

RCI CHAT

The Monthly Newsletter of the Asia Regional Integration Center
Under the Office of Regional Economic Integration (OREI)

IN THE NEWS

Asian bourses deepen links for financial integration. On 4 August, the [Philippine Stock Exchange, Inc.](#) and [Deutsche Börse Market Data + Services](#) signed a memorandum of understanding to establish a market data partnership, which includes licensing current market data offerings, increasing distribution channels for real-time data and new product design and innovation. This is the third in a series of market data partnerships between Deutsche Börse and Asian exchanges, following partnerships in 2007 with the [Bombay Stock Exchange](#) and [China Securities Index](#). Meanwhile, on 24 August, Hong Kong Exchanges and Clearing Limited successfully completed a two-day connectivity test in preparation for the establishment of the [Hong Kong-Shanghai Stock Connect](#). The event was attended by 96 Exchange Participants (EPs) and seven non-EP Central Clearing and Settlement System participants.

UNESCAP stresses importance of regional connectivity for a shared Asian prosperity. At its [70th annual session](#) 7 August in Bangkok, Thailand, the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) discussed the post-2015 development agenda in terms of priorities for inclusive growth and regional sustainable development. The session, “Regional Connectivity for Shared Prosperity,” advocated a more integrated and transformational approach to connectivity as a regional public good.

ADB participates in joint venture for climate-related private equity investments in Asia. On 4 August, ADB, ORIX Corporation, and Robeco Institutional Asset Management B.V. announced the formation of a new joint venture, [Asia Climate Partners \(ACP\)](#). The company will invest in commercially-viable private equity investments throughout Asia, covering renewable energy, clean technology, natural resource efficiency, water, agriculture, forestry, and other climate-friendly companies and transactions. ACP will be based in Hong Kong, China, with an initial capitalization of \$400 million.

Republic of Korea and New Zealand holds 8th round of FTA negotiations. [FTA negotiations](#) between the Republic of Korea and New Zealand were held in Seoul, Republic of Korea 4–8 August. The two economies resumed [negotiations](#) on goods trade, investment, rules of origin, cooperation, and possible resolutions to outstanding issues. While yet to reach final agreement, negotiators agreed to continue work to conclude the negotiations.



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WHAT'S NEW IN ARIC



A new challenge faces Asia – one which could undermine rising living standards and reduce the gains from poverty reduction. [Productivity growth is slowing](#). Visit our [official webpage](#), like us on [f](#) and follow us on [t](#)!

ARIC Project Leader James Villafuerte speaks at #UnderstandingASEAN Series Talk 1. The Asia Society Philippines, in cooperation with the Asian Institute of Management ASEAN 2015 Project, hosted the inaugural session of its [Understanding ASEAN series, Part 1: ASEAN Identity](#) at the Asian Institute of Management. As panelist, Mr. Villafuerte described an ASEAN with economies in different states of readiness in terms of growth rates, trade and ability to attract foreign investment, among others.

ARIC welcomes Josef Yap.

Mr. Yap recently joined ARIC as an expert in financial integration and macroeconomic policy. He previously served as president of the Philippine Institute for Development Studies (PIDS) from 2005 to 2013. He is also currently lecturer at the University of the Philippines School of Economics.



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.



CROSS-BORDER INFRASTRUCTURE

GMS forum says economic corridors must produce more jobs and investment. Representatives of Greater Mekong Subregion (GMS) members joined the 6th [GMS Economic Corridors Forum](#) held 8 August in Ha Noi, Viet Nam. The meeting stressed that GMS economic corridors must yield greater benefits in terms of trade, investment, and job creation. They also reviewed achievements over the last 6 years and assessed progress on cross-border transport and trade initiatives in the region.

PRC plans railway link to Nepal, India, and Bhutan in 2020. A People's Republic of China (PRC) [railway line](#)—opened in Lhasa, Tibet in 2006—will be extended [across the rest of Tibet](#) in 2016-2020, with two border crossings; one with Nepal, the other with India and Bhutan. A proposal for New Delhi-Beijing economic cooperation has been discussed; with the PRC also suggesting a Trans-Himalayan zone of cooperation.

APEC Senior Officials finalizing platform for new growth. A 2-day [meeting of Senior Officials from the 21 Asia-Pacific Economic Cooperation \(APEC\) economies](#) was held 21–22 August in Beijing, PRC. Representatives finalized ambitious measures designed to accelerate growth in the Asia-Pacific region and to help ensure continued global recovery. Officials said they would finalize details of a new [APEC Blueprint on Connectivity](#)—a long-term work plan to identify gaps in the region's cross-border links and define targets for closing them.

ASEAN launches a new video series to promote regional connectivity awareness. The Association of Southeast Asian Nations (ASEAN) [launched a new video series on ASEAN Connectivity](#) 9 August to raise awareness of the opportunities and benefits of a well-connected region. The series explains the vision, rationale, and progress made in linking ASEAN members as the 2015 ASEAN Community milestone approaches.



