



1 Regional Cooperation and Integration Remains Vital in the Face of Geoeconomic Fragmentation

Risks of geoeconomic fragmentation are rising in Asia and the Pacific.

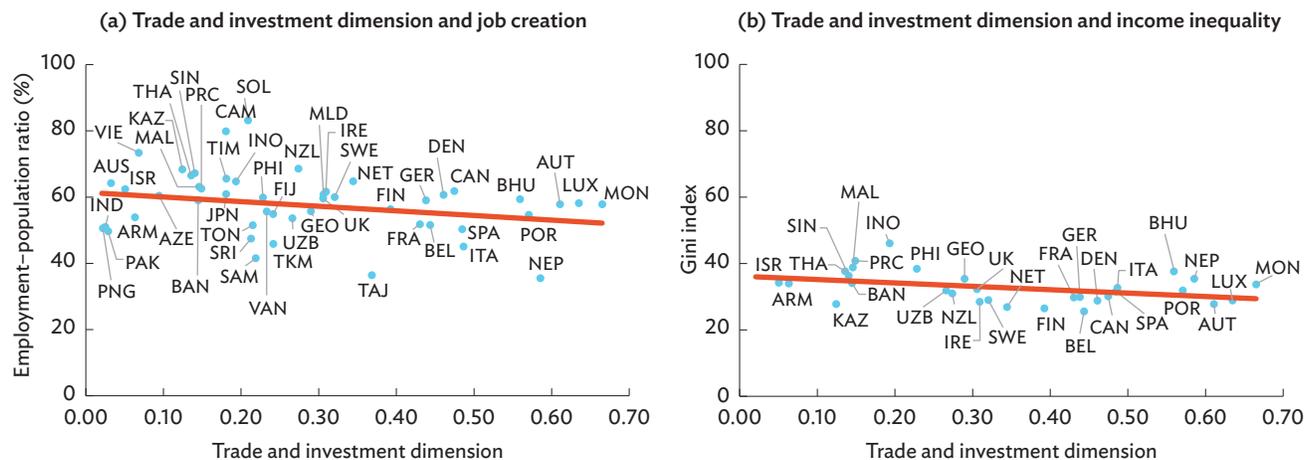
Early signs of trade fragmentation were observed even before the coronavirus disease (COVID-19) pandemic, notably when trade tensions between the United States (US) and the People's Republic of China (PRC) increased in 2018. With the pandemic slowing economic activities across the world, these pressures were amplified following the Russian invasion of Ukraine, which further disrupted global supply chains and increased geopolitical uncertainty. In 2025, US reciprocal tariffs and protection measures reinforced this trend. Regardless of the economic impact, these developments have accelerated a shift toward prioritizing domestic production and ensuring national security in policymaking (Baur et al. 2025; IMF 2022).

Stronger regional cooperation and integration (RCI) is crucial for Asia and the Pacific,¹ though regional measures need to be complemented with domestic reforms to enhance the sharing of benefits more uniformly among economies and subregions (Box 1.1). Indeed, by deepening intraregional partnerships and diversifying markets, economies can reduce reliance on uncertain global circumstances. Restructuring supply chains that are regionally embedded enhances resilience against external shocks. Regional collaboration also fosters innovation and technology transfer, especially in clean energy, digital transformation, and climate resilience—which are particularly critical for smaller economies with limited

resources. However, the impact of cooperation could also be influenced by complementary factors such as institutional quality, human capital, governance structures, and regional political dynamics. More importantly, the success of regional initiatives is dependent on strong national policies that drive shared interests.

Trade openness and foreign direct investment (FDI) are core components of RCI. Initiatives like the Comprehensive and Progressive Agreement for Trans-Pacific Partnership or the Regional Comprehensive Economic Partnership (RCEP) have potential to enhance competitiveness and strengthen regional integration by encouraging businesses to strengthen supply chains among participating economies. Trade and investment under RCI have been shown to be associated with lower income inequality—as shown by the Gini Index (Figure 1.1b)—whereas their association with job creation, measured by the employment-population ratio, is a lot weaker (Figure 1.1a). This suggests that the inequality-reducing effects of these core components could be amplified if backed by other enabling factors, such as a well-aligned education system and robust skills development program (Han, Ocal, and Aslan 2022). Sector dynamics also influence outcomes. For instance, tourism-led growth can help alleviate poverty but may simultaneously widen inequality. This underscores the importance of complementary investments in labor productivity investments (Mahadevan, Amir, and Nugroh 2017). Moreover, strategic investments in infrastructure and governance are essential to mitigate regional disparities, particularly between urban and rural regions.

¹ Asia and the Pacific (or Asia) refers to the 50 regional members of the Asian Development Bank (ADB), comprising 47 developing economies as well as three advanced economies—Australia, Japan, and New Zealand. The composition of economies for Central and West Asia, East Asia (including Japan), the Pacific (developing economies plus the advanced economies of Australia and New Zealand), South Asia, and Southeast Asia are outlined in ADB. Asia Regional Integration Center. Economy Groupings. <https://aric.adb.org/integrationindicators/groupings>. Beginning with this year's edition of the *Asian Economic Integration Report*, Türkiye is included among the developing member economies. For further details, refer to the note in Chapter 6: Statistical Appendix.

