



Asian Economic Integration Monitor (AEIM)

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Asia's growth outlook set to improve



Regional GDP Growth¹ (y-o-y, %)

	2009	2010	2011	2012 Estimate ²	2013 Forecast ³	Likely revision to 2013 forecast
Developing Asia	6.1	9.2	7.2	6.0	6.6	—
Central Asia⁴	3.2	6.8	6.5	5.4	5.7	▲
East Asia⁵	6.8	9.8	8.1	6.4	7.0	▲
People's Republic of China	9.2	10.4	9.3	7.8	8.1	▲
South Asia⁶	7.7	8.5	6.0	5.0	6.2	▼
India	8.6	9.3	6.2	5.0	6.5	▼
Southeast Asia⁷	1.4	7.9	4.7	5.5	5.5	▼
The Pacific⁸	4.3	5.5	8.1	6.8	4.2	▲
Major Industrialized Economies						
eurozone	-4.4	2.0	1.4	-0.5	0.0	
Japan	-5.5	4.7	-0.6	1.9	1.4	
United States	-3.1	2.4	1.8	2.2	2.1	

¹Aggregates are weighted according to gross national income levels (Atlas method, current \$) from *World Development Indicators*, World Bank.

²ADB estimates, except for eurozone, India, and the United States (advanced official estimates); actual figures for the People's Republic of China and Japan.

³ADB forecasts from Asian Development Outlook Supplement, December 2012. The new forecasts for 2013 and 2014 will be released in Asian Development Outlook 2013 to be published in April.

⁴Includes Armenia, Azerbaijan, Georgia, Kazakhstan, the Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan.

⁵Includes the People's Republic of China; Hong Kong, China; the Republic of Korea; Mongolia; and Taipei, China.

⁶Includes Afghanistan, Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan, and Sri Lanka. Data for Bangladesh, India, and Pakistan are recorded on a fiscal-year basis. For India, the fiscal year spans the current year's April through the next year's March. For Bangladesh and Pakistan, the fiscal year spans the previous year's July through the current year's June.

⁷Includes Brunei Darussalam, Cambodia, Indonesia, Lao People's Democratic Republic, Malaysia, the Philippines, Singapore, Thailand, and Viet Nam. Excludes Myanmar as weights unavailable.

⁸Includes Cook Islands, Fiji, Kiribati, the Marshall Islands, the Federated States of Micronesia, Palau, Papua New Guinea, Samoa, Solomon Islands, Timor-Leste, Tonga, Tuvalu, and Vanuatu. Excludes Nauru as weights unavailable.

Source: ADB calculations using data from various issues of the *Asian Development Outlook 2012*, Asian Development Bank; and CEIC.