TRADE AND INVESTMENT

Australia and Malaysia hold bilateral meeting on advancing trade and investment. Australia and Malaysia held a [bilateral meeting](#) 13 August in Melbourne, Australia to discuss trade and investment and review benefits from the existing Malaysia-Australia Free Trade Agreement (MAFTA). The two economies agreed to continue liberalizing services and new investment. They also agreed on the importance of concluding the trade-related Trans-Pacific Partnership (TPP) agreement and the Regional Comprehensive Economic Partnership (RCEP).

Papua New Guinea calls for expanded trade and investment with the Philippines. In a [letter](#) addressed to Philippine Trade Secretary Gregory Domingo, Papua New Guinea Minister for Trade Commerce and Industry Richard Maru cited investment opportunities in commercial fruit production. Maru noted investments would benefit from expanding local demand as well as duty-free access to neighboring Pacific economies and Europe. The Minister also called on the Philippine government to expand air links between the two countries to increase competition, reduce airfares, and increase business and tourism flows.

Malaysia notifies WTO of its safeguard investigation on hot rolled steel plate. On 18 August, Malaysia [notified](#) the Committee on Safeguards of the World Trade Organization (WTO) that it initiated a safeguard investigation on hot rolled steel plate, launched following an evaluation of a safeguard petition from domestic companies. Hot rolled steel plate products used for electrical and electronic products, automobiles and boiler and pressure vessel applications are excluded from the investigation. A safeguard investigation aims to find out whether increased imports of a product cause or threaten to cause serious injury to a domestic industry.

India appeals WTO decision in steel product dispute with the US. On 8 August, India filed an [appeal](#) to the WTO against Panel Report WT/DS436, “[United States – Countervailing Measures on Certain Hot-Rolled Carbon Steel Flat Products from India](#).” The appeal seeks to reverse “the panel’s erroneous application of law and legal interpretation” of the rules invoked, according to the Notification of Appeal.



MONEY AND FINANCE

Asian financial institutions strengthen payment and settlement links. On 28 July, the [Bank of Thailand](#) and Hong Kong Monetary Authority launched a new cross-border payment-versus-payment (PvP) link between Hong Kong, China's US Dollar (USD) real time gross settlement (RTGS) system and Thailand's Baht RTGS system. This follows previous links with [Bank Negara Malaysia](#) in 2005 and [Bank Indonesia](#) in 2008. The PvP system eliminates settlement risk in USD-Baht transactions and encourages new opportunities as the region's banking services expand.

ASEAN Exchanges gears up for ASEAN Economic Community 2015. Chief executive officers from member bourses of ASEAN Exchanges met 22 August to discuss ways to promote [ASEAN as a single asset class](#). The meeting, a step in further deepening capital markets in the region, came on the heels of three new [ASEAN FTSE indexes](#). The group also launched an [ASEAN Collective Investment Scheme \(CIS\) Framework](#) 25 August, which allows fund managers based in Singapore, Malaysia, and Thailand the opportunity to facilitate cross-border CIS offers to retail investors. Participating fund managers must follow a set of common ASEAN standards in managing retail funds.

Renminbi internationalization continues to spread. On 4 August, the [International Finance Corporation \(IFC\)](#) increased its outstanding 3-year bond by CNY750 million (\$121 million) to CNY 2.75 billion (\$444 million). IFC is now the largest single issuer of renminbi-denominated bonds on the London Stock Exchange.



REGIONAL PUBLIC GOODS

BASIC ministers meet ahead of Lima Climate Change Conference. Environment ministers from Brazil, India, South Africa, and the People's Republic of China (BASIC) [joined the 18th BASIC Ministerial Meeting on Climate Change](#) 7–8 August in New Delhi, India. The conference provided an opportunity for ministers to develop a coordinated approach to climate change negotiations. In a joint statement, ministers stressed the need to finalize the draft negotiating text for the 2015 agreement at the 20th session of the Conference of the Parties (COP 20) to the United Nations Framework Convention on Climate Change to be held in Lima, Peru in December 2014. They also reiterated that mitigation, adaptation, finance, technology development and transfer, transparency of action and support, and capacity building should be the six core elements for 2015.

ADB backs public-private hydropower project in the Lao PDR. On 15 August, [ADB signed a financing package](#) for a 290-megawatt public-private partnership hydropower project in the Lao People's Democratic Republic (Lao PDR). The financing package consists of a \$50 million direct loan and a BHT3.04 billion loan. It includes a B loan worth \$72 million for the Nam Ngiep 1 Hydropower Project, funded by The Bank of Tokyo-Mitsubishi UFJ, Ltd., Sumitomo Mitsui Banking Corporation, and Mizuho Bank, Ltd., with ADB as lender of record. The Japan Bank for International Cooperation and four Thai banks will also participate in the financing. The project will supply cost-efficient power to Thailand and provide revenue for the Lao PDR.