Figure 1.1: Relationship Between the ARCII Trade and Investment Dimension and Job Creation and Income Inequality, 2022

ARCII = Asia-Pacific Regional Cooperation and Integration Index, ARM = Armenia, AUS = Australia, AUT = Austria, AZE = Azerbaijan, BAN = Bangladesh, BEL = Belgium, BHU = Bhutan, CAM = Cambodia, CAN = Canada, PRC = People's Republic of China, DEN = Denmark, FIJ = Fiji, FIN = Finland, FRA = France, GEO = Georgia, GER = Germany, IND = India, INO = Indonesia, IRE = Ireland, ISR = Israel, ITA = Italy, JPN = Japan, KAZ = Kazakhstan, LUX = Luxembourg, MAL = Malaysia, MLD = Maldives, MON = Mongolia, NEP = Nepal, NET = Netherlands, NZL = New Zealand, PAK = Pakistan, PNG = Papua New Guinea, PHI = Philippines, POR = Portugal, SAM = Samoa, SIN = Singapore, SOL = Solomon Islands, SPA = Spain, SRI = Sri Lanka, SWE = Sweden, TAJ = Tajikistan, THA = Thailand, TIM = Timor-Leste, TKM = Turkmenistan, TON = Tonga, UK = United Kingdom, UZB = Uzbekistan, VAN = Vanuatu, VIE = Viet Nam.

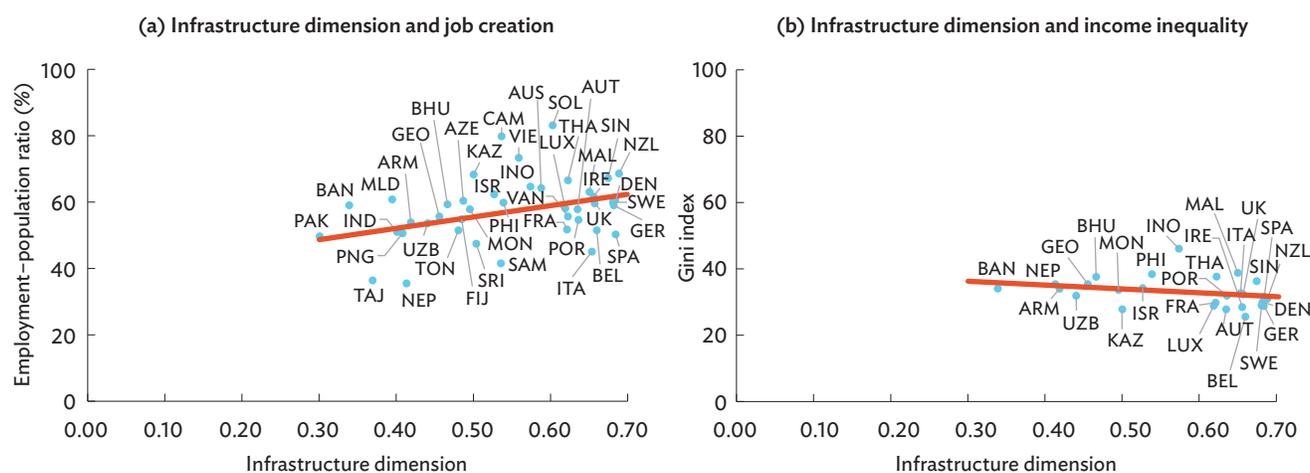
Note: The trade and investment dimension refers to one of the key components of ADB's ARCII that measures intraregional connections.

Sources: ADB calculations using data from ADB. Asia-Pacific Regional Cooperation and Integration Index Database. <https://aric.adb.org/database/arici>; UNU Wider. World Income Inequality Database. <https://www.wider.unu.edu/project/wiid-world-income-inequality-database>; and World Bank. World Development Indicators. <https://databank.worldbank.org/source/world-development-indicators> (all accessed October 2025).

Infrastructure provides both physical and institutional linkages for RCI. Investment in economic and social infrastructure, spanning energy, transport, information and communication technology (ICT), health, and education, has been associated with reductions in inequality. For instance, investments in education and health care infrastructure are particularly effective in underserved areas, while ICT infrastructure narrows urban-rural gaps especially when combined with digital financial inclusion. In Asia, large-scale infrastructure projects supported by RCIs such as the Belt and Road Initiative, Association of Southeast Asian Nations (ASEAN) connectivity programs, and ADB's Greater Mekong Subregion corridors have improved regional competitiveness and reduced trade costs (De and Kumarasamy 2024; Li et al. 2024; Lynch, Perdiguero, and Rush 2017; Zolfaghari, Kabiri, and Saadatmanesh 2020). Figure 1.2 illustrates that the infrastructure dimension of RCI is associated with higher job creation and a reduction in income inequality. This underscores the importance of strategic infrastructure investments, not only for economic efficiency but also for inclusive development.