Regional Economic Outlook: Key messages

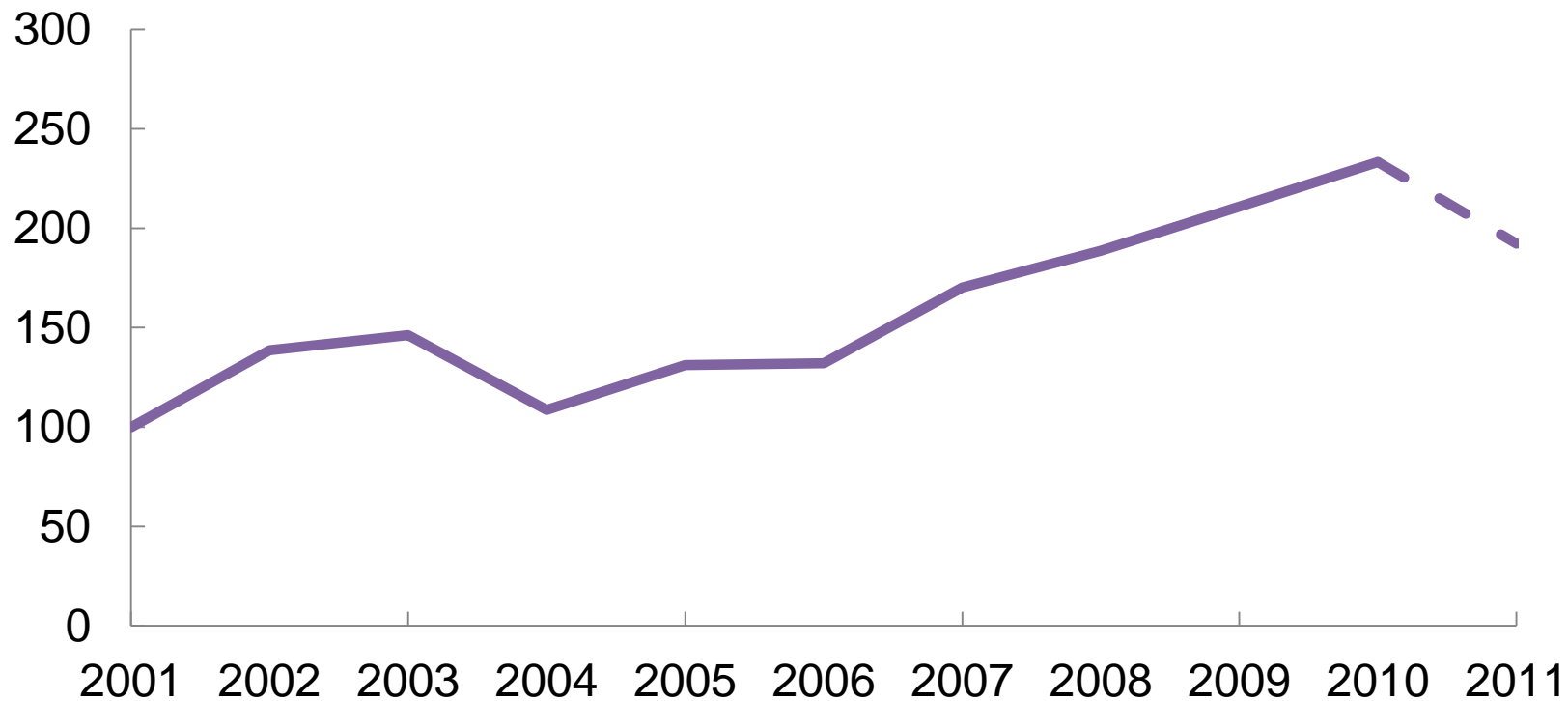


- Global risks still remain with weak & slow recovery
- Regional outlook is a little better than last year with varying growth by sub-region.
 - Increasing sign of bottoming out in PRC
 - No clear sign of recovery yet in India
 - Continued strong performance in ASEAN
 - Slow natural resource exports in Central Asia / the Pacific
 - Weak external environment for the highly-open East Asia
- Wider sub-regional variation after the GFC has important implications for regional integration

