



IN THE NEWS

Trans-Pacific Partnership signed.

After more than 5 years of negotiations, representatives of the **12 member countries** signed the **Trans-Pacific Partnership (TPP)** on 4 February 2016 in Auckland, New Zealand. **TPP comprises 30 chapters**, setting a new standard for global trade while taking up next-generation issues. TPP members comprise nearly 40 % of global GDP, a market of more than 800 million people, and around one third of world trade. The next step for TPP members is to have the agreement passed by their respective legislatures and ratified within 2 years. If one or more members miss the ratification deadline, the TPP can still survive if at least six original signatories—accounting for 85% of the region’s 2013 GDP—complete ratification, preferably but not necessarily within 2 years.

Australia-PRC FTA enters into force.

The **Australia-the People’s Republic of China (PRC) Free Trade Agreement (FTA)** became effective 20 December. The FTA covers over 10 areas including goods, services, and investment. Currently, 85.4% of trade value between the two countries enjoys zero tariffs. On services trade, Australia uses a “negative list,” while the PRC employs a “positive list”—the

first ever services trade arrangement like this worldwide.

ADB and UNESCAP start a baseline study on the trade and transport facilitation.

On 13–15 January, ADB and the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) jointly conducted a workshop to speed creation of baseline studies to implement the **Trade and Transport Facilitation Monitoring Mechanism (TFMM) in Bangladesh, Bhutan, and Nepal**. The workshop (i) reviewed preparations for the conduct of Business Process Analysis plus methodology, time release studies, and time-cost-distance methodologies; (ii) discussed technical and operational details; and (iii) finalized national work plans for data collection and the analysis of baseline data.

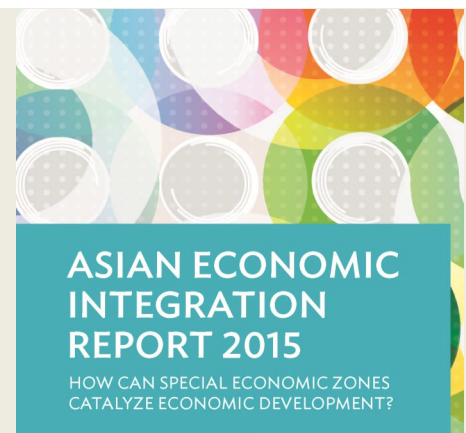
HIGHLIGHTS

Cross-Border Infrastructure: CAREC sets groundwork for CAREC 2020 review.

Trade and Investment: Three Republic of Korea FTAs become effective.

Money and Finance: 9th Asian Finance Forum discusses sustainable economic recovery.

Regional Public Goods: Pacific delegations join COP21 and sign Paris Agreement on Climate Change.



The **Asian Economic Integration Report (AEIR) 2015** was **launched** at the Lee Kuan Yew School of Public Policy on 8 December 2015. AEIR is an annual review of Asia’s regional economic cooperation and integration. This latest issue includes a special chapter, “How Can Special Economic Zones Catalyze Economic Development?” (see page 6)





CROSS-BORDER INFRASTRUCTURE



CAREC Midterm Review of CAREC 2020: Launch Workshop and Brainstorming
16-17 December 2015; Bangkok, Thailand

CAREC sets groundwork for CAREC 2020

review. Preparations for the Midterm Review (MTR) of the Central Asia Regional Economic Cooperation (CAREC) program's long-term strategy, CAREC 2020, began 16–17 December in Bangkok, Thailand. Academics from regional think tanks and government officials from CAREC members held a workshop to brainstorm and finalize the scope, approach, and process for preparing the **CAREC 2020 MTR**—to be presented to CAREC ministers in 2016.

UNESCAP organizes policy dialogue to enhance South Asian transport connectivity. UNESCAP held a **2-day conference** in Tehran, Iran 20–21 December to identify potential opportunities and challenges for strengthening subregional connectivity. These included discussion on ways to further strengthen transport connectivity by extending corridors along the Trans-Asian Railway and Asian Highway routes.

