

Seminar on RCI Knowledge and Priorities  
7 September 2012, Auditorium Zone B, ADB Headquarters, Manila, Philippines

## **Remarks on Regional Cooperation and Integration**

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### **1. Introduction**

Thank you for inviting me to deliver some remarks at this ADB *Seminar on RCI Knowledge and Priorities*. OREI has been active in promoting and disseminating regional cooperation and integration (RCI) knowledge through studies, the Asia Regional Integration Center (ARIC) website, and other means. Let me take this opportunity to reflect personally on the interesting journey we have undertaken together over the past few years to raise the profile of RCI knowledge in Asia and to position ADB as the major RCI promoter in the Asia and Pacific region.

Today, I shall talk about three topics: (i) ADB as the major RCI promoter in the Asia and Pacific region, (ii) the unfinished agenda for RCI, and (iii) collaboration within the ADB family on RCI issues.

### **2. Positioning ADB as the Region's RCI Promoter**

As you know, before OREI was created, the Regional Economic Monitoring Unit (REMU) acted as a kind of secretariat for the ASEAN+3 Finance Ministers' Meeting, especially on issues related to regional financial surveillance, capacity building, and coordination. When President Kuroda joined ADB, one of the first things he did was to upgrade REMU to the Office of Regional Economic Integration and to make it visible internationally.

One of my tasks as the first head of OREI was to formulate ADB's *RCI Strategy*, which was published in July 2006. After intense consultations and discussions, we agreed that ADB's interest in RCI issues could be captured in four pillars: (i) infrastructure; (ii) trade and investment; (iii) money and finance; and (iv) regional public goods. The RCI strategy helped shape ADB's *Strategy 2020* which featured RCI as one of ADB's five core areas of operations and set a target of 30% of total ADB lending to be on RCI projects by 2020. These two key strategies—OREI's *RCI Strategy* and the ADB-wide *Strategy 2020*—were designed to promote ADB's RCI operational work through regional strategies and programs by regional and other departments as well as to support the creation of RCI knowledge products.

A challenge of the newly-established OREI was to expand its activities beyond the original role played by REMU for the ASEAN+3 Finance Ministers and to interact effectively with other ADB departments and other regional institutions, such as the Association of Southeast Asian Nations (ASEAN), the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP), and the South Asian Association for Regional Cooperation (SAARC). Another challenge was to strengthen coordination within ADB—among knowledge departments and between knowledge and regional departments.

From a more academic perspective, one issue we had to deal with was to identify the link between RCI and poverty reduction, or, more directly, between RCI and economic growth. This was a major task for a number of reasons. First, although there were many who believed that enhancing economic integration and cooperation initiatives among regional members would eventually promote growth and prosperity, we had to identify a clear link

with poverty reduction, which remains ADB's overarching goal, and explain it to several stakeholders. We had to clarify that RCI was not an end in itself, but a means to reduce poverty in the region. We also had to explain the importance of regional projects, as we believed that eventually more RCI operations would help to promote the economic development of Asian developing member countries (DMCs). This has not always been an easy task, especially when we consider that the gains from regionalism tend to be uneven among participants in regional projects. In practice, however, countries have been increasingly opting for regional solutions, in addition to global and national initiatives.

Motivated by the need to integrate ADB's operational needs with several practical and theoretical issues related to RCI, we launched three corporate knowledge products: *Emerging Asian Regionalism* in 2008, *Infrastructure for a Seamless Asia* in 2009, and *Institutions for Regional Integration* in 2010. Last year, another important study, *Asia 2050*, was produced and in July of this year I was pleased to see the launch of the first issue of the *Asian Economic Integration Monitor*. Dr. Iwan Azis and his team in OREI deserve our thanks for producing this stimulating report.

