ASIAN ECONOMIC INTEGRATION REPORT 2025

HARNESSING THE BENEFITS OF REGIONAL COOPERATION AND INTEGRATION

ASIAN DEVELOPMENT BANK

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ISBN 978-92-9277-251-2 (print); 978-92-9277-252-9 (PDF); 978-92-9277-253-6 (ebook)
Publication Stock No. SGP250106-2
DOI: http://dx.doi.org/10.22617/SGP250106-2

Notes:
In this publication, “$” refers to United States dollars, “€” refers to euros, “B” refers to baht, “NZ$” refers to New Zealand dollars, “SLRs” refers to Sri Lanka rupees, “SUM” refers to sum, and “Tk” refers to taka.

ADB recognizes “China” as the People’s Republic of China, “South Korea” as the Republic of Korea, “USA” as the United States, and “Vietnam” as Viet Nam.

Cover design by Erickson Mercado.

All masthead photos are from ADB.

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FOREWORD

Asia and the Pacific is expected to continue its relatively strong economic performance despite waning global growth momentum post pandemic. Nonetheless, the region must continue to adjust to changes in the environment for international trade and investment caused by evolving geopolitical tensions.

While forecasts vary by subregion and economy, continued strong domestic demand has been supplemented by the semiconductor upcycle, in particular strong demand for higher-end products associated with artificial intelligence. Shifts in supply chain structure will likely continue to be fueled by political shifts and trade policies in advanced economies. The region's ability to attract new foreign investment (including intraregional) remains high.

The *Asian Economic Integration Report 2025: Harnessing the Benefits of Regional Cooperation and Integration* explains and analyzes how regional integration has deepened over the past 2 decades, influenced by both long-term trends and recent global events. It examines changes in cross-border activities in trade and global value chains, foreign direct investment, finance (or portfolio investment), migration, remittances, and tourism. While trade integration in the region now rivals that of the European Union plus the United Kingdom, foreign direct investment and people mobility remain steady with financial integration lagging behind.

Among subregions, Southeast Asia continues to lead in regional integration, with East Asia relatively strong as well. The People's Republic of China, despite its own domestic economic issues, continues to expand its economic integration across the region, particularly with Southeast Asia and South Asia. The region continues to shift toward more resilient, regional supply networks, particularly in upgrading its supply and value chains. Rising geoeconomic fragmentation due to continuing global policy shifts, while posing growing challenges, nonetheless offers new opportunities for the region to strengthen integration by facilitating intraregional flows of goods and services, capital, people, and knowledge. Unlocking the great potential economic integration holds for the region requires further efforts to strengthen regional economic cooperation and partnerships in the areas of trade, investment, macroeconomic and financial stability, and cross-border connectivity.

This report hopefully will stimulate dialogue and discussion on how deeper regional cooperation and economic integration can help the region navigate challenges posed by the evolving geopolitical landscape without losing sight of the long-term vision of a more green, inclusive, and sustainable Asia and the Pacific.

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ACKNOWLEDGMENTS

The Asian Economic Integration Report (AEIR) 2025 was prepared by the Regional Cooperation and Integration Division (ERCI) of ADB's Economic Research and Development Impact Department (ERDI), under the overall supervision of ERCI Director Jong Woo Kang. Kijin Kim coordinated the overall production, assisted by Mara Tayag. ERCI consultants under Technical Assistance 10136: Asian Economic Integration: Building Knowledge for Policy Dialogue, 2023–2025 (Subproject 3) contributed data compilation, research, and analysis.

