

ADB

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Abbreviations and Acronyms

ADB	Asian Development Bank	HQLA	high quality liquid assets
ADB I	Asian Development Bank Institute	ICT	information and communication technology
AEIM	Asian Economic Integration Monitor	IMF	International Monetary Fund
AFC	1997/98 Asian financial crisis	IMT-GT	Indonesia–Malaysia–Thailand Growth Triangle
AFTA	ASEAN Free Trade Area	IATA	International Air Transport Association
APEC	Asia–Pacific Economic Cooperation	ISPS Code	International Ship and Port Facility Security Code
ARIC	Asia Regional Integration Center	Lao PDR	Lao People’s Democratic Republic
ASEAN	Association of Southeast Asian Nations	LCR	liquidity coverage ratio
ASEAN+3	ASEAN plus the People’s Republic of China, Japan, and the Republic of Korea	LPI	Logistics Performance Index
ASEAN-4	Indonesia, Malaysia, the Philippines, and Thailand	LHS	left-hand scale
ASEAN+6	ASEAN plus Australia, the People’s Republic of China, India, Japan, the Republic of Korea, and New Zealand	MFN	most favored nation
BIMP-EAGA	Brunei Darussalam–Indonesia–Malaysia–Philippines East ASEAN Growth Area	MoPs	margins of preference
BoJ	Bank of Japan	NAFTA	North American Free Trade Agreement
BoK	The Bank of Korea	NTBs/ NTMs	non-tariff barriers or measures
BPM	Balance of Payments Manual	OFW	overseas Filipino workers
BPO	business process outsourcing	OREI	Office of Regional Economic Integration
BSA	Bilateral Swap Arrangement	OWWA	Overseas Workers Welfare Administration
CAREC	Central Asia Regional Economic Cooperation	PBOC	People’s Bank of China
CIS	computer and information services	PECs	Pan-European Cumulation System
CMIM	Chiang Mai Initiative Multilateralisation	PMI	purchasing managers’ index
CROP	Council of Regional Organisations of the Pacific	PNG	Papua New Guinea
DDA	Doha Development Agenda	PRC	People’s Republic of China
DMC	developing member country	q-o-q	quarter-on-quarter
EMEAP	Executives’ Meeting of East Asia Pacific Central Banks	RBI	Reserve Bank of India
EU	European Union	RCEP	Regional Comprehensive Economic Partnership
EU-6	France, Germany, Italy, the Netherlands, Spain, and the United Kingdom	RCI	regional cooperation and integration
EWEC	East–West Economic Corridor	RHS	right-hand scale
FAL	Convention on Facilitation of International Maritime Traffic	ROOs	rules of origin
FDI	foreign direct investment	saar	seasonally adjusted annualized rate
FSM	Federated States of Micronesia	SAARC	South Asian Association for Regional Cooperation
FTA	free trade agreement	SAFTA	South Asian Free Trade Area
FY	fiscal year	SASEC	South Asia Subregional Economic Cooperation
GDP	gross domestic product	SCS	submarine cable system
GFC	2008/09 global financial crisis	SEACEN	South East Asian Central Banks
GMS	Greater Mekong Subregion	SOLAS	Safety of Life at Sea
G3	Group of Three (eurozone, Japan, and the United States)	SEC	Southern Economic Corridor
G7	Group of Seven (Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States)	TCIS	telecommunication, computer and information services
G20	Group of Twenty (Argentina, Australia, Brazil, Canada, the People’s Republic of China, France, Germany, India, Indonesia, Italy, Japan, the Republic of Korea, Mexico, Russian Federation, Saudi Arabia, South Africa, Turkey, the United Kingdom, the United States, and European Union)	TLP	Trade Liberalization Programme
		TPP	Trans-Pacific Partnership
		UN	United Nations
		UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
		VAR	vector autoregression
		US	United States
		WTO	World Trade Organization
		y-o-y	year-on-year

HIGHLIGHTS

Regional Economic Update

- Despite a still weak external environment, most of developing Asia will likely see their economies improve on increased domestic demand and a modest recovery in export growth; GDP is forecast to rise 6.6% in 2013 from 6.0% last year.
- The economic outlook for developing Asia is subject to three major risks: (i) an economic slowdown in the US from missed fiscal deadlines; (ii) a worsening eurozone debt crisis; and (iii) destabilizing capital flows.
- Given the evolving global economic landscape, developing Asia's policymakers should not let short-term adjustments interfere with the longer-term goal of a more balanced, sustainable, inclusive, and integrated economy.

