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How to reach us:
Asian Development Bank
Office of Regional Economic Integration
6 ADB Avenue Mandaluyong City
1550 Metro Manila, Philippines
Telephone: +63 2 632 4444
Fax: +63 2 636 2444
www.adb.org

For orders, please contact:
Department of External Relations
Fax: +63 2 636 2648
E-mail: adpub@adb.org

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Abbreviations and Acronyms

ADB  Asian Development Bank
ADB Institute  Asian Development Bank Institute
AEIM  Asian Economic Integration Monitor
AFC  1997/98 Asian financial crisis
AFTA  ASEAN Free Trade Area
ARIC  Asia-Pacific Economic Cooperation
ASEAN  Association of Southeast Asian Nations
ASEAN+3  ASEAN plus the People's Republic of China, Japan, and the Republic of Korea
ASEAN+4  Indonesia, Malaysia, the Philippines, and Thailand
ASEAN+6  ASEAN plus Australia, the People's Republic of China, Japan, the Republic of Korea, and New Zealand
BIMP-EAGA  Brunei Darussalam–Indonesia–Malaysia–Philippines East ASEAN Growth Area
BoJ  Bank of Japan
BoK  The Bank of Korea
BPM  Balance of Payments Manual
BPO  business process outsourcing
BSA  Bilateral Swap Arrangement
CAREC  Central Asia Regional Economic Cooperation
CIS  computer and information services
CMIM  Chiang Mai Initiative Multilateralisation
CROP  Council of Regional Organisations of the Pacific
DDA  Doha Development Agenda
DMC  developing member country
EMEAP  Executives' Meeting of East Asia Pacific Central Banks
EU  European Union
EU-6  France, Germany, Italy, the Netherlands, Spain, and the United Kingdom
EWEC  East–West Economic Corridor
FAO  Food and Agriculture Organization
FAL  Convention on Facilitation of International Maritime Traffic
FDI  foreign direct investment
FSM  Federated States of Micronesia
FTA  free trade agreement
FY  fiscal year
GDP  gross domestic product
GFC  2008/09 global financial crisis
GMS  Greater Mekong Subregion
G3  Group of Three (eurozone, Japan, and the United States)
G7  Group of Seven (Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States)
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)
HQLA  high quality liquid assets
ICT  information and communication technology
IMF  International Monetary Fund
IMT-GT  Indonesia–Malaysia–Thailand Growth Triangle
IATA  International Air Transport Association
ISPS Code  International Ship and Port Facility Security Code
Lao PDR  Lao People's Democratic Republic
LCR  liquidity coverage ratio
LPI  Logistics Performance Index
LHS  left-hand scale
MFN  most favored nation
MoPs  margins of preference
NAFTA  North American Free Trade Agreement
NTBs/ NTMs  non-tariff barriers or measures
OFW  overseas Filipino workers
Orell  Office of Regional Economic Integration
OWWA  Overseas Workers Welfare Administration
PBOC  People's Bank of China
PECS  Pan-European Cumulation System
PMI  purchasing managers' index
PNG  Papua New Guinea
PRC  People's Republic of China
q-o-q  quarter-on-quarter
RBI  Reserve Bank of India
RCEP  Regional Comprehensive Economic Partnership
SAARC  South Asian Association for Regional Cooperation
SAFTA  South Asian Free Trade Area
SASEC  South Asia Subregional Economic Cooperation
SCS  submarine cable system
SEACEN  South East Asia Central Banks
SOLAS  Safety of Life at Sea
SEC  Southern Economic Corridor
TCIS  telecommunication, computer and information services
TPP  Trade Liberalization Programme
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
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.
Asian Economic Integration Monitor March 2013

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.