

Asian Economic Integration Monitor

OCTOBER 2013





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Asian Development Bank

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Printed in the Philippines.

ISBN 978-92-9254-308-2 (Print), 978-92-9254-309-9 (PDF)
Publication Stock No. RPS136096-3

Cataloging-In-Publication Data

Asian Development Bank.
Asian Economic Integration Monitor—October 2013.
Mandaluyong City, Philippines: Asian Development Bank, 2013.

1. Regionalism 2. Subregional cooperation 3. Economic development 4. Asia
I. Asian Development Bank.

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Note:

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 Printed on recycled paper.

The *Asian Economic Integration Monitor (AEIM)* was prepared by a team from the Office of Regional Economic Integration (OREI), under the guidance of the Vice President for Knowledge Management and Sustainable Development Bindu N. Lohani. OREI is headed by Iwan J. Azis, and the AEIM team was led by Arjun Goswami and Lei Lei Song. Alisa Di Caprio, Shintaro Hamanaka, Junkyu Lee, Jayant Menon, Thiam Hee Ng, Takaaki Nomoto, Lei Lei Song, Myo Thant, and James Villafuerte authored individual sections. The AEIM was peer-reviewed by OREI staff and Joseph Lim. ADB regional departments and the ADB Institute also provided comments and suggestions. Damaris Yarcia, Mitzirose Legal, and consultants from the Asia Regional Integration

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Abbreviations and Acronyms

ACIA	ASEAN Comprehensive Investment Agreement	HP filter	Hodrick-Prescott filter
ADB	Asian Development Bank	IAI	Initiative for ASEAN Integration
AEC	ASEAN Economic Community	IHR	International Health Regulations
AEIM	Asian Economic Integration Monitor	IMT-GT	Indonesia–Malaysia–Thailand Growth Triangle
AFAS	ASEAN Framework Agreement on Services	IPR	intellectual property rights
AFTA	ASEAN Free Trade Agreement	ISEAS	Institute of Southeast Asian Studies
AI	avian influenza	Lao PDR	Lao People's Democratic Republic
APTA	ASEAN Preferential Trading Agreement	LDCs	least developed countries
ARIC	Asia Regional Integration Center	LHS	left-hand scale
ASEAN	Association of Southeast Asian Nations (Brunei Darussalam, Cambodia, Indonesia, the Lao People's Democratic Republic, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Viet Nam)	MFN	most favored nation
ASEAN+3	ASEAN plus the People's Republic of China, Japan, and the Republic of Korea	MRAs	Mutual Recognition Agreements
ASEAN-4	Indonesia, Malaysia, the Philippines, and Thailand	NAFTA	North American Free Trade Agreement
ASEAN-5	Indonesia, Malaysia, the Philippines, Thailand, and Viet Nam	NBER	National Bureau of Economic Research
ASW	ASEAN single window	NIEs	Newly industrialized economies (Hong Kong, China; the Republic of Korea; Singapore; and Taipei, China)
ATIGA	ASEAN Trade in Goods Agreement	NSWs	national single windows
BIMP-EAGA	Brunei Darussalam–Indonesia–Malaysia–Philippines East ASEAN Growth Area	NTBs/NTMs	non-tariff barriers/non-tariff measures
CARI	CIMB ASEAN Research Institute	OECD	Organisation for Economic Co-operation and Development
CAREC	Central Asia Regional Economic Cooperation	PPP	purchasing power parity
CEPT	common effective preferential tariff	PRC	People's Republic of China
CLM	Cambodia, the Lao People's Democratic Republic, Myanmar	QE	Quantitative Easing
CLMV	Cambodia, the Lao People's Democratic Republic, Myanmar, Viet Nam	q-o-q	quarter-on-quarter
DSU	dispute settlement understanding	RCEP	Regional Comprehensive Economic Partnership
EA-9	Emerging Asia-9 (ASEAN-4, NIEs, India)	RCI	regional cooperation and integration
EDSM	Enhanced Dispute Settlement Mechanism	RHS	right-hand scale
ERIA	Economic Research Institute for ASEAN and East Asia	RIETI	Research Institute of Economy, Trade, and Industry
EU	European Union	RTA	Regional Trade Agreement
FDI	foreign direct investment	saar	seasonally adjusted annualized rate
FTA	free trade agreement	SARS	Severe Acute Respiratory Syndrome
FY	fiscal year	SASEC	South Asia Subregional Economic Cooperation
GATS	General Agreement on Trade in Services	SDT	special and differential treatment
GATT	General Agreement on Tariffs and Trade	TA	trade assistance
GDP	gross domestic product	TPP	Trans-Pacific Partnership
GFC	global financial crisis	UNCTAD	United Nations Conference on Trade and Development
GMS	Greater Mekong Subregion	UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
G3	eurozone, Japan, and the United States	US	United States
G7	Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States	US Fed	US Federal Reserve
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 the European Union)	WTO	World Trade Organization
		y-o-y	year-on-year