Multilateral development banks commit to scale up climate action in transport. Eight multilateral banks agreed to accelerate efforts to **mitigate transport emissions** and work toward making transport more resilient to climate change. ADB, the African Development Bank, CAF-Development Bank of Latin America, European Bank for Reconstruction and Development, European Investment Bank, Inter-American Development Bank, Islamic Development Bank, and the World Bank pledged to speed up climate finance, employ low-carbon transport solutions, and adapt to the effects of climate change.

UN program supports regional initiative to strengthen human and institutional ICT in Asia. The United Nations Asian and Pacific Training Centre for Information and Communication Technology for Development (UN-APCICT) organized a **regional dialogue** on ICT for Development Capacity Building for Inclusive, Resilient and

Sustainable Development and Annual Partners Meeting 1–4 December in Incheon, the Republic of Korea. The forum discussed how emerging ICT tools can be leveraged for good governance and public service delivery.

ADB enhances urban services in Viet Nam towns along the North-South GMS Economic Corridor. ADB approved a **\$100 million sovereign loan** to help boost urban and water services in Bac Giang, Mong Cai and Sa Pa—three towns along the North-South Economic Corridor within the Greater Mekong Subregion (GMS). Improved urban services in the towns, located at key points along the economic corridor, will contribute to Viet Nam's goal of becoming a modern industrial economy by 2020.

South Asian economies hold workshop to help implement their motor vehicle agreement. During the 3–4 December workshop held in Kolkata, India, participants shared knowledge on important protocols for implementing the **Bangladesh-Bhutan-India-Nepal Motor Vehicles Agreement (BBIN MVA)** and discussed the way forward to finalize protocols on cross-border movement of passenger vehicles. The implementing protocols contain specific provisions on customs and transport.



TRADE AND INVESTMENT

Three Republic of Korea FTAs become effective. Three bilateral FTAs with the Republic of Korea came into force 20 December. The [Republic of Korea-Viet Nam FTA](#) opens 94.7% of the Korean market and 92.4% of the Vietnamese market in terms of import volume. The [Republic of Korea-PRC FTA](#) gradually removes tariffs on more than 90% of goods trade within 20 years. The [Republic of Korea-New Zealand FTA](#) lowers tariffs on goods traded in two phases—first upon effectivity, and second on 1 January 2016. With two tariff cuts within such a short period, trade volumes are expected to rise quickly between the two economies.

The Philippines and EU begin FTA negotiations.

On 22 December, Philippine Secretary of Trade and Industry Gregory Domingo and European Union (EU) Trade Commissioner Cecilia Malmström agreed to launch negotiations on the [Philippines-EU FTA](#). The agreement will cover issues such as elimination of customs duties and other barriers to trade, services and investment, access to public procurement markets, restrictions on competition, and protection of intellectual property rights.

ADB Chief Economist visits Sri City for the industrial corridor study. ADB Chief Economist and Director General of Economic Research Shang-Jin Wei and a team of senior officials visited Sri City in India's Andhra Pradesh on 17 December as part of a study on the [Vizag-Chennai Industrial Corridor \(VCIC\)](#). A Special Economic Zone for export-oriented industries will be established in Sri City's Industrial Zone to support the 'Make in India' manufacturing initiative.

The PRC and Georgia launch FTA negotiations.

The PRC's Ministry of Commerce through International Trade Representative and Vice-Minister Zhong Shan signed a [Memorandum of Understanding \(MOU\)](#) formally launching the PRC-Georgia FTA negotiations on 10 December. Drawing from a feasibility study conducted in March 2015, an FTA between the two should enhance bilateral relations as well as trade.

Cambodia and Hungary sign investment protection agreement. Hungary's Minister of Foreign Affairs and Trade, Peter Szijjarto, signed an [investment protection agreement](#) with Cambodia to assure the success of Hungarian firms as well as to provide a \$26.7 million credit line to facilitate cooperation between Hungarian and Cambodian firms. Minister Szijjarto expressed increasing interest in Cambodia as an investment destination given the opportunities particularly in animal husbandry, software solutions, and water management expertise.



Source: Asian Financial Forum.

9th Asian Finance Forum discusses sustainable economic recovery.

