

RCI CHAT

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IN THE NEWS

People's Republic of China and Australia sign free trade agreement.

People's Republic of China (PRC)-Australia Free Trade Agreement (FTA) was signed 17 June. The FTA covers goods, services and investment, with 85% of goods trade duty-free upon effectivity, rising to 95% upon full implementation. Australia will open its services sector to the PRC based on a negative list, while the PRC will use a positive list. On investment, Most-Favored Nation treatment will apply. The FTA requires legal and legislative approvals before becoming effective.

Banking integration marches on through several cross-border activities. On 28 June, CIMB Investment Bank and Kepler Cheuvreux signed a [cooperation agreement and MoU](#), with the aim of enhancing cross-distribution of equity research across Asian and European markets, as well as establish a single global program trading platform. Singapore-based United Overseas

Bank [brokers investments](#) amounting to \$300 million from its multinational and regional clients based in Europe, Hong Kong, China, Singapore, and Thailand, to fund Myanmar's economic transformation. Meanwhile, Bahrain-based Alkhair International Islamic Bank is looking into potential acquisitions in Southeast Asia, with the hopes of increasing cross-border transactions between ASEAN and the Middle East.

SASEC Railway Connectivity Project facilitates subregional connectivity.

The Asian Development Bank (ADB) will enhance transport connectivity within Bangladesh, and between Bangladesh and India, through the South Asia Subregional Economic Cooperation (SASEC) [Railway Connectivity: Akhaura-Laksam Double Track Project](#). This \$505 million ADB project will upgrade critical sections of Bangladesh Railway's Dhaka-Chittagong corridor to boost market share in freight services.

HIGHLIGHTS

1. **Cross-border infrastructure:** Transport Secretaries discuss cross-border transport facilitation.
2. **Trade and investment:** The ASEAN and European Union (EU) hold 23rd Senior Officials' Meeting.
3. **Money and finance:** Asian financial institutions boost cooperation with financial institutions outside the region.
4. **Regional public goods:** ADB supports Tonga renewable energy and climate change resilience.

ARIC BLOG



Source: ADB.

Declining growth of output per worker in Asia: so what and what now?

Since the early 2000s, labor productivity growth, or the growth of output per worker (measured by GDP divided by employment), has been declining in most economies in Asia. This means that economic growth may also fall, along with the growth of workers' incomes and standards of living. This is more pronounced if high-growth economies in the region such as the People's Republic of China, India, and Japan, are excluded.

RCI Chat is the bimonthly 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



Source: ADB.

India, Myanmar, and Thailand Transport Secretaries discuss cross-border transport facilitation.

Transport Secretaries of India, Myanmar, and Thailand (IMT) met on *Cross-Border Transport Facilitation* on 14 July in Bangkok, Thailand to agree on implementing protocols for the final draft of the IMT Motor Vehicles Agreement (MVA). This was preceded by a Customs Sub-group Meeting 13 July, which focused on customs-related protocols of the IMT MVA.

ADB approves loan to improve urban services, connectivity around Xinjiang border. ADB approved a \$150 million loan for *infrastructure and service upgrades* to raise living standards, improve the environment, and boost trade opportunities for urban centers in the northwest Xinjiang Uygur Autonomous Region of the PRC. The project includes physical and service improvements on rehabilitating and building roads; expanding green and public spaces; boosting municipal solid waste collection and sorting systems, water supply, water heating and sewage facilities; and upgrading equipment at the Baktu border land port.

ADB will support \$6 billion in regional connectivity projects in Bangladesh. ADB plans to provide some \$6 billion for projects for *regional connectivity* road transport and railway networks. ADB will support five SASEC connectivity projects during 2016–2018. In 2016, it will support implementation of a Dohazari to Cox Bazar 100-kilometer (km) railway link (Phase I and II), and a Railway Sector Investment Program. In 2017, ADB will finance the SASEC Road Connectivity Project II (Hatirkamrul-Rangpur-Burimari four-lane highway), and in 2018 will provide a loan for the Dhaka-Chittagong dual gauge (230 km) access link to Chittagong Port.