Digital cooperation is a relatively recent but increasingly vital component of RCI. A strong digital infrastructure supports digital trade and e-commerce, resulting in job creation and expanded economic opportunities. At the same time, digital financial inclusion broadens access to secure transactions and enables wider economic participation. Citing one example, digitalization in South and Southeast Asia enhances international trade by enabling small firms to access global markets. Similarly, RCEP-driven digital trade between the PRC and Southeast Asia has been associated with lowered transaction costs and higher exports. While digital cooperation can help expand opportunities, the benefits are highly dependent on the quality of infrastructure, regulatory frameworks, and investments in human capital (Banerjee, Bose, and Siddiqui 2022; Ji, Gao, and Liang 2023; Suhrab, Chen, and Ullah 2024; Tian 2023; Wang et al. 2024).

Strengthening the foundation of social linkages through people-to-people connectivity calls for greater regional cooperation. Mobility and cross-border social interactions through tourism, professional exchanges,

Figure 1.2: Relationship Between the ARCII Infrastructure Dimensions and Job Creation and Income Inequality, 2022


ARCII = Asia-Pacific Regional Cooperation and Integration Index, ARM = Armenia, AUS = Australia, AUT = Austria, AZE = Azerbaijan, BAN = Bangladesh, BEL = Belgium, BHU = Bhutan, CAM = Cambodia, DEN = Denmark, FIJ = Fiji, FRA = France, GEO = Georgia, GER = Germany, IND = India, INO = Indonesia, IRE = Ireland, ISR = Israel, ITA = Italy, KAZ = Kazakhstan, LUX = Luxembourg, MAL = Malaysia, MLD = Maldives, MON = Mongolia, NEP = Nepal, NZL = New Zealand, PAK = Pakistan, PNG = Papua New Guinea, PHI = Philippines, POR = Portugal, SAM = Samoa, SIN = Singapore, SOL = Solomon Islands, SPA = Spain, SRI = Sri Lanka, SWE = Sweden, TAJ = Tajikistan, THA = Thailand, TON = Tonga, UK = United Kingdom, UZB = Uzbekistan, VAN = Vanuatu, VIE = Viet Nam.

Note: The infrastructure dimension refers to one of the key components of ADB's ARCII that measures intraregional connections.

Sources: ADB calculations using data from ADB. Asia-Pacific Regional Cooperation and Integration Index Database. <https://aric.adb.org/database/arcii>; UNU Wider World Income Inequality Database. <https://www.wider.unu.edu/project/wiid-world-income-inequality-database>; and World Bank. World Development Indicators. <https://databank.worldbank.org/source/world-development-indicators> (all accessed October 2025).

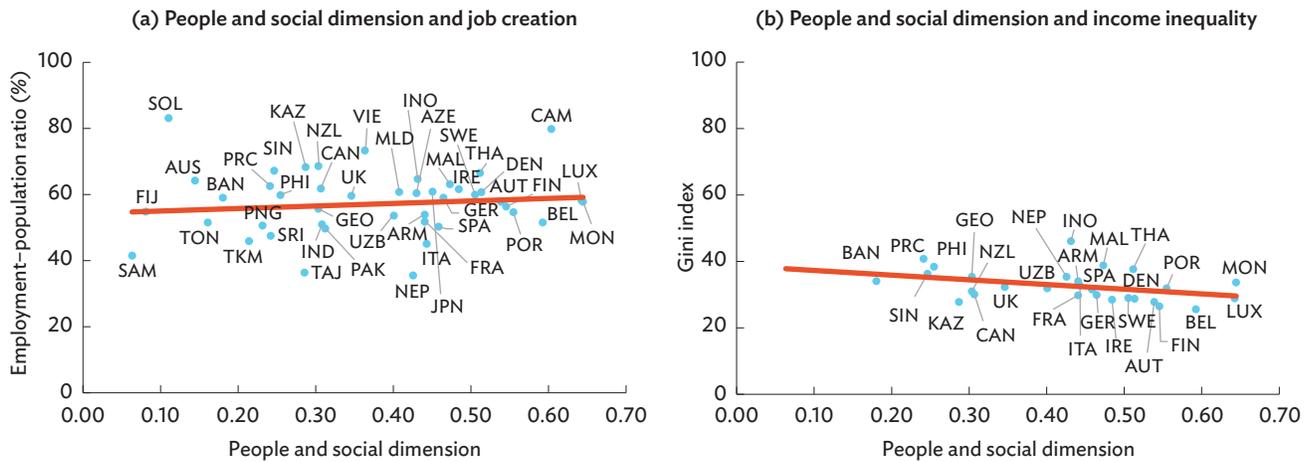
and business travel are examples of activities that drive growth by strengthening investment ties, generating employment, and facilitating technology transfer. In addition, educational exchanges, including through student mobility and collaborative research, enhance human capital development and innovation. These forms of linkage nurture trust and mutual understanding, reduce cultural barriers among economies, and advance shared regional goals. Figure 1.3 suggests that the people and social dimension of ARCII is associated with intraregional job creation. This highlights the importance of investing in inclusive and accessible mobility frameworks to strengthen regional integration.