Regional integration deepening...but



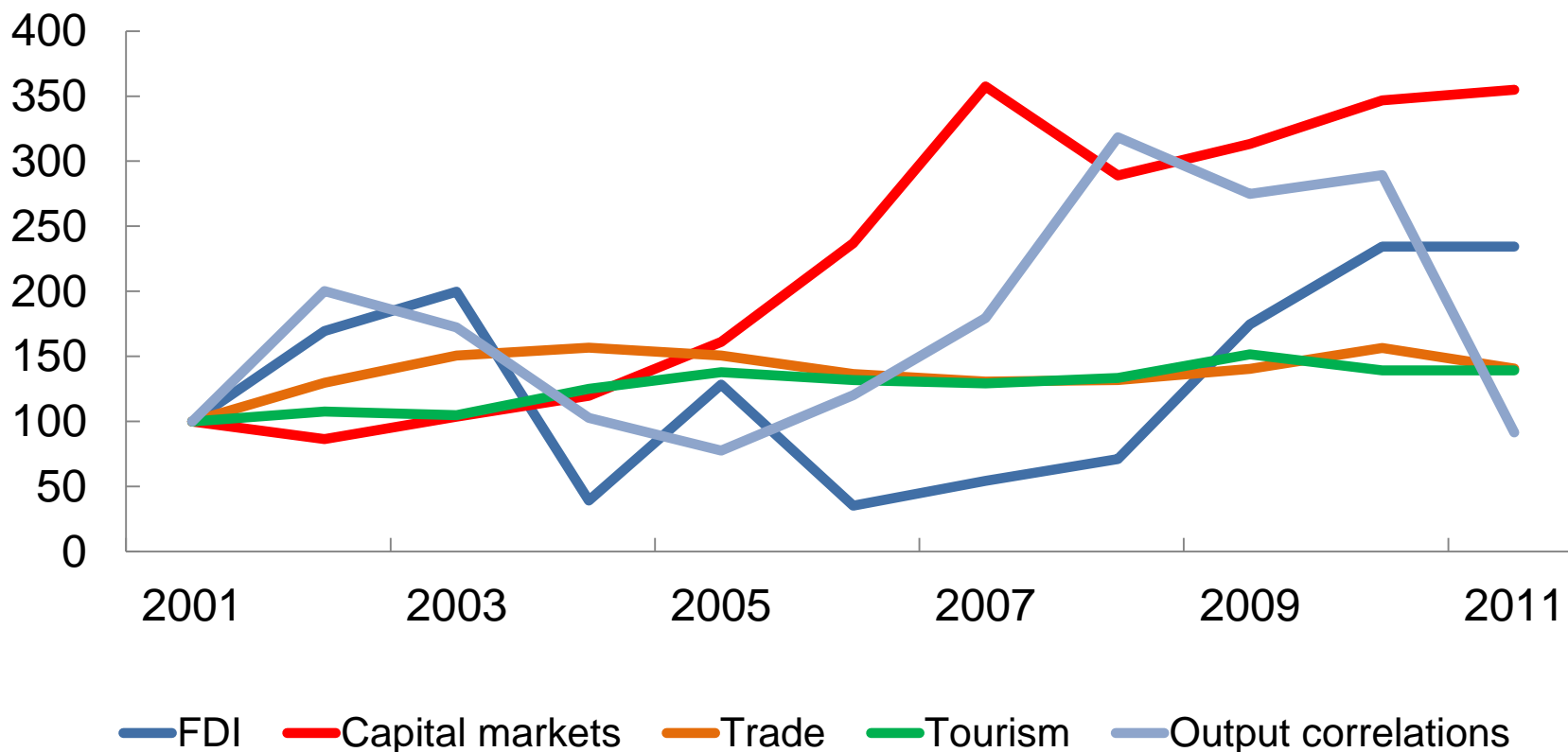
Composite Integration Index—Asia (2001=100)



The Five Indicators for regional integration



Integration Indexes—Asia (2001=100)



Changes in Five Indicators in 2000s



- No Significant progress in Trade and Tourism
 - The share of intraregional exports has remained unchanged at around 56% in 2011
 - Slow progress of service trade and labour mobility
- Significant progress in Financial Market
 - Unintended by product of financial crisis in the West?
- Recent progress in FDI
 - Developing Asia is becoming capital exporter
 - Evidence of credit crunch in the West?
- Sharp changes in output correlation after 2010