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The section on "Regional Cooperation Initiatives in Asia" in Chapter 1 was consolidated by Paulo Rodelio Halili based on contributions by regional departments in ADB: Lyaziza Sabyrova, Dorothea Lazaro, and Carmen Maria Garcia Perez of the Central and West Asia Department; Thiam Hee Ng, Dongxiang Li, Masato Nakane, Pia Reyes, Lani Garnace, and Esnerjames Fernandez of the South Asia Department; Alfredo Perdiguero, Maria Josephine E. Duque-Comia, Jason Rush, Asadullah Sumbal, and Sophia Castillo-Plaza of the Southeast Asia Department; Hsiao Chink Tang of the East Asia Department; and Kaukab Naqvi, Rustam Ishenaliev, Maria Melei, and Kayleen Gene Calicdan of the Pacific Department. Melanie Pre of the RCI and Trade Division, Climate Change and Sustainable Development Department provided data on RCI-related commitments.

Background papers were provided by Manuel Albis, Mara Tayag, and Jong Woo Kang for Chapter 1: Overview; Emily Blanchard, Will Olney, Amelia Santos-Paulino, Claudia Trentini, and Rolando Avendano, with data support from Camille Reverdy for Chapter 3: Cross-Border Investment; Josef Yap as well as Daniel te Kaat and Alexander Raabe for Chapter 4: Financial Integration; Isaacs Leon, Jon Capal, and Maria Cherry Lyn Rodolfo for Chapter 5: Movement of People. The report benefited from comments and suggestions provided by the participants of "AEIR 2025 Workshop: Harnessing the Benefits of Regional Cooperation and Integration" held on 20 September 2024. Helpful comments were also provided by ADB's regional departments. The overall guidance and comments of ADB Chief Economist Albert Park are gratefully acknowledged.

Guy Sacerdoti and James Unwin edited the manuscript. Joseph Manglicmot typeset and produced the layout. Erickson Mercado created the cover design and assisted in typesetting. Tuesday Soriano proofread the report. Clemence Fatima Cruz, Rainiel Aquino, Carol Ongchangco, and Joshua Anthony Gapay assisted in proofreading and page proof checking. Support for AEIR 2025 printing and publishing was provided by the Printing Services Unit of ADB's Corporate Services Department and by the Publishing and Dissemination Unit of the Department of Communications and Knowledge Management. Carol Ongchangco, Amiel Bryan Esperanza, Angel Love Roque, Nanette Lozano, and Arielle Fajardo provided administrative and secretarial support and helped organize the AEIR workshops, launch events, and other AEIR-related webinars and briefings.

ABBREVIATIONS

ADB	Asian Development Bank
ABF	Asian Bond Fund
ABMI	Asian Bond Markets Initiative
APEC	Asia-Pacific Economic Cooperation
ARCII	Asia-Pacific Regional Cooperation and Integration Index
ASEAN	Association of Southeast Asian Nations
BIMSTEC	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation
BLA	bilateral labor agreement
CAREC	Central Asia Regional Economic Cooperation
CMIM	Chiang Mai Initiative Multilateralisation
CPIS	Coordinated Portfolio Investment Survey
PRC	People’s Republic of China
EU	European Union
FDI	foreign direct investment
FTA	free trade agreement
GCAP	green city action plan
GDP	gross domestic product
GMS	Greater Mekong Subregion
GMSKN	GMS Knowledge Network
GVC	global value chain
HS	Harmonized System
ICT	information and communication technology
IFD	Investment Facilitation for Development
IMF	International Monetary Fund
IMT-GT	Indonesia–Malaysia–Thailand Growth Triangle
KYC	know-your-customer
M&A	merger and acquisition
MFN	most-favored nation
MNE	multinational enterprise

MOU	memorandum of understanding
MRA	mutual recognition arrangement
MTR	midterm review
OECD	Organisation for Economic Co-operation and Development
PNG	Papua New Guinea
PPP	public–private partnership
PRIF	Pacific Region Infrastructure Facility
PSDI	Private Sector Development Initiative
PTA	preferential trade agreement
RCEP	Regional Comprehensive Economic Partnership
RCI	regional cooperation and integration
RoO	rules of origin
RTA	regional trade agreement
RVC	regional value chains
SAARC	South Asian Association for Regional Cooperation
SASEC	South Asia Subregional Economic Cooperation
SDG	Sustainable Development Goal
SMEs	small and medium-sized enterprises
TA	technical assistance
UK	United Kingdom
UN	United Nations
UNCTAD	United Nations Trade and Development
US	United States
WTO	World Trade Organization