Institutional cooperation provides the governance architecture necessary to ensure the efficient and effective implementation of RCI activities. The establishment of the ASEAN Economic Community demonstrates how harmonized trade policies, regulations, and standards can reduce barriers and expand market access (ADB 2020; Brunner 2016; Lynch, Perdiguero, and Rush 2017). Institutional cooperation also facilitates alignment of shared interests in delivering regional public goods, such as transport corridors, energy grids, and

digital platforms, which require collective oversight to operate efficiently (ADB 2023). In the context of rising geopolitical tensions, stronger governance frameworks built on transparency, accountability, and peer learning are essential to sustaining inclusive growth and development across the region. Figure 1.4 indicates that the institutional cooperation, on average, has a modest positive association on job creation, while contributing to a reduction in intraregional income inequality. This highlights the role of stronger institutional mechanisms to maximize the social and economic benefits of regional integration.

The following section discusses the trends in regional integration in Asia. It explores the evolution of RCI components—trade, investment, finance, people's mobility, connectivity, and environment—in Asia. It assesses ADB's subregional initiatives in advancing regional integration. It highlights how these initiatives support member priorities in digital transformation, private sector development, and environmental sustainability, with applications across sectors. The chapter concludes with targeted policy recommendations for regional policymakers.

Figure 1.3: Relationship Between the ARCII People and Social Dimension and Job Creation and Income Inequality, 2022

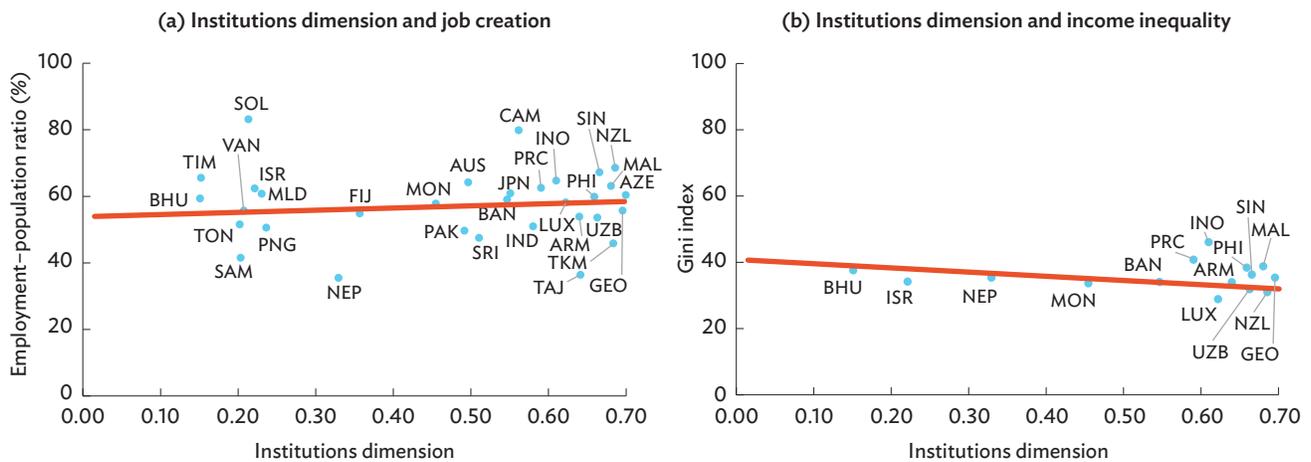


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Note: The people and social dimension refers to one of the key components of ADB’s ARCII that measures intraregional connections.

Sources: ADB calculations using data from ADB. Asia-Pacific Regional Cooperation and Integration Index Database. <https://aric.adb.org/database/arici>; UNU Wider. World Income Inequality Database. <https://www.wider.unu.edu/project/wiid-world-income-inequality-database>; and World Bank. World Development Indicators. <https://databank.worldbank.org/source/world-development-indicators> (all accessed October 2025).

Figure 1.4: Relationship Between the ARCII Institutions Dimension and Job Creation and Income Inequality, 2022



ARCII = Asia-Pacific Regional Cooperation and Integration Index, ARM = Armenia, AUS = Australia, AUT = Austria, AZE = Azerbaijan, BAN = Bangladesh, BHU = Bhutan, CAM = Cambodia, FIJ = Fiji, GEO = Georgia, IND = India, INO = Indonesia, ISR = Israel, JPN = Japan, LUX = Luxembourg, MAL = Malaysia, MLD = Maldives, MON = Mongolia, NEP = Nepal, NZL = New Zealand, PAK = Pakistan, PNG = Papua New Guinea, PHI = Philippines, SAM = Samoa, SIN = Singapore, SOL = Solomon Islands, SRI = Sri Lanka, TAJ = Tajikistan, TIM = Timor-Leste, TKM = Turkmenistan, TON = Tonga, UZB = Uzbekistan, VAN = Vanuatu.

Note: The institutions dimension refers to one of the key components of ADB’s ARCII that measures intraregional connections.