HIGHLIGHTS

Regional Economic Update

- The gradual, plodding economic recovery in the G3 has begun to strengthen.
- Despite the slightly more positive external environment, developing Asia's growth will likely slow slightly this year before picking up next year.
- The economic outlook for developing Asia is subject to three major risks: (i) increased volatility in global and regional financial markets—in particular due to uncertainties over monetary and fiscal policies in advanced economies; (ii) a more pronounced slowdown in major regional economies than expected—such as the PRC, India, or Indonesia—which will affect other economies within the region; and (iii) a disruption in the G3 recovery.
- Short-term responses are needed to bolster the foundations of financial stability and avoid deterioration in market confidence; and the recent financial turmoil is a timely reminder of the need for continued structural reform.
- Compared with other regions, services trade in Asia is strong relative to trade in goods—in intraregional trade share and trade intensity.
- Recent capital flow volatility in response to US monetary policy announcements underscores emerging Asia's high degree of interdependence with the world economy—a lingering effect of the 2008/09 global financial crisis on Asia's financial integration.
- Growing human and animal mobility across a more integrated Asia has made the prevention of disease transmission an increasingly important regional public good.
- More correlated business cycles between the PRC and the rest of emerging Asia indicate rising macroeconomic interdependence; nonetheless, co-movements with Japan remain strong and the region appears more “coupled” today with the US economy than before 2003.
- Migrant workers continue to make substantial contributions to Asian economies, even if growth in remittances has generally slowed this year; the expanding movement of workers across borders makes the need for regional talks on labor mobility more urgent.

Regional Cooperation and Integration

- Five years after the global financial crisis, the world economy remains in transition; policy responses in advanced economies have been unpredictable, adding to market uncertainty, fueling volatility, and threatening economic stability.
- Market uncertainty increases vulnerability to shocks, particularly in emerging economies; thus, strengthening regional dialogue, cooperation, and integration is critical to sustain growth.
- While there is mixed progress in regional cooperation and integration in Asia—uneven across subregions—most subregions show growing intra-Asian links in trade, finance, and tourism.
- Although national measures continue to protect domestic markets from external competition, regional dialogue and cooperation is increasingly important to craft regional solutions to the key challenges facing the region.

Theme Chapter I: Toward an ASEAN Economic Community—and Beyond

- ASEAN seeks to create an ASEAN Economic Community (AEC) by 31 December 2015; although it is unlikely to meet all of its targets by the deadline, it nonetheless has come a long way in the process of establishing an AEC.
- Overall, the AEC Scorecard shows that, since 2008, ASEAN has made slow but steady progress (68% by 2011) in reaching AEC targets.
- Even if reform proceeds apace, the real test for the AEC will lie in the years beyond 2015—in trade facilitation, liberalization of services, investment, labor mobility and competition policy, among others, and how all of these are implemented.

Theme Chapter II: World Trade Facilitation Negotiations—Asian Perspectives

- Trade facilitation is important to ensure equal access to the potential benefits of trade and regional integration—the WTO's December Ministerial Conference in Bali will try to approve a multilateral trade facilitation framework.
- The open framework would bring efficiency gains for non-members' future negotiations and augment resources through special and differential treatment for more challenged states.
- Over the long run, preferential regional trade facilitation measures—as with FTAs in general—should be multilateralized on a de facto basis to reduce the administrative burden.

Asian Economic Integration Monitor October 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 two theme chapters: i) Toward an ASEAN Economic Community—and Beyond; and ii) World Trade Facilitation Negotiations—Asian Perspectives.

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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