### **3. The Unfinished Agenda for RCI**

After several years of work on RCI issues, we can claim to have a better understanding of how RCI works in Asia in a number of areas, such as infrastructure cooperation, regional public goods, and regional initiatives in other specific functional areas. However, the creation of knowledge products on RCI remains an unfinished agenda. Let me make five points:

First is link I mentioned above between RCI and economic growth. We need to study this relationship more deeply, in particular what we should avoid (costs) and what we should promote (benefits) to make sure that regional projects and initiatives contribute to DMCs' economic prosperity. This link is particularly important because it affects ADB's regional strategies and programs directly, its lending and TA operations, as well as ADB's role in promoting and assisting regional institutions such as the Credit Guarantee and Investment Facility, the ASEAN+3 Macroeconomic Research Office (AMRO), the ASEAN Infrastructure Fund, ASEAN, the Greater Mekong Subregional (GMS) program, SAARC, and the Central Asia Regional Economic Cooperation (CAREC).

Second is the identification of links between regionalism and globalism on the one hand, and between regional and national strategies on the other. On regionalism and globalism, we need to know more about the way RCI is linked to global economic cooperation and integration, especially how regional initiatives and institutions contribute to promoting a bottom-up approach that supports global initiatives and organizations. For example, it is important to analyze in detail the links between the Chiang Mai Initiative/AMRO and the IMF. We also need to examine the relationship between free trade agreement (FTA)-led regionalism and the multilateral approach of the World Trade Organization (WTO). On regional and national initiatives, we need to study how regionalism can help improve national strategies. We know, for example, there are positive links between participating in regional groupings and the formulation of national policies through the transfer of best practices and peer pressures. But we also know there are negative spillovers, such as the contagion that can follow shocks and crises, and we want to do more work on identifying the key factors that can ensure the final balance is positive.

Third is the need to increase awareness and disseminate knowledge about RCI issues among the general public, as well as to public officials and the media. RCI issues are well known to a small group of experts but more needs to be done to engage a wider audience of policymakers and think tanks and the general public. Here I see an important role for ARIC and OREI in general to play by further delivering capacity building programs, for example.

Fourth is the importance of further operationalizing RCI within ADB by designing, financing, and implementing genuine regional projects, as opposed to merely summing-up national projects. We also need to improve our classification of RCI projects within an enhanced results framework so we can fully consider needs and opportunities for regional projects. An important aspect related to the operationalization of RCI projects within ADB is the creation of a proper feedback system which would help monitor and evaluate the contributions provided by regional projects.

Finally, we may need to revisit the four pillars of the RCI strategy and see whether they are comprehensive enough to cover future issues and challenges. In particular, we may need to add a pillar dealing with labor migration, which is currently not included in any of the four. Cross-border migration is becoming a very important issue, and I noticed it is also one of the headings under the chapter on "Progress in RCI" of the *Asia Economic Integration Monitor*. Rising labor migration in Asia and the Pacific may require coordination not only of labor policies but also social protection, such as the pension system, across countries. Another issue of growing importance is the rapid increase in importance of regional public goods, from food and energy security to disaster risk management. I feel we need to look in more detail at the pillar related to regional public goods, define it more clearly, and relate it more directly to ADB's operations.

#### **4. Conclusion: Working Together on RCI Issues**

We have made progress over the last few years but more remains to be done. There is a large unfinished agenda for RCI and OREI and many players have to work together to study emerging challenges, train DMC officials, disseminate knowledge products, and transform this knowledge into concrete development projects to be financed by ADB and other funders. We have to continue to engage actively with government officials and think tanks in the Asia and Pacific region and to improve our work within the ADB family in a seamless manner. Our staff may need more recognition if they carry out RCI research and RCI-focused operations. The communities of practice are useful forums for spreading RCI knowledge and designing projects within ADB but they may need some strengthening. ADB's new Strategic Knowledge Forum and Knowledge Strategy, led by VP Lohani, are also useful developments.

May I close by drawing attention to ADBI's annual conference, which celebrates our 15th anniversary. We have selected the theme of *Growth and Regional Integration in Asia and the Pacific in 2013 and Beyond*. I would like to make this a truly collaborative event among the knowledge departments, and I hope you can all participate and exchange ideas on the future of RCI in Asia and the Pacific. Working together, we can make a tremendous contribution to RCI knowledge for future generations.

Thank you for your attention.