Sources: ADB calculations using data from ADB. Asia-Pacific Regional Cooperation and Integration Index Database. <https://aric.adb.org/database/arici>; UNU Wider. World Income Inequality Database. <https://www.wider.unu.edu/project/wiid-world-income-inequality-database>; and World Bank. World Development Indicators. <https://databank.worldbank.org/source/world-development-indicators> (all accessed October 2025).

Box 1.1: RCI Around Connectivity and Institutional Arrangements Matter for Inclusive Development

Introduction

Regional cooperation and integration (RCI) as defined by ADB, refers to international collaboration to address shared regional challenges or public goods. RCI encompasses a broad set of agendas including trade and investment, infrastructure connectivity, institutional arrangements, people mobility, value chains, environmental cooperation, and digital integration. These dimensions are tracked through the Asia-Pacific Regional Cooperation and Integration Index (ARCII), a multidimensional measure developed in 2007 and revised in 2021. The importance of RCI has grown in the context of rising geopolitical tensions, global trade uncertainties, and emerging challenges such as climate change and digital transformation. RCI is increasingly seen as a strategy for inclusive development. However, its effectiveness depends on economy-specific characteristics, institutional quality, and governance.

The study distinguishes between intraregional and interregional RCI impacts. It focuses on four ARCII dimensions with sufficient data coverage: trade and investment, infrastructure, institutions, and people mobility. The analysis further uses panel data covering 173 economies over 2006–2023, with fixed effects and controls for endogeneity through instrumental variable (IV) regression using a two-stage least squares (2SLS) approach. The summarized results of the empirical exercise are presented in the following table.

RCI and Job Creation

The study finds that RCI positively influences job creation (measured by the employment–population ratio) in Asia and the Pacific, especially through interregional cooperation. Infrastructure is the most significant intraregional driver, enhancing supply chain efficiency and digital connectivity. Trade and investment also

Summary Results Showing Impact of RCI Dimensions on Job Creation and Income Inequality

ARCII Dimensions	Job Creation		Income Inequality
	(1)	(2)	(3)
Trade and Investment	+	+	-
Infrastructure	+***	+**	+
People Mobility	+	+**	+**
Institutions	-**	+***	-***
Regional Value Chains	-*	+	+
Technology and Digital Connectivity	+	+	-

ARCII = Asia-Pacific Regional Cooperation and Integration Index, GDP = gross domestic product, RCI = regional cooperation and integration.

Notes:

1. “+” indicates a positive effect of RCI on job creation and income inequality, while “-” indicates a negative effect of RCI on job creation and income inequality.
2. The results for RCI impact on intraregional income inequality are positive but insignificant, hence only RCI impact results for interregional income inequality are presented.
3. The dimensions are tracked through ARCII, a multidimensional measure developed in 2017 and revised in 2021.
4. (1) refers to impact of intraregional ARCII on job creation. (2) and (3) refer to impacts of interregional ARCII on job creation and income inequality.
5. ***, **, and * denote statistically significant results at the 1%, 5%, and 10% significance levels, after being controlled for endogeneity using an instrumental variable approach.
6. The potentially endogenous regressor—logged ARCII subindexes—is instrumented using its own second- and third-order lags.
7. Additional control variables in the analysis include real GDP per capita, secondary school enrollment, inflation rate, investment rate (% of GDP), government consumption (% of GDP), trade openness (as % of GDP), control of corruption, labor regulation, age dependency, and regulatory quality.

Sources: ADB calculations using data from ADB. Asia-Pacific Regional Cooperation and Integration Index Database. <https://aric.adb.org/database/arcii>; UNU Wider. World Income Inequality Database. <https://www.wider.unu.edu/project/wiid-world-income-inequality-database>; and World Bank. World Development Indicators. <https://databank.worldbank.org/source/world-development-indicators> (all accessed October 2025).

Study Objectives and Methodology

An empirical analysis was undertaken to deepen understanding of how different dimensions of RCI affect inclusive development, particularly in job creation and income inequality. It builds on existing empirical literature (e.g., Huh and Park 2020; Park and Claveria 2018) and contributes new insights by analyzing ARCII data across 173 economies from 2006 to 2023.

support employment across regions, though with mixed impact. People’s mobility contributes notably to job growth interregionally by enabling skill transfers and labor integration. Institutional arrangements show varied effects—interregionally they reduce transaction costs and uncertainty, fostering jobs; intraregionally, inefficiencies and lack of harmonization may hinder employment. Interestingly, regional value chains have a weak negative

Box 1.1: *continued*

impact on intraregional job creation, likely due to core-periphery fragmentation, where high-value activities are concentrated in developed economies, leaving developing economies in low-margin roles. These findings highlight the nuanced role of RCI in promoting inclusive employment.

RCI and Income Inequality

The impact of RCI on income inequality (measured by the Gini Index) is complex and varies across dimensions. Interregional institutional cooperation is most effective, promoting labor standards, social safety nets, and inclusive policies that help reduce inequality. Trade and technology also show potential to lower inequality, though the evidence is statistically weak. In contrast, intraregional RCI may exacerbate inequality where it creates competitive pressures and regulatory races to the bottom, particularly in labor and environmental standards. These findings suggest that RCI's role in reducing inequality is conditional and requires targeted policy interventions.