PRC and ASEAN discuss partnership for poverty reduction. On 7–8 August, the [8th ASEAN-\[People's Republic of\] China Forum on Social Development and Poverty Reduction](#) met in Nay Pyi Taw, Myanmar to examine how ASEAN and the PRC can collaborate to fight poverty and promote inclusive growth in the region. The forum brought together policymakers, scholars, international organizations, civil society organizations, and the media. They discussed solutions to key development issues and a South-South model for regional cooperation in reducing poverty in ASEAN and the PRC.

SEPTEMBER 2014 UPCOMING EVENTS

WEEK 1	1-5	Training on Trade Defense Measures and Other Trade Related Issues (Yangon, Myanmar)
	1-6	Workshop for ASEAN on Beyond Borders: Rethink ASEAN Ecotourism (Bangkok, Thailand)
	2	ADB/OECD Anti-Corruption Initiative for Asia-Pacific, 19 th Steering Group Meeting (Phnom Penh, Cambodia)
	2-3	APEC Energy Ministers Meeting (Beijing, PRC)
	3-4	ADB/OECD Anti-Corruption Initiative for Asia-Pacific, 8 th Regional Anti-Corruption Conference (Phnom Penh, Cambodia)
WEEK 2	3-4	High-level International Conference on the Role of Transport and Transit Corridors in Ensuring International Cooperation, Stability, and Sustainable Development (Ashgabat, Turkmenistan)
	8-9	Regional Energy Trade Workshop (Manila, Philippines)
	8-11	1 st ASEAN National Coordinators Meeting (Nay Pyi Taw, Myanmar)
	8-11	5 th ASEAN Connectivity Symposium (Nay Pyi Taw, Myanmar)
	11-12	11 th ASEM Finance Ministers' Meeting (FinMM11) (Milan, Italy)
WEEK 3	11-13	5 th Financial Stability Forum and 5 th Meeting of SEACEN Deputy Governors (Colombo, Sri Lanka)
	13	8 th APEC Tourism Ministerial Meeting (Macao)
	15-19	ADB Transport Forum 2014: Transport in the Asian Century (Manila, Philippines)
	17-19	4 th APEC Policy Partnership on Science, Technology and Innovation Meeting (Beijing, PRC)
	18-20	13 th Meeting of SEACEN Executive Committee (Kathmandu, Nepal)
WEEK 4	22-23	Asia-Pacific Trade Economists' Conference: "Trade in the Asian century - Delivering on the promise of economic prosperity" (Bangkok, Thailand)
	22-24	32 nd ASEAN Ministers on Energy Meeting and Associated Meetings (Vientiane, Lao PDR)
	23	UN Climate Summit 2014 (New York, US)
	23-24	SEACEN Financial Reporting Symposium 2014 (Kuala Lumpur, Malaysia)
	24	Aid for Trade and South-South value chains (Bangkok, Thailand)
	24-25	Asia-Pacific Trade Facilitation Forum 2014 (Bangkok, Thailand)
	24-26	ARTNeT introductory course on CGE modeling for trade policy analysis (Bangkok, Thailand)

PUBLICATIONS



ILO-ADB Report: ASEAN Community 2015: Managing Integration for Better Jobs and Shared Prosperity The Report highlights the challenges and opportunities that will accompany the ASEAN Economic Community (AEC), including managing labor migration, boosting productivity and wages, and improving job quality. It offers policy recommendations for creating better jobs and ensuring that the benefits of the AEC are equitably shared among economies and sectors. 2014



No. 136 - How Capital Flows Affect Economy-wide Vulnerability and Inequality: Flow-of-Funds Analysis of Selected Asian Economies Using flow-of-funds data, I. Azis and D. Yarcia find that the surge in liquidity in Asian financial systems has changed the behavior of agents and institutions. July 2014

No. 135 - Has Regional Integration Led to Greater Risk-sharing in Asia? With ongoing financial development and integration in Asia, it is important to ensure the benefits of integration outweigh the costs. In this paper, T.H. Ng and D. Yarcia analyze whether the degree of risk-sharing in East Asia has improved along with the observed rise in integration. July 2014

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NEW

A new challenge faces Asia—one which could
undermine rising living standards and
reduce the gains from poverty reduction.
Productivity growth is slowing.

Why is this important?
Why is it slowing?
How can we reverse the trend?
How can regional cooperation help?



Regional Cooperation and Productivity Gains for All

A project of the Asia Regional Integration Center aric.adb.org
Under the ADB Office of Regional Economic Integration (OREI)

Join the conversation now!

Visit our official webpage:

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