HIGHLIGHTS

Economic integration has been pivotal in Asia and the Pacific's remarkable economic growth and rapidly rising global clout over the past 2 decades. Asian Development Bank (ADB) estimates indicate that the degree of Asia's trade integration is comparable to that of the European Union plus the United Kingdom (EU+UK).[1] Regional integration in foreign direct investment (FDI) has also advanced significantly, although less than trade integration. Migration, remittances, and tourism—or "movement of people"—have remained steady. Financial integration has been the lowest, being lower than in trade, investment, and movement of people, and has lagged behind that of the EU+UK. This progress in regional integration has been supported by various projects, programs, and policy dialogue. Cooperation through trade facilitation, along with the development of transport and economic corridors, has helped advance integration across the region. Expanding digital connectivity and efforts to address climate change—supported by shared national and regional commitments—are strategic areas for future cooperation and integration in regional public goods.

Although the expansion of preferential trade agreements (PTAs) across the region underscores its strong commitment to regional integration and global connectedness, its PTAs remain relatively narrow and shallow and have had limited impact. The significant rise in PTAs, now comprising 45% of all global PTAs, underscores Asia's drive for expanding market access and deepening economic partnerships—even amid slow multilateral progress. However, estimated average exports increased by 3% among Asian PTA members compared with 20% in the more comprehensive agreements outside Asia. PTAs primarily intensify existing trade flows (intensive margin) without significantly broadening the diversity of traded goods (extensive margin). This trend is seen across intra-Asian PTAs, where the impact on manufacturing is modest compared to agreements outside Asia. Consequently, trade gains under Asian PTAs tend to be concentrated in specific sectors, particularly primary sectors, rather than producing broad-based trade expansion. The low utilization rates across PTAs often result from complex administrative requirements, stringent rules of origin, and limited understanding of PTA benefits, particularly for small and medium-sized enterprises.

Services, digital, and green industries have become major areas for foreign investment in Asia, while economies should embrace policy options to mitigate the impact of geopolitical risks. Asia continues to show strong intraregional linkages, with FDI among Asian members accounting for an average 52% of regional FDI from 2013 to 2023. FDI in services is now the main driver of foreign investment in Asia—its average share grew to 58% during the past decade from 46% over the previous decade. Digital and green FDI continues to redefine Asia's investment landscape. Climate-related greenfield investments as a share of regional greenfield investment rose from 8% in 2013 to 27% in 2023. This was in part possible due to the expansion of renewable industries and deployment of electric vehicle supply chains across Southeast Asia. Global investment patterns have been influenced by geopolitical tensions as well as major industrial developments and changing policy environment in host economies. ADB estimates suggest that greenfield investments in trade-exposed sectors experienced sharper declines than other sectors during periods of increased geopolitical tensions, while ASEAN economies attracted significantly higher FDI primarily driven by the PRC. Regional economies need to continually work to improve the overall business climate and ease restrictions to FDI.

1 Asia refers to the 49 members of ADB in Asia and the Pacific, which include Australia, Japan, and New Zealand in addition to 46 developing economies.

Global monetary easing could increase capital inflows into the region, bringing with it important macroeconomic and policy implications. The global monetary easing since mid-2024 can help strengthen capital inflows due to smaller policy rate differentials between the US and the euro area on the one hand, and Asian economies on the other. While this also expands room for monetary policy easing across the region, each economy must remain vigilant against the risks of potential swings in capital flows and exchange rate volatility in case of unexpected economic shocks. It is vital to use regional cooperation to boost financial integration and maximize its benefits while minimizing costs due to vulnerabilities from any negative regional spillovers. Stronger regional cooperation can also harmonize disclosure standards and promote targeted financial instruments to help develop regional capital markets and promote sustainable finance when coping with the risks of climate change and environmental degradation.