Existing literature highlights ways that RCI influences development outcomes. Infrastructure and connectivity enhance supply chain efficiency and digital access, boosting employment (Donaldson 2018). Institutional arrangements reduce transaction costs and uncertainty, encouraging investment and job creation (ADB 2021; Hufbauer and Schott 1994). Trade and investment expand markets and facilitate technology spillovers and skill upgrading, though competitive pressures may offset gains (Acemoglu et al. 2016; Scott 2011). People's mobility supports cross-border skill transfers and labor integration. However, regional value chains may reinforce inequalities if developing economies are confined to low-value segments (Gereffi, Cattaneo, and De Backer 2019). On inequality, institutional cooperation helps harmonize regulations and support small and medium-sized enterprises, promoting inclusive growth. Yet intraregional competition may erode labor protections and environmental standards, increasing inequality.

These insights highlight the need for targeted policies to ensure RCI supports both employment and equity.

Sources: Acemoglu et al. 2026; ADB 2021; Basu Das and Sen forthcoming; Donaldson 2018; Gereffi, Cattaneo, and Backer 2019; Hufbauer and Schott 1994; Huh and Park 2020; Park and Claveria 2018; and Scott 2011.

Trends in Regional Integration in Asia and the Pacific

Asia remains highly integrated economically through goods and services trade, FDI, finance, and movement of people.

Trade is the most dominant driver of integration in most regions, particularly in Asia, where it accounts for the largest share of the overall Regional Integration Index (RII) of ADB (Figure 1.5).² Movement of people and FDI contribute moderately, while financial integration remains the weakest dimension. These patterns suggest that regions have made substantial progress in facilitating trade and people mobility within their respective regions, but deeper financial integration remains a challenge.

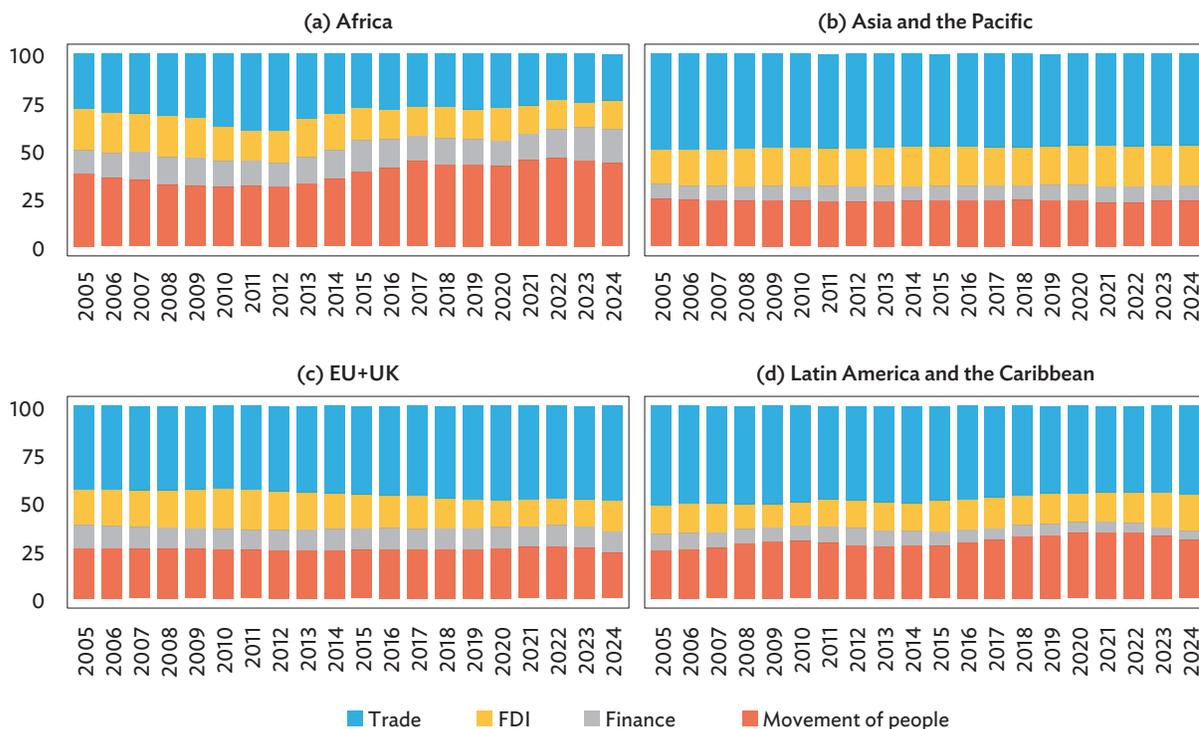
Based on dimensional regional integration indexes—measured as the ratio of the number of strong intraregional connections relative to the sum of strong

intraregional and extraregional connections, Asia leads in all dimensions of regional integration—trade, FDI, and movement of people—except finance, where the EU+UK maintains the highest level of intraregional integration (Figure 1.6). Asia consistently dominates regional trade integration across all years, reflecting deep and sustained intraregional trade ties. FDI integration in Asia has strengthened steadily over time, underscoring the region's growing role as both a source and destination for investment. In finance, Asia lags Europe throughout the period. Meanwhile, Asia consistently leads in the movement of people, highlighting robust intraregional travel and migration flows.