Source: SASEC.

Bangladesh, Bhutan, India, Nepal sign Agreement on Motor Vehicles. Bangladesh, Bhutan, India, Nepal (BBIN) transport ministers met in Thimphu, Bhutan on 15 June to sign the *Motor Vehicles Agreement for the Regulation of Passenger, Personal and Cargo Vehicular Traffic between Bangladesh, Bhutan, India, and Nepal* (BBIN MVA). The BBIN MVA facilitates land transport arrangements among the four economies and complements existing transport arrangements bilaterally. The ministers also proposed a 6-month work plan to ensure its speedy, effective implementation.



TRADE AND INVESTMENT



Source: Japan Ministry of Economy, Trade and Industry.

The Association of Southeast Asian Nations (ASEAN) and European Union (EU) hold 23rd Senior Officials' Meeting.

The ASEAN-EU 23rd Senior Officials' Meeting was held 2 July in Brussels, Belgium to discuss business, trade, and cooperation on trans-national security and environment. Participants applauded the strong trade and investment ties between the two regions as a prelude to the upcoming ASEAN-EU Business Summit in August and official "ASEAN-EU Days" in September. With the growing interest to strengthen ties between the regions, the EU-ASEAN Business Council also published a [position paper](#) addressing trade restriction issues such as non-tariff barriers to trade and the investment and trade potential of the region.

Viet Nam and the Eurasian Economic Union sign FTA.

The Viet Nam-Eurasian Economic Union FTA was signed 29 May in Burabay town, Kazakhstan. The FTA is currently in the process of ratification by contracting parties.

Japan and Colombia hold 12th round of negotiations for Economic Partnership Agreement. On 14 - 17 July, the Twelfth Round of Negotiations for the Economic Partnership Agreement between Japan and Colombia was held in Bogota, Colombia. The negotiations tackled trade in goods, government procurement and rules of origin, among others.

Seminar highlights trade facilitation in economic corridor development. ADB hosted a [seminar on economic corridor development](#) on 30 June, with Dr. Pritam Banerjee, Deutsche Post DHL Trade Facilitation and Logistics Expert, discussing macroeconomic logistics reforms needed to facilitate economic corridor development required for multi-modal transport, logistics, and communications strategies to promote private sector development.

Central Asia Regional Economic Cooperation (CAREC) holds Workshop on Sanitary and Phytosanitary Modernization. The CAREC Institute hosted a [workshop](#) on modernizing sanitary and phytosanitary (SPS) measures for trade regulators in Turkmenistan. Experts from the United Nations Food and Agriculture Organization and World Trade Organization conducted the workshop.

Regional Comprehensive Economic Partnership. (RCEP) interim ministerial meeting marks progress. Ministers attended an [interim round of RCEP negotiations](#) 13 July to discuss goods trade, particularly liberalization and tariff negotiations. For trade in services and investment, the ministers agreed to begin negotiations on market access and establish working groups on finance, telecommunications, and e-Commerce. The ministers reconfirmed their end-2015 target to conclude negotiations.



MONEY AND FINANCE



Source: : National Bank of Cambodia.

Asian financial institutions boost cooperation with financial institutions outside the region.

Indonesia’s Financial Services Authority and China Banking Regulatory Commission signed an [Memorandum of Understanding \(MOU\)](#) on 4 June covering information exchange and supervisory capacity. On 10 July, the National Bank of Cambodia and Japan’s Financial Services Agency signed a [cooperation agreement on bank supervision](#), particularly to enhance legal and regulatory

frameworks for financial markets in both countries. On 27 May, the Shanghai Stock Exchange, China Financial Futures Exchange, and Deutsche Börse agreed to launch a [Joint Venture](#) to support the internationalization of the renminbi. The company—the China Europe International Exchange—will begin operations in Q4 2015. The initial scope of product development will cover cash market products for market launch. On 28 June, CIMB Investment Bank Bhd and Kepler Cheuvreux signed a [cooperation agreement and an MOU](#) to cross-distribute equity research in their respective markets. The cooperation agreement covers equities, although the partnership could be extended to other areas such as mergers and acquisitions, retail, and private banking.

