a new layer between output and regional impacts. The resulting DEFr structure would have five levels: (i) responsible implementing CAREC bodies, (ii) CAREC interventions, (iii) sector outputs, (iv) sector outcomes, and (v) regional impacts.
- The **2013 CPMM Report** was reviewed, acknowledging marginal improvement in clearing time at border crossings, while noting that traveling times along CAREC corridors deteriorated slightly. It was proposed that future CPMM reports expand coverage to include railways, new sub-corridor performance, and measurement and monitoring for trade logistics services.
- Progress was noted in preparing for the **CAREC Institute to be established** in Urumqi, Xinjiang Uygur Autonomous Region, People's Republic of China (PRC). The SOM discussed (i) proposed transitional arrangements to register the institute under the PRC's



Source: CAREC Program website.

domestic law, and (ii) the proposed legal status of the institute as an intergovernmental organization.

The SOM reviewed progress in CAREC's four priority sectors and discussed key issues in future work plans.

- In **transport**, the SOM endorsed the CAREC Transport Sector Work Plan 2014–2016, and the South-South Knowledge Cooperation Initiative.
- In **trade policy**, the SOM acknowledged that implementing the updated [Trade Policy Strategic Action Plan \(TPSAP\) 2013–2017](#) was especially challenging in addressing non-tariff barriers and expanding trade in services. The SOM urged CAREC members to closely and proactively collaborate with multilateral development institutions and the donor community.
- In **trade facilitation**, the SOM supports ongoing prioritized work in customs cooperation—such as risk management and coordinated border management, issues pertaining to accession to the Revised Kyoto Convention, and the important contribution of customs modernization and cooperation in trade facilitation. The SOM also supports integrated trade facilitation initiatives such as the ongoing sanitary and phytosanitary assessments.
- In **energy**, the SOM reviewed progress in the six elements of the Energy Work Plan 2013–2015. It further endorsed the proposal of the Energy Sector Coordinating Committee to begin work on forming the Energy Work Plan 2016–2020.

The CAREC Program is a partnership of 10 countries (Afghanistan, Azerbaijan, Kazakhstan, the Kyrgyz Republic, Mongolia, Pakistan, the People's Republic of China, Tajikistan, Turkmenistan, and Uzbekistan), supported by six multilateral institutions, working together to promote development through cooperation, leading to accelerated growth and poverty reduction.

AUGUST 2014 UPCOMING EVENTS

WEEK 1	3	UNESCAP Preparatory Meeting of the Special Body on Least Developed, Landlocked Developing and Pacific Island Developing Countries (Bangkok, Thailand)
	4	UNESCAP High-level Exchange on Development Cooperation in the Post- 2015 era: Perspectives from Asia-Pacific LDCs, LLDCs and PIDCs (Bangkok, Thailand)
	4-8	70 th UNESCAP Commission Session (Bangkok, Thailand)
	6-21	APEC 2014 3 rd Senior Officials' Meeting and Related Meetings (Beijing, PRC)
	7-8	6 th Greater Mekong Subregion Economic Corridors Forum (Ha Noi, Viet Nam)
WEEK 2	11-13	WaterLinks Forum 2014 (Manila, Philippines)
	11-15	23 rd ASEAN Land Transport Working Group Meeting; 13 th ASEAN Highway Sub-Working Group Meeting; and 5 th ASEAN Meeting of the Multisectoral Road Safety Sub-Working Group (Manila, Philippines)
	14	APEC Good Regulatory Practices: Public Consultations on Proposed Regulations in the Internet Era Workshop (Beijing, PRC)
	14-15	Climate Finance Workshop: Readiness and Projects Development (Bangkok, Thailand)
WEEK 3	18-22	40 th APEC Transportation Working Group Meeting (Hong Kong, China)
	19-22	3 rd Regional Conference of the Society for Conservation Biology – Asia Section (Melaka, Malaysia)
	20-22	Climate Technology Network and Finance Center Meeting (Bangkok, Thailand)
	20-22	28 th ASEAN Maritime Transport Working Group Meeting (Siem Reap, Cambodia)
	21-22	Joint UNESCAP-World Bank Conference on Unlocking Regional Economic Opportunities in South Asia (Bangkok, Thailand)
	23-28	46 th ASEAN Economic Ministers Meeting and Related Meetings (Nay Pyi Taw, Myanmar)
WEEK 4		

PUBLICATIONS



No. 134 - Financial Monitoring in the New ASEAN-5 Countries This paper by S.H. Lim and N. G. Reyes examines the issues surrounding the implementation of global regulatory reforms—spearheaded by the G20 and mainly under the aegis of the Financial Stability Board (FSB)—in Brunei Darussalam, Cambodia, the Lao PDR, Myanmar, and Viet Nam (BCLMV). *May 2014.*

No. 133 - Equity Home Bias, Financial Integration, and Regulatory Reforms: Implications for Emerging Asia C-Y. Park and R. V. Mercado investigate the links between financial integration and regulatory quality; and equity home bias in emerging Asia. To test the significance, a pooled OLS estimation was used. The results show that greater global and regional financial integration and better regulatory quality significantly lower equity home bias against global and regional stocks. *May 2014.*



No. 8 - Viet Nam's Participation in FTAs: History, Commitments, and Challenges Viet Nam has committed to an ambitious level of liberalization in goods to reduce or eliminate tariffs on around 90% of all tariff lines beginning in 2015. In order to fully take advantage of the opportunities of integration, Viet Nam must ramp up domestic negotiating capacities and develop a comprehensive export strategy. *Mar 2014.*

No. 7 - Indonesia and the Establishment of the ASEAN Economic Community in 2015: Are We There Yet? Indonesia needs to fine-tune its trade and investment policies to ensure regional coherence. Policies to improve the domestic business climate will better prepare Indonesia for the AEC. *Mar 2014.*

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