The growth and ease of Asian labor migration has benefited from increased regional cooperation. The increasing use of digital platforms in channeling remittances enhances access to the formal financial system and promotes financial inclusion. The region's bilateral labor agreements are increasingly being used to provide access to work opportunities for low-skilled and semiskilled migrant workers. In addition, regional trade agreements, along with mutual recognition arrangements, have supported high-skilled labor mobility. However, these have had limited impact on high-skilled Asian migrants due to their minimal coverage for developing Asian economies, narrow occupational scope, and high implementation costs. Digital remittances, supported by an efficient regulatory environment, can help bring down remittance costs, which currently average 5.9% per transaction in Asia—above the 3% target of the United Nations 2030 Sustainable Development Goals. Regional cooperation should focus on leveraging digitalization in cross-border payments while narrowing the digital divide. Continuous financial and digital education, alongside best practice exchanges, would also help reduce barriers to financial access and enhance digital financial literacy.

Accelerating regional cooperation on improving physical and institutional connectivity will increase tourism competitiveness and resilience, unlocking the industry's potential for economic development. International arrivals in Asia grew at an average annual rate of 7.6% from 2010 to 2019, outpacing the global annual average of 5.1%—increasing the intraregional tourism share from 73.1% to 77.3%. As at least 60% of tourists to Asia arrive by air, good infrastructure and logistics are essential to support the flow of tourists. Land transportation is important for destinations that share common international borders. For institutional connectivity, visa policies are strongest in Southeast Asia, followed by Central Asia and East Asia. ADB research shows the important role connectivity plays in promoting tourism. Transportation infrastructure, in addition to other tourism infrastructure, positively influences international tourist flows and boosts the attraction of Asian destinations. Regional connectivity can help attract long-haul travel from outside the region and strengthen intraregional tourism as well. Priority investments in airport infrastructure and logistics, along with liberalizing and harmonizing policies on cross-border travel requirements, are crucial to increase tourist flows and foster the industry's contribution to growth.

EXECUTIVE SUMMARY

Regional integration across Asia and the Pacific has progressed steadily over the past 2 decades, led by integration in trade and investment. The Asian Development Bank (ADB) estimates indicate the degree of Asia's trade integration is comparable to that of the European Union plus the United Kingdom (EU+UK).[2] Regional integration in foreign direct investment (FDI) has also advanced significantly, although less than trade integration. Migration, remittances, and tourism—or "movement of people"—have remained steady. Financial integration had the lowest level of integration among the four dimensions, also lagging behind the level in the EU+UK. Economic integration varies across Asian subregions. Southeast Asia leads with greater integration in trade, finance, and movement of people, while East Asia is strong in FDI and movement of people, with the Pacific and Oceania well integrated in trade and FDI. Over the past 2 decades, the People's Republic of China (PRC) has become a key driver of regional integration on cross-border trade and a significant partner in investment and financial flows with Southeast Asia and South Asia. In addition, FDI and financial flows have driven closer connectivity between Asian and non-Asian economies.

ADB's Asia-Pacific Regional Cooperation and Integration Index (ARCII) highlights the dynamics of integration across Asian subregional initiatives. These efforts to deepen regional integration among members have grown through various projects, programs, and policy dialogues. Cooperation through trade facilitation, along with transport and economic corridor development, have helped advance integration across the region. Expanding digital connectivity and the increased efforts to address climate change and environmental issues—supported by shared national and regional commitments—are strategic areas for future cooperation in strengthening cooperation and integration in areas of regional public goods.