Figure 1.7 shows the absolute degree of integration within each region and with economies outside the region, providing a direct measure of integration. Even in absolute terms, Asia's trade connections remain predominantly intraregional, far outweighing extraregional ties. This strong intraregional bias has persisted over the past 2 decades,

² For the detailed methodology in estimating the RII, indicators used per dimension, and data sources, refer to Box 1.1 of ADB (2025b).

Figure 1.5: Dimensional Shares to Overall Regional Integration Index (% by world regions)

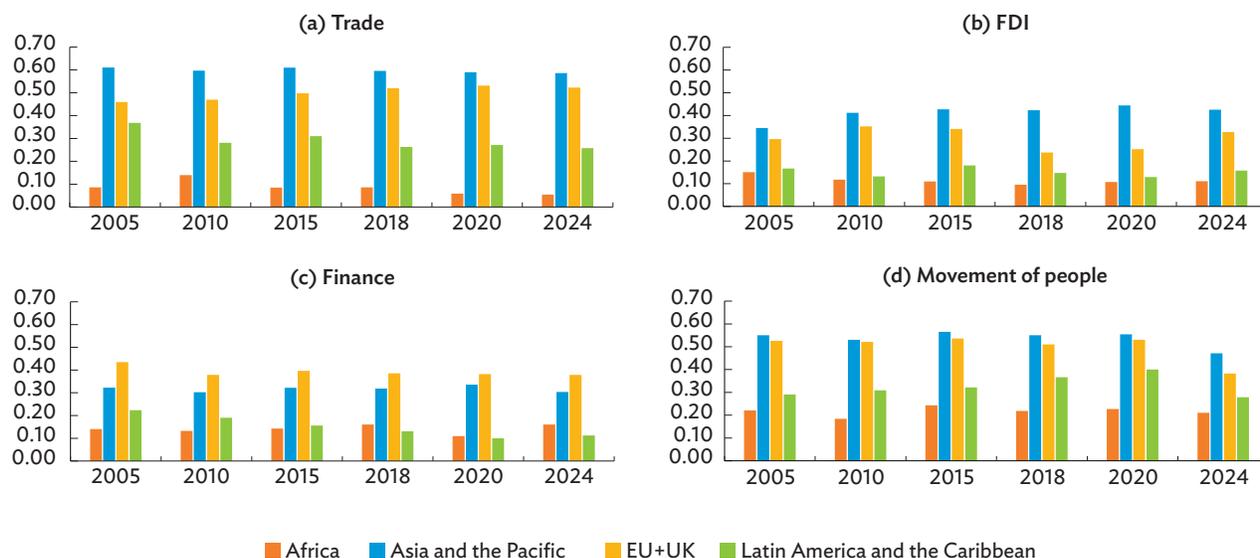


EU = European Union (27 members), FDI = foreign direct investment, RII = Regional Integration Index, UK = United Kingdom.

Notes: Based on ADB's Regional Integration Index, estimated using Bayesian state-space model, the overall RII is the weighted average of the dimensional indexes for trade in goods and services, movement of people, FDI, and finance. For the detailed methodology, indicators used per dimension, and data sources, refer to Box 1.1 of ADB (2025b).

Source: ADB calculations using ADB's Regional Economic Integration Index Database.

Figure 1.6: Regional Integration Index by Dimension—Asia and the Pacific Versus Other Regions



EU = European Union (27 members), FDI = foreign direct investment, UK = United Kingdom.

Notes: Based on ADB's Regional Integration Index estimates, the values for each dimension represent the ratio of the number of strong intraregional connections relative to the sum of strong intraregional and extraregional connections. For the detailed methodology, indicators used per dimension, and data sources, refer to Box 1.1 of ADB (2025b).

Sources: ADB calculations using data from ADB. Bilateral Economic Integration Index Database.

with only a slight dip during the COVID-19 pandemic, and continues to exceed the level of strong connections observed within the EU+UK. Notably, Asia’s trade links with economies outside the region have also remained stable during the pandemic, underscoring the region’s ability to maintain external connectivity while deepening intraregional trade integration.