Asian government officials, business leaders and academics met 18 January in Hong Kong, China for the **9th Asian Finance Forum**. The conference—*Asia: Shaping the New Paradigm for Growth*—covered the challenges of sustaining economic recovery amid volatile markets and declining commodity prices. They also discussed opportunities from the PRC’s “One Belt and One Road Initiative” in light of Hong Kong, China’s financial services as well as the PRC and ASEAN market opportunities.

ADB President Nakao congratulates AIIB head and founding members. On 16 January, the Asian Infrastructure Investment Bank (AIIB) held its **opening ceremony** in Beijing, PRC. Jin Liqun is AIIB’s inaugural president and leads the Multilateral Secretariat. President Nakao said ADB will cooperate closely with AIIB in supporting infrastructure development in the Asia and the Pacific region.

Stock exchanges and central banks forge new agreements with counterpart. The National Stock Exchange of India signed an **MOU** with the London Stock Exchange Group 9 December to create a joint research center to focus on developing capital market products and services, indexes and debt markets. On 10 December the Singapore Exchange (SGX) launched **SGX Bond Pro**, the first over-the-counter venue for Asian corporate bonds. The People’s Bank of [the Republic of] China and the Central Bank of the Russian Federation signed an **MOU** 17 December to deepen bilateral financial cooperation.

Renminbi becomes part of the IMF-SDR currency basket. The PRC renminbi officially became part of the

International Monetary Fund’s special drawing rights (IMF-SDR) basket of currencies 30 November. IMF Executive Director Christine Lagarde said “the Executive Board’s decision to include the renminbi in the SDR basket is an important milestone in the integration of the Chinese economy into the global financial system.” The IMF believes the SDR will become more attractive through further diversification, better representing the world’s major currencies.

SEACEN Governors agree to improve domestic resilience. Hosted by the Bangko Sentral ng Pilipinas, the 51st Conference and High-level Seminar of the South East Asian Central Banks (SEACEN) Governors and **35th Meeting of the SEACEN Board of Governors** were held 25–27 November. Participants discussed the need to improve resilience, particularly domestic sources of resilience, due to increased uncertainty in economic growth and financial stability. They also stressed the need to improve surveillance and strengthen financial safety nets among SEACEN members.



REGIONAL PUBLIC GOODS



Source: Secretariat of the Pacific Community.

Pacific delegations join COP21 and sign Paris Agreement on Climate Change.

The Paris Agreement signed 12 December includes **key elements crucial to the Pacific region**, including a 1.5 degrees Celsius cap over preindustrial temperatures, a strengthened mechanism for loss and damage, and provisions for scaled up and simplified access to climate finance for small island developing states. The inclusion of the loss and damage provision acknowledges vulnerable states and small island economies in the Pacific. Secretariat of the Pacific Community (SPC) Environment Program Director General David Sheppard commended the leadership and efforts of Pacific leaders present at the Paris meeting.

ASEAN women entrepreneurs meet to promote economic inclusion and business mainstreaming. More than 150 women entrepreneurs from ASEAN gathered 14 December in Ha Noi, Viet Nam to **discuss efficient business models, practices, and lessons learned** in fostering women enterprises and to prepare a work plan for 2016–2017. The work plan supports women entrepreneurs to reduce gender disparities and narrow the development gap across the region. The ASEAN Women Entrepreneurs (AWEN) conference was conducted by the US Agency for International Development in collaboration with the ASEAN Small and Medium Enterprise working group.

Pacific Community reaffirms commitment to end AIDS epidemic. The SPC joined the **commemoration of World AIDS Day** 1 December to continue work on raising awareness on issues relating to HIV and AIDS. SPC is working with national governments and development partners to support key health services to vulnerable segments of the population as part of the Pacific Sexual and Well-Being Shared Agenda. The SPC will also continue to work with Pacific Island economies to ensure they meet the HIV elimination target under the UN Sustainable Development Goals.

APEC prioritizes quality growth and human development. During APEC's **Senior Officials Meeting** held 11 December in Lima, Peru, officials agreed on priorities for 2016, including advancing regional economic integration and quality growth; enhancing regional food markets; modernizing micro, small and medium enterprises; and developing human capital. These were initially set out at the APEC Leaders Meeting in Manila, Philippines in November. Peru is the APEC Chair for 2016.