Renminbi internationalization expands.

The People’s Bank of China (PBC) and the Central Bank of Chile signed a CNY22 billion/CHP2.2 trillion bilateral local currency swap agreement 25 May. The swap arrangement will run for 3 years and can be extended by mutual consent. The two also signed an MOU on establishing RMB clearing arrangements in Chile, and agreed to include Chile in the pilot RMB Qualified Foreign Institutional Investor (RQFII) program with an investment quota of CNY50 billion. On 27 June, the PBC and Magyar Nemzeti Bank (MNB), the Central Bank of Hungary, signed an [MOU](#) on the establishment of RMB clearing arrangements in Hungary with the PBC to manage MNB’s investments in the PRC interbank bond market. They agreed to include Hungary in the pilot RQFII with an investment quota of CNY50 billion.

Financial forums discuss Asian global integration.

On 29 May, the 2nd Asian Monetary Policy Forum was held in Singapore in conjunction with the annual conference of the Asian Bureau of Finance and Economic Research. The forum was co-organized and funded by the University of Chicago Booth School of Business, the National University of Singapore Business School, and the Monetary Authority of Singapore. On 30 May, the 20th Executives’ Meeting of

East Asia-Pacific (EMEAP) Governors Meeting was held in Singapore wherein eleven of EMEAP central bank and monetary authority members exchanged views on growth prospects for the EMEAP region and the global economy in general. The Monetary and Financial Stability Committee provided updates on its surveillance and research work.

India and Sri Lanka sign currency swap agreement.

On 17 July, the Reserve Bank of India and the Central Bank of Sri Lanka signed a [special currency swap agreement](#) for Sri Lanka to draw up to \$1.1 billion for a maximum 6 months. The arrangement is in addition to the existing currency swap arrangement for South Asian Association for Regional Cooperation (SAARC) members.

Asia Region Funds Passport to launch in 2016. The Asia Pacific Economic Cooperation’s (APEC) [Asia Region Funds Passport](#) is on track for its 2016 launch. The initiative reduces incompatible or overlapping regulations hindering the marketing of managed funds between participating economies. Participating APEC members will provide an update on the initiative’s progress when APEC Finance Ministers meet 10–11 September in Cebu, Philippines.



REGIONAL PUBLIC GOODS



Source: ADB

ADB supports Tonga renewable energy and climate change resilience.

Together with ADB, Tonga is building up its resilience to natural disasters. The [Cyclone Ian Recovery Project](#) supports government efforts to upgrade and climate-proof the electricity grid network and school buildings on the northeast island of Ha’apai. ADB and the Government of Australia also support the Outer Island Renewable Energy Project, which helps provide solar powered electricity to customers on nine outer islands.

ASEAN confers with WHO, the PRC and Japan on Middle East Respiratory Syndrome (MERS) preparedness.

Concern over MERS brought health experts from ASEAN and counterparts from the WHO, the PRC, and Japan together in a [video conference](#) 22 June to share information and experience on handling the MERS disease. Sharing lessons learned and updated information in preparedness and MERS response will help each country’s respective internal preparations and response plans should the disease spread.

The Pacific Public Health Surveillance Network (PPHSN) works to strengthen epidemic preparedness.

Public health officials from the Pacific gathered 20–22 July in Nadi, Fiji to attend the [PPHSN meeting](#), which focused on strengthening the capacity and preparedness of public health laboratory and surveillance officials to address epidemics and other public health emergencies. With support from the Secretariat of the Pacific Community, over 150 Pacific Island health professionals from 15 economies and territories have already been trained in surveillance and response to public health alerts through the “Strengthening Health Interventions in the Pacific” program’s data for decision-making training modules.



Source: Secretariat of the Pacific Community.