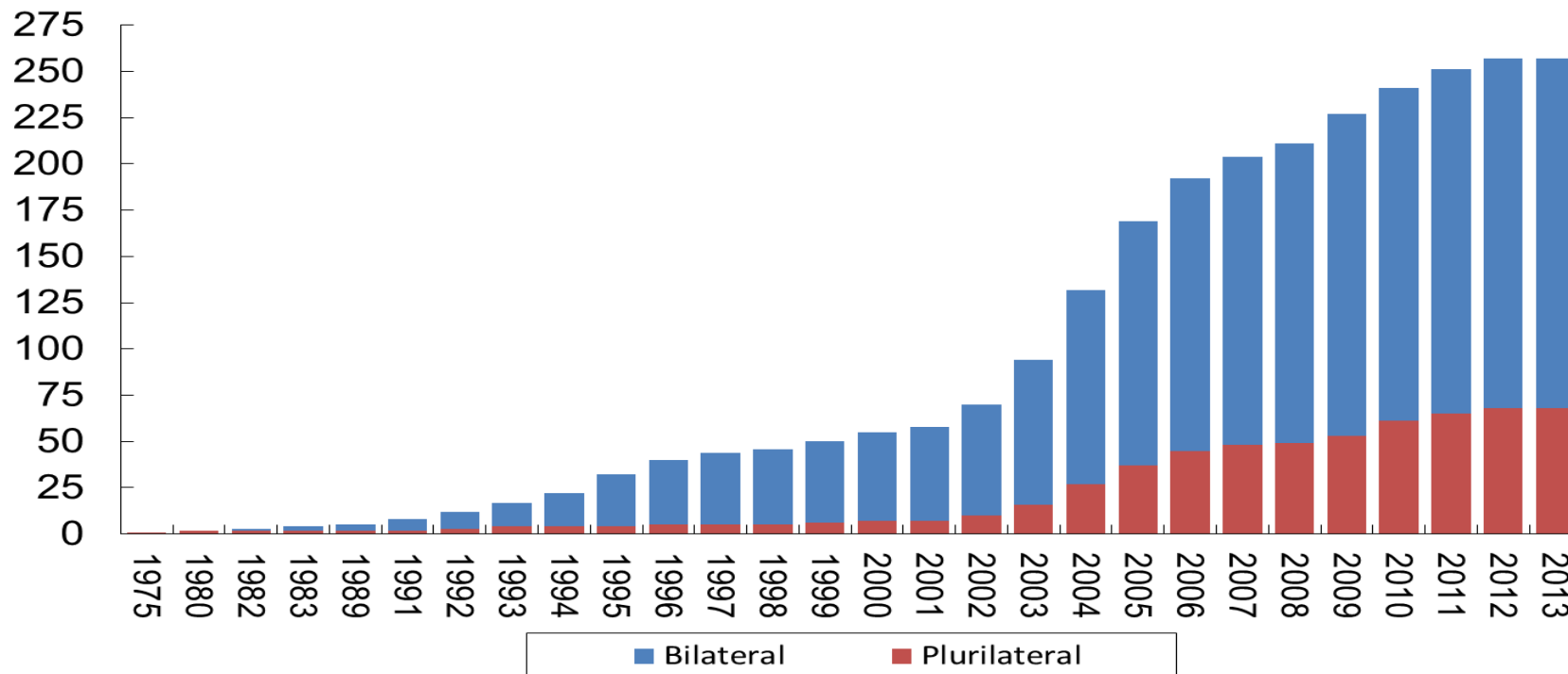
Future regional Integration is not preordained

- Growing sub-regional variation within Asia
- Easier cooperation achieved; new areas more complex
- Emerging regional trade blocs
- Institutional barriers for service trade and labor mobility
- Financing constraint for better connectivity and regional public goods
- Financial Integration and fear for Contagion
- Political will

FTAs proliferating...



FTAs by Scope (cumulative), selected years



FTA= free trade agreement.

Notes: Bilateral refers to a preferential trading arrangement involving only two parties. Plurilateral refers to a preferential trading arrangement involving more than two parties.

No new FTA was introduced in January 2013.

Source: *ARIC FTA database* (as of January 2013), Asian Development Bank.

...need to disentangle “Noodle Bowl”



- The DDA impasse has created an Asian noodle bowl with more than 100 ratified FTAs in Asia.
- Despite significant gains, FTA negotiations and implementation come at cost as evidenced by low utilization rates.
- Two key proposals to disentangle the Asian noodle bowl:
 - (1) Consolidation: regional FTAs to harmonize bilateral FTAs (ex: RCEP)
 - (2) Multilateralization: grant nondiscriminatory to non-members
- Interim steps: Harmonized reduction of MFN Tariffs and Dilution of Rules of Origin

Key Messages

- New global economic landscape requires greater regional cooperation
- Regional cooperation and integration progressing in Asia and the Pacific, but ..
- Easier cooperation achieved; future cooperation more complex and challenging
- Need to consolidate and multilateralize FTAs for freer trade and investment, but political reality?



Thank you!