Source: ADB.

AEIR 2015 Special Chapter: How Can Special Economic Zones Catalyze Economic Development?

Special economic zones (SEZs) can play a catalytic role in economic development, provided the right business environment and policies are put in place. In Asia, SEZs can facilitate trade, investment, and policy reform. But not all SEZs succeed and lessons can be drawn from failed experiments (see table).

For SEZs to be successful, they must establish strong backward and forward linkages with the overall economy. Effective SEZs must be an integral part of dynamic national development strategies and evolve as economies develop by transforming from manufacturing bases to technological platforms for innovation and modern services.

Why SEZ's Fail

Wrong positioning	Vision and position define SEZ goals and strategies. Over-ambition and unenthusiastic pursuit are two mistakes often found in developing SEZs. They usually stem from unrealistic assessments of existing conditions and potential by the host city.
Industrial islands	SEZs should not be designed as industrial islands, without plans linking business and commerce and—more importantly—building the amenities needed to make the zone livable. An industrial park built without living areas cannot attract high-skilled labor.
Rent-seeking and policy competition	SEZs use preferential policies, which may lead to policy competition between them. In the meantime, if policy support imposes no costs or obligations on firms, it can make firms seek rents and become footloose.
Land uses	Governments may claim large amounts of land for setting up SEZs. As an incentive, land is usually provided for development and charged below market price. In some cases, large tracts of arable land are utilized, forcing many farmers off their land and increasing the compensation cost of land.
Lack of localized strategy	Attracting foreign direct investment (FDI) is one of the primary aims of most SEZs, especially in initial stages. Overreliance on FDI is risky given its sensitivity to labor and land costs. Some SEZs, however, do not have effective plans to develop local production capacity by making the best use of opportunity and spillover effects of FDI on technological promotion and upgrading industrial value chains. Technological spillover is often less in foreign companies than domestic ones. This is perhaps because foreign companies are reluctant to build research and development departments overseas and afraid of divulging technological secrets.

Download the full report [here](#).



FEBRUARY 2016–MARCH 2016 RCI EVENTS CALENDAR

	FEBRUARY 2016		MARCH 2016
3	ASEAN Intergovernmental Commission on Human Rights (AICHR) Workshop on Transition between Former and Incoming AICHR Representatives (Vientiane, the Lao People's Democratic Republic (Lao PDR))	9	6th UNWTO Silk Road Ministers' Meeting at ITB Berlin (Berlin, Germany)
4-5	20th Meeting of the ASEAN Intergovernmental Commission on Human Rights (Vientiane, the Lao PDR)	10	5th UNWTO Silk Road Tour Operators' Forum (Bangkok, Thailand)
13	APEC Workshop on Improving Catastrophic Risk Data (Lima, Peru)	22-25	Boao Forum for Asia Annual Conference (Boao, PRC)
15-16	APEC Finance and Central Bank Deputies' Meeting (Lima, Peru)		
19	ASEAN+3 Macroeconomic Research Office Opening Ceremony (Singapore)		
20-24	APEC Global Supply Chain Integrity Workshop (Lima, Peru)		
22-23	Anti-Corruption and Transparency Working Group Meeting (Lima, Peru)		
22-24	Capacity Building Workshop on Existing International Investment Agreements in the APEC Region, Relevance, Emerging Trends and Challenges (Lima, Peru)		
22-25	Regional Human Rights and Media Forum – “Applying human rights-based approach to news reporting” (Nadi, Fiji)		
22-25	ASEAN Finance and Central Bank Working Group Series Meetings (Vientiane, the Lao PDR)		
24	APEC Market Access Group Meeting (Lima, Peru)		
25	APEC Trade Policy Dialogue on Digital Trade (Lima, Peru)		
25-26	APEC Technical Group on TIVA Meeting (Lima, Peru)		
25-26	APEC Investment Experts' Group Meeting (Lima, Peru)		
26	APEC Electronic Commerce Steering Group – Paperless Trading Sub-Group Meeting (Lima, Peru)		



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