Trade and Global Value Chains

Asia's increasing integration into regional value chains (RVCs) underscores a shift toward more resilient, regionally focused supply networks. RVCs have gained importance across the region as economies rely more on regional sourcing to enhance supply chain resilience and mitigate global trade risks. Asia's intraregional trade value also increased by an annual average of 8.2% from 1990 to 2023, faster than the growth of extraregional trade at 6.8%. As of 2023, Asia's intraregional trade share stood at 56.1%, lower than in the European Union but substantially higher than in Africa and Latin America. An indicator of RVCs, which measures the share of trade in value-added attributed to regional trade, reveals a high dependency on RVCs for backward global value chain integration in economies like Bhutan, Cambodia, the Lao People's Democratic Republic (PDR), Malaysia, Nepal, the Philippines, and Viet Nam—all with RVC shares above 70%. By contrast, economies like the PRC, India, and Kazakhstan have RVC shares below 40%, indicating a lower degree of regional integration. This pattern of RVC dependence also extends to forward linkages, where economies such as Bhutan, Brunei Darussalam, Indonesia, the Lao PDR, Malaysia, and Mongolia maintain high RVC shares. Between 2000 and 2023, RVC integration generally increased, with forward linkages growing faster,

[2] Asia refers to the 49 Asia and Pacific members of the Asian Development Bank (ADB), which includes Japan and Oceania (Australia and New Zealand) in addition to 46 developing Asian economies.

suggesting a gradual shift toward regionalization. In particular, the PRC has become a leading supplier of intermediates within Asia, with its forward RVC share rising from 0.31 in 2016 to 0.47 in 2023, a shift likely influenced by heightened geopolitical tensions.

The expansion of preferential trade agreements (PTAs) across the region underscores the region's strong commitment to regional integration and global connectedness. The number of intra-Asian PTAs surged from 4 in 1990 to 77 by 2023. In addition, there were over 100 agreements with economies outside the region. This significant rise in PTAs, comprising 45% of all global PTAs, underscores Asia's drive for expanding market access and deepening economic partnerships even amid slow multilateral progress. Several factors contribute to the increase in PTAs in Asia. While high most-favored nation (MFN) tariff rates decrease the likelihood of forming PTAs—reflecting complementarity between multilateral and preferential trade liberalization—the relationship is nonlinear. When trade volumes are substantial, very high MFN tariffs can increase the likelihood of negotiating PTAs, reflecting efforts to mitigate trade barriers. Trade volume between partners positively correlates with PTA formation, driven by motives to stabilize and formalize existing trade ties. This effect initially decreases as MFN tariffs rise, while extremely high MFN rates combined with high trade volumes increase the likelihood of PTA formation.

Asian PTAs now include emerging areas such as services and investment, but they remain narrower than non-regional agreements with shallower goods-related commitments, limiting their impact on trade flows and diversification. Although intra-Asian PTAs increasingly cover areas such as trade-related investment measures, visas and asylum, investment, education and training, and consumer protection, they remain narrower than the agreements outside Asia. Holding the (average) level of gross domestic product (GDP) per capita and distance between trade partners constant, an intra-Asian agreement is expected to include 10% less of the 18 core PTA provisions relative to agreements signed between non-Asian economies. While Asian PTAs cover services, investment, and movement of capital relatively well—reflecting the region's focus on deepening economic integration—many agreements remain shallow in areas directly impacting goods trade market access such as rules of origin (RoO), export restrictions, technical barriers, and trade facilitation. In terms of intra-Asian PTAs, 36% include comprehensive trade-facilitating RoO provisions compared to 48% in agreements involving non-Asian economies. PTAs between Asian economies also tend to have fewer members than those signed by the economies outside of the region. These lead to differences in the impact of PTAs, with average exports estimated to increase by 3% among Asian PTA members compared with 20% in more comprehensive agreements outside Asia. PTAs primarily intensify existing trade flows (intensive margin) without significantly broadening the diversity of traded goods (extensive margin). This trend is seen across intra-Asian PTAs, where the impact on manufacturing is modest compared to agreements outside Asia. Consequently, trade gains under Asian PTAs tend to be concentrated in specific sectors, particularly primary sectors, rather than producing broad-based trade expansion.