Progress in Regional Cooperation and Integration

- Regional integration progressed as the 2008/09 global financial and eurozone debt crises brought greater cooperation to Asia; yet, deepening cooperation will likely be more challenging.
- As advanced economies are readjusting, Asia continues to deepen initiatives and explore new ways to enhance regional cooperation, collaboration and coordination.
- Despite a shift in direction of Asia's exports, the share of intraregional exports has remained unchanged at around 56% in 2011.
- Trade in services is increasingly important to Asia, though its growth remains below trade in goods; Asia should prioritize service exports as a new growth channel—particularly modern services.

- The 2008/09 global financial crisis accelerated financial integration, with intraregional asset holdings rising and Asian investors increasing bond purchases from the People's Republic of China (PRC) and Japan.
- Since 2008, Asia's equity returns have converged in response to global shocks; co-movements in bond yields, however, have not changed much since 2000, as they are mostly affected by local events.
- Examining the correlation between consumption and output growth in Asia shows risk sharing to be quite small, even if there has been some increase over time.
- Intraregional remittances within Asia are rising rapidly, indicating growing intraregional labor mobility; as intra-Asian migration grows, better management to avoid conflict is an essential challenge to future cooperation.
- While regional connectivity is improving, demand continues to rise faster than supply, widening the infrastructure gap.
- As tariffs decline globally, transport and trade transaction costs, along with other non-tariff barriers, are becoming more important; cross-border procedures need to be simplified, harmonized, and use international best practices.
- Increasing interdependence underlines the importance of regional public goods in addressing both global and regional issues—such as climate change and the environment, epidemics, disaster preparedness, good governance, and cross-border crime.
- Financing and the delivery of regional public goods remain challenges to regional cooperation; as do institutional design and the standards used to deliver regional public goods.

- Currency swap arrangements have been used widely since the 2008/09 global financial crisis and have become a major form of central bank coordination; the PRC is expanding its network of swap agreements to promote trade settlement in local currencies—facilitating bilateral trade and investment and the internationalization of its currency.

Special Chapter: Multilateralizing Asian Regionalism—Approaches to Unraveling the Asian Noodle Bowl

- The proliferation of free trade agreements (FTAs) has been greatest in Asia; the global multilateral impasse has helped create an Asian noodle bowl, with more than 100 ratified FTAs involving at least one Asian economy.
- Two key proposals have been advanced to disentangle the Asian noodle bowl: consolidation—which creates a regional FTA to harmonize bilateral FTAs; and multilateralization—which grants nondiscriminatory preferences to nonmembers, eliminating preference discrepancies.
- The ASEAN-led Regional Comprehensive Economic Partnership could pave the way for consolidating ASEAN FTAs under a single regional agreement, although it is still too early to tell.
- Multilateralization can proceed from a consolidated regional FTA, or economies can seek multilateralization independently; but they both must overcome competing interests that lose from the dilution of preferences.
- Although consolidation and multilateralization are not mutually exclusive—consolidation is a means; multilateralization is the end—history shows that unilateral actions (of which multilateralization is a special case) are not only feasible but account for most trade liberalization to date.

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The Asian Economic Integration Monitor is a semiannual review of Asia's regional economic cooperation and integration. It covers the 48 regional members of the Asian Development Bank. This issue includes a special chapter—Multilateralizing Asian Regionalism: Approaches to Unraveling the Asian Noodle Bowl.

About the Asian Development Bank

ADB's vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries reduce poverty and improve the quality of life of their people. Despite the region's many successes, it remains home to two-thirds of the world's poor: 1.7 billion people who live on less than \$2 a day, with 903 million struggling on less than \$1.25 a day. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

Based in Manila, ADB is owned by 67 members, including 48 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.

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