Select ASEAN Ministers attend emergency meeting on illegal human trafficking.

Ministers agreed to strengthen law enforcement against human trafficking and establish a fund for humanitarian and relief efforts related to irregular movements people in the region. The [Emergency ASEAN Ministerial Meeting on Transnational Crime](#), held 2 July in Kuala Lumpur, Malaysia agreed to develop regional communication campaigns and support further partnerships with international organizations to help combat human trafficking and people smuggling.



AUGUST–SEPTEMBER 2015 RCI EVENTS CALENDAR

August 2015

- 1–6 48th ASEAN Foreign Ministers’ Meeting (AMM)/Post Ministerial Conference (PMC) (Kuala Lumpur, Malaysia)
- 1–5 Special Meeting of ASEAN Intergovernmental Commission on Human Rights (Kuala Lumpur, Malaysia)
- 2 – 6 National Workshop on Combating Counterfeiting & Piracy (Sri Mangal, Moualvi Bazar, Bangladesh)
- 5–6 APEC Public - Private Dialogue on Addressing Impediments in Financing Renewable Energy (EWG 02/2014A) (Ho Chi Minh, Viet Nam)
- 10–12 6th APEC Meeting of Policy Partnership on Science, Technology and Innovation (Manila, Philippines)
- 11 2nd Expert Group Meeting on Sports (TBC)
- 12–13 3rd Asian Youth Forum (Manila, Philippines)
- 13–14 APEC High Level Policy Dialogue on Science and Technology in Higher Education (Manila, Philippines)
- 17– 25 RAMIS Technical Training on Automated Customs Module: Priority 2 (Thimphu, Bhutan)
- 17–20 National Workshop on the New Customs Act and Related Best Practices (Dhaka, Bangladesh)
- 17–25 RAMIS Technical Training on Automated Customs Module: Priority 2 (Thimphu, Bhutan)
- 18–21 8th Meeting of the High Level Task Force (HLTF) on ASEAN Community’s Post-2015 Vision ASEC, (Jakarta, Indonesia)
- 18–21 SSOM 36th AMAF and Related Meetings (Myanmar)
- 19– 21 Nepal Department of Customs National Workshop on Customs Valuation (Kathmandu, Nepal)
- 20–21 Preparatory ASEAN Senior Economic Officials Meeting (Prep-SEOM) for the 47th ASEAN Economic Ministers’ Meeting (Kuala Lumpur, Malaysia)

- 22–23 APEC Anti-Corruption and Transparency (ACT) Plenary Meeting (Cebu, Philippines)
- 22–25 47th ASEAN Economic Ministers’ Meeting (Kuala Lumpur, Malaysia)
- 24– 25 Negotiation of Protocols for the BBIN Motor Vehicles Agreement (Dhaka, Bangladesh)
- 24–27 36th ASEAN Senior Officials Meeting on Drug Matters (ASOD) (Singapore)
- 24–29 APEC Health Working Group (HWG) (Cebu, Philippines)

September 2015

- 2–4 4th ASEAN Ministerial Meeting on Drug Matters (Langkawi, Malaysia)
- 7 – 11 Subregional Workshop on ASYCUDA World (Pokhara, Nepal)
- 8– 9 Negotiation of Protocols for the BBIN Motor Vehicles Agreement (Dhaka, Bangladesh)
- 9–12 ASEAN–Japan Television Festival (AJTF) (Kuala Lumpur, Malaysia)
- 14–16 3rd ASEAN Connectivity Coordinating Committee - National Coordinators Meeting 6th Connectivity Symposium (TBC)
- 14– 25 RAMIS Technical Training on Automated Customs Module: Priority 3 (Bhutan)
- 21–25 Regional Workshops on RAMIS Automated Customs Module: Priority 2 (Bhutan)
- 26–30 Pacific Heads of Agriculture and Forestry meeting (Nadi, Fiji)
- 28 10th ASEAN Ministerial Meeting on Transnational Crime (10th AMMTC) (Kuala Lumpur, Malaysia)