The growing network of agreements has created significant complexity and administrative challenges. The rapid expansion of PTAs across Asia shows a strong commitment to regional integration. But their overlapping "noodle bowl" effect increases complexity and administrative burdens. Compliance requirements, particularly for small and medium-sized enterprises and the developing members in agreements at various levels of economic advancement, limit PTA utilization, especially where multiple agreements overlap. The Regional Comprehensive Economic Partnership (RCEP) is a good example. Only 0.67% of Vietnamese exports to RCEP members were covered by an RCEP certificate of origin in 2022, as opposed to 34.7% for the Association of Southeast Asian Nations (ASEAN)–Japan and Viet Nam–Japan Economic Partnership Agreements combined. Low utilization rates across PTAs often result from complex administrative requirements, stringent RoO, and limited understanding of PTA benefits, particularly for small and medium-sized enterprises. Strengthening negotiating capacities, especially in plurilateral agreements covering many partners and non-trade areas, can help increase the depth of commitments and provide better clarity in legal texts, reducing ambiguity in interpretation and implementation. Targeted technical assistance—particularly in new areas such as digital trade and sustainable trade, along with streamlined RoO and reduced nontariff barriers—can further improve utilization rates, unlocking greater trade benefits, and supporting global value chain resilience.

Cross-Border Investment

Services, digital and green industries have emerged as main areas for foreign investment in Asia. The region continued to show strong intraregional linkages, with FDI among Asian members accounting for an average of 52% of regional FDI from 2013 to 2023. As in other emerging regions, FDI in services is now the main driver of foreign investment, with its average share growing to 58% in the past decade from 46% in the previous decade. The expansion of FDI in digital industries has also been a major shift, with investments in digital infrastructure, e-commerce, and digital services expanding rapidly. Regional investments in telecommunications and IT industries, particularly in South Asia, have stood out. Green FDI continues to redefine the investment dynamics in Asia. Climate-related greenfield investments as a share of total greenfield investment rose from 8% in 2013 to 27% in 2023. This is supported by major industrial developments, such as the expansion of renewable industries and deployment of electric vehicles supply chains in Southeast Asia. While Asia's position as a global manufacturing hub has favored foreign investment, regional efforts remain important. Various subregional initiatives are driving investment facilitation efforts, such as the ASEAN Investment Facilitation Framework and investment facilitation mechanisms in the Brunei Darussalam–Indonesia–Malaysia–Philippines East ASEAN Growth Area (BIMP-EAGA) and the Central Asia Regional Economic Cooperation (CAREC) Program.

Asian economies should strengthen policy efforts to mitigate the impact of geopolitical risks. Despite persistent shocks, FDI inflows to Asia have remained resilient. Investments from multinationals remained robust, with the value in greenfield projects growing on average by 14% from 2013 to 2023 and mergers and acquisitions by 16% over the same period. Global investment patterns have been influenced by geopolitical tensions as well as major industrial developments and changing policy environment in host economies. ADB estimates suggest that greenfield investments in trade-exposed sectors experienced sharper declines than other sectors during periods of increased geopolitical tensions, while ASEAN economies attracted significantly higher FDI flows driven primarily by the PRC. Strengthening regional trade linkages through free trade agreements and other policy measures could support regional FDI flows, in particular efficiency-seeking investments.

Ensuring investment policy coherence—whether international, regional, or domestic—is critical for economies to benefit from FDIs and support broader development objectives. Investment policies continue to develop across the region at all levels of government. Internationally, the modernization of Asia's investment treaty network is gradually moving forward, with economies terminating or upgrading old agreements to introduce stronger provisions on the definition of investment, public interest obligations, and dispute mechanisms, and including more robust investment chapters or provisions in trade agreements. Investment facilitation has gained traction as an effective FDI inducement strategy. However, according to the German Institute of Development and Sustainability (IDOS) and the World Trade Organization (WTO) Investment Facilitation Index, Asia's investment facilitation score remains on average 14% lower than Europe's and 23% lower than North America's, suggesting much room for improvement. Ensuring coherence across investment policy instruments and convergence with other policy areas will be critical for enhancing the quality of FDI in the region. Regional economies need to continually work toward improving the overall business climate along with easing restrictions to FDI.

Financial Integration

Global monetary easing will likely increase capital inflows into the region, bringing with it important macroeconomic and policy implications. Cross-border assets increased from 55% to 83% of regional gross domestic product (GDP) from 2010 to 2020 before settling at 75% in 2023. Cross-border liabilities followed a similar path. Over the same period, intraregional asset and liability exposures rose from 27% to 36%, and from 30% to 37%, respectively. On balance, the intraregional share of cross-border exposures remained unchanged over 2022–2023. Specifically, on the asset side, the intraregional share of the inward portfolio equity and debt stocks fell slightly to 21% each, while the intraregional shares for FDI rose to 51%. On the liability side, the intraregional shares of the portfolio debt stock were 30%, and the stock of portfolio equity and bank liabilities were 20% and 44%, respectively. The global monetary easing since mid-2024 can help strengthen capital inflows due to larger policy rate differentials between the US and the euro area on the one hand, and Asian economies on the other. While this also expands room for monetary policy easing in the region, each economy in the region must remain vigilant against the risks of potential capital flow swings and exchange rate volatility in the case of unexpected economic shocks.

Regional financial cooperation has been a key driver of economic stability and prosperity in Asia. Cross-border financial flows benefit growth and prosperity in Asia through lower cost of capital, expanded resource pools for investment, and enhanced international risk sharing, helping reduce income and consumption volatilities. Increased openness supports economic competitiveness, with knowledge transfers nurturing regional capital markets. Regional cooperation was paramount following the 1997–1998 Asian financial crisis in driving integration as it led to major advances in deepening the region's capital markets, expanding safety nets as buffers against global shocks, and creating effective communication channels during crises. The Chiang Mai Initiative Multilateralisation (CMIM) and the ASEAN+3 Macroeconomic Research Office (AMRO) grew to become the institutional backbone of regional financial stability. Several other initiatives launched under the auspices of the ASEAN Economic Community solidified ASEAN as the key anchor for financial cooperation in Asia.

Reinvigorating regional cooperation can help realize the full potential of regional financial integration. Financial integration in Asia has decelerated over the past decade, both relative to other regions and other integration dimensions such as trade. It is vital to harness the potential of regional cooperation to boost integration and maximize its benefits while minimizing costs due to vulnerabilities from negative regional spillovers. Primarily, this includes strengthening regional financial safety nets in addition to prudent domestic macroeconomic and financial management. Key steps include (i) increasing the pool of emergency funding available from the CMIM, (ii) broadening the scope of its lending instruments such as the new Rapid Financing Facility, (iii) improving governance of regional financing arrangements in association with "(i)" and "(ii)", and (iv) continuously improving regional surveillance. In addition, regional cooperation must live up to new policy challenges, such as geoeconomic fragmentation, technological innovations, public health emergencies, climate change, and biodiversity loss. These new frontiers require improved macroeconomic surveillance, smooth cross-border payments, and innovative financing to help cope with structural challenges. Stronger regional cooperation can also harmonize disclosure standards and promote targeted financial instruments to help develop regional capital markets and promote sustainable finance.

Movement of People

Migration has been integral to Asia's development, with Asians accounting for one in every three cross-border migrants. The number of out-migrants from the region reached 94.6 million in 2021 from 49.5 million in 1990. Led by migrants from South Asia and Southeast Asia, they have increasingly sought more opportunities beyond the region—65% in 2021, up from 53.6% in 1990—notably in the Middle East and North America. Meanwhile, persons from Oceania, East Asia, and Southeast Asia actively migrate within the subregion. The overall intraregional migration share remained at an average of 39.5% during the period.

Increased cross-border mobility of Asian labor migrants has benefited from increased regional cooperation over the last 2 decades. In particular, Asian economies actively participated in bilateral labor agreements, serving as at least one of the parties in 58% of such agreements from 1990 to 2020, underscoring Asia's growing role as both a source and destination for low- and semiskilled migrant workers. In addition, regional trade agreements, along with mutual recognition arrangements, have supported high-skilled labor mobility. However, these measures have had limited impact on high-skilled Asian migrants due to minimal coverage for developing Asian economies, narrow occupational scope, and high implementation costs. To maximize migration's development impact, models like Skills Mobility Partnerships, designed to benefit all stakeholders—migrant workers, origin and destination economies—could promote net gains from labor migration. Incorporating development aspects, such as remittance facilitation, into bilateral labor agreements could lead to more positive outcomes, including greater financial inclusion, in source economies. National and regional migration policies, for both source and host economies, could take guidance from the Global Compact for Migration to promote safe, orderly, and regular migration.

Remittance inflows to Asia, bolstered by out-migration, have gained increasing economic significance, rising from 19% of the global total in 1990 to 43% in 2024. During the same period, these inflows increased thirty-five-fold, making remittance inflows the largest and most stable source of external financing for many migrant-sending Asian economies, with inflows to Asia reaching $392.1 billion in 2024. Overall annual growth in remittances to Asia in 2024 increased to 7.5% driven by the recovery of the job markets in major Organisation for Economic Co-operation and Development migrant host economies, particularly the US. By subregion, remittance inflows continued to grow in South Asia (11.8%) and Southeast Asia (3.6%) as migrant outflows from these subregions continued their prepandemic pace.

Channeling more remittances using digital platforms could enhance access to the formal financial system for migrants and their families, paving the way for financial inclusion. With improved financial system and institutional capacity, remittance-dependent developing economies can leverage remittance facilitation to drive further financial inclusion. Digital remittances, supported by efficient regulatory environments, can help bring down remittance costs in the region, which currently average 5.9% per transaction, above the 3% target of the United Nations 2030 Sustainable Development Goals. Asia is rapidly adopting digital payments and remittances, driven by financial technology and enhanced digital infrastructure. Improved interoperability enables seamless cross-border remittances, such as between India's UPI and Singapore's PayNow, with more economies getting on board. Regional cooperation should focus on leveraging digitalization in the cross-border payment ecosystem while narrowing the digital divide. Continuous financial and digital education, alongside best practice exchanges, would also help reduce barriers to financial access and enhance digital financial literacy.

Amid steady growth in international tourism in Asia, Southeast Asia and East Asia led the region's recovery. International arrivals to Asia grew by an average annual rate of 7.6% from 2010 to 2019, outpacing the global annual average of 5.1%, with the intraregional tourism share increasing from 73.1% to 77.3% during the period. Southeast Asia and East Asia collectively accounted for at least 80% of Asia's arrivals before the pandemic. Although severely affected by the pandemic, by the end of 2023, East Asia welcomed 38.9% of Asia's tourists while 37.6% visited Southeast Asia. Southeast Asia's relatively liberal policies toward cross-border connectivity (e.g., air transport and visa policies) have helped boost tourism flows to the subregion. Meanwhile, other subregions retain more restrictive policies, with many lacking the domestic infrastructure needed to support tourism development.

Accelerating regional cooperation to improve physical and institutional connectivity will increase tourism competitiveness and resilience, unlocking the industry's potential for economic development. As at least 60% of tourists to Asia arrive by air, good infrastructure and logistics are essential to support tourism flows. Land transportation is important in destinations sharing common international borders, such as Singapore–Malaysia and Georgia–Türkiye. For institutional connectivity, while visa policies are strongest in Southeast Asia, followed by Central Asia and East Asia, air service agreements are becoming more liberal across Southeast Asia. Other subregions can adopt these policies to help boost their tourism industries. ADB research shows the important role connectivity plays in promoting tourism. Transportation infrastructure, in addition to other tourism infrastructure, positively influences international tourism flows and increases the attractiveness of Asian destinations. Regional connectivity can help attract long-haul travel from outside the region and strengthen intraregional tourism as well. Priority investments in airport infrastructure and logistics, along with taking a subregional approach to liberalize policies on cross-border travel, are crucial to increase tourism flows and foster the industry's economic contribution to growth.