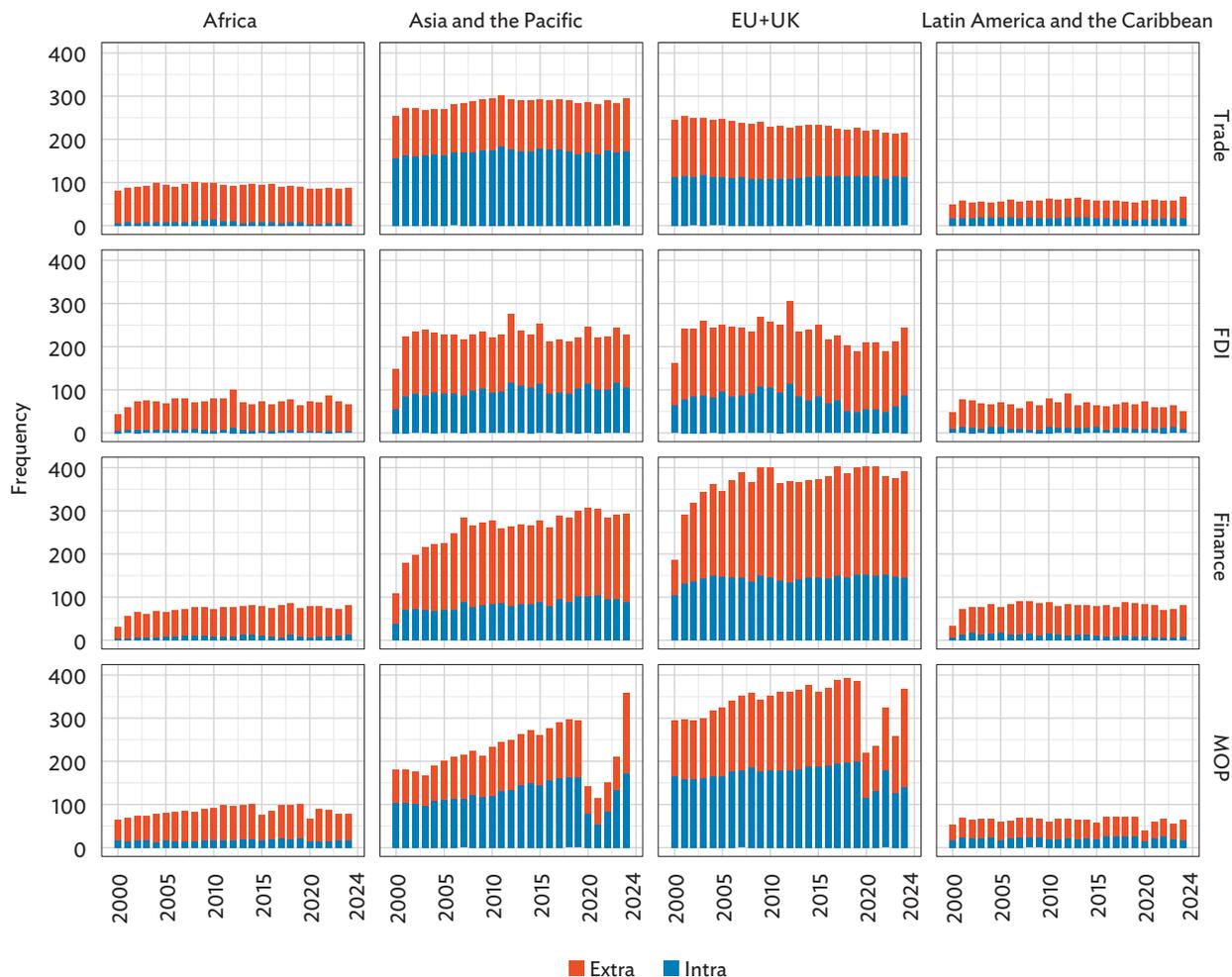
FDI within Asia has remained relatively stable over time, underscoring the region’s consistent investment linkages. However, 2024 recorded a modest dip compared to 2023. In financial integration, however, Asia’s intraregional ties have consistently been significantly lower than its extraregional connections. Since 2021, these intraregional links have declined further, while extraregional ties have edged upward.

Although Asia’s dimensional index on movement of people has surpassed that of the EU+UK (Figure 1.6), the absolute intraregional connection remains lower given that cross-border mobility within Europe is far more seamless, supported by open borders and harmonized travel policies. Despite this structural difference, Asia has shown notable resilience since the pandemic, signaling stronger regional ties. This contrasts with the EU+UK, where such connections have declined in recent years.

The level of Asian economic integration remains uneven across subregions.

Based on overall RII, Southeast Asia ranks highest in integration with Asia, followed by the Pacific, and East Asia; while South Asia and Central and West Asia

Figure 1.7: Number of Strong Bilateral Connections Within and Outside Each Region



EU = European Union (27 members), FDI = foreign direct investment, MOP = movement of people, UK = United Kingdom.

Notes: For the detailed methodology, indicators used per dimension, and data sources, refer to Box 1.1 of ADB (2025b).

Sources: ADB calculations using data from ADB. Regional Economic Integration Index Database.

remain at the lower end (Figure 1.8). Integration has strengthened in Southeast Asia, East Asia, and even Central and West Asia, though recent years have seen a decline in the Pacific as well as in South Asia. Trade remains the dominant driver of integration, with its

contribution rising in most subregions except East Asia, where it has plateaued. In East Asia, FDI has grown in importance, while financial integration continues to be the weakest contributor across all subregions, particularly in Central and West Asia and the Pacific.

Figure 1.8: Overall Regional Integration Index and Dimensional Shares—Asian Subregions



EU = European Union (27 members), FDI = foreign direct investment, MOP = movement of people, RII = regional integration index, UK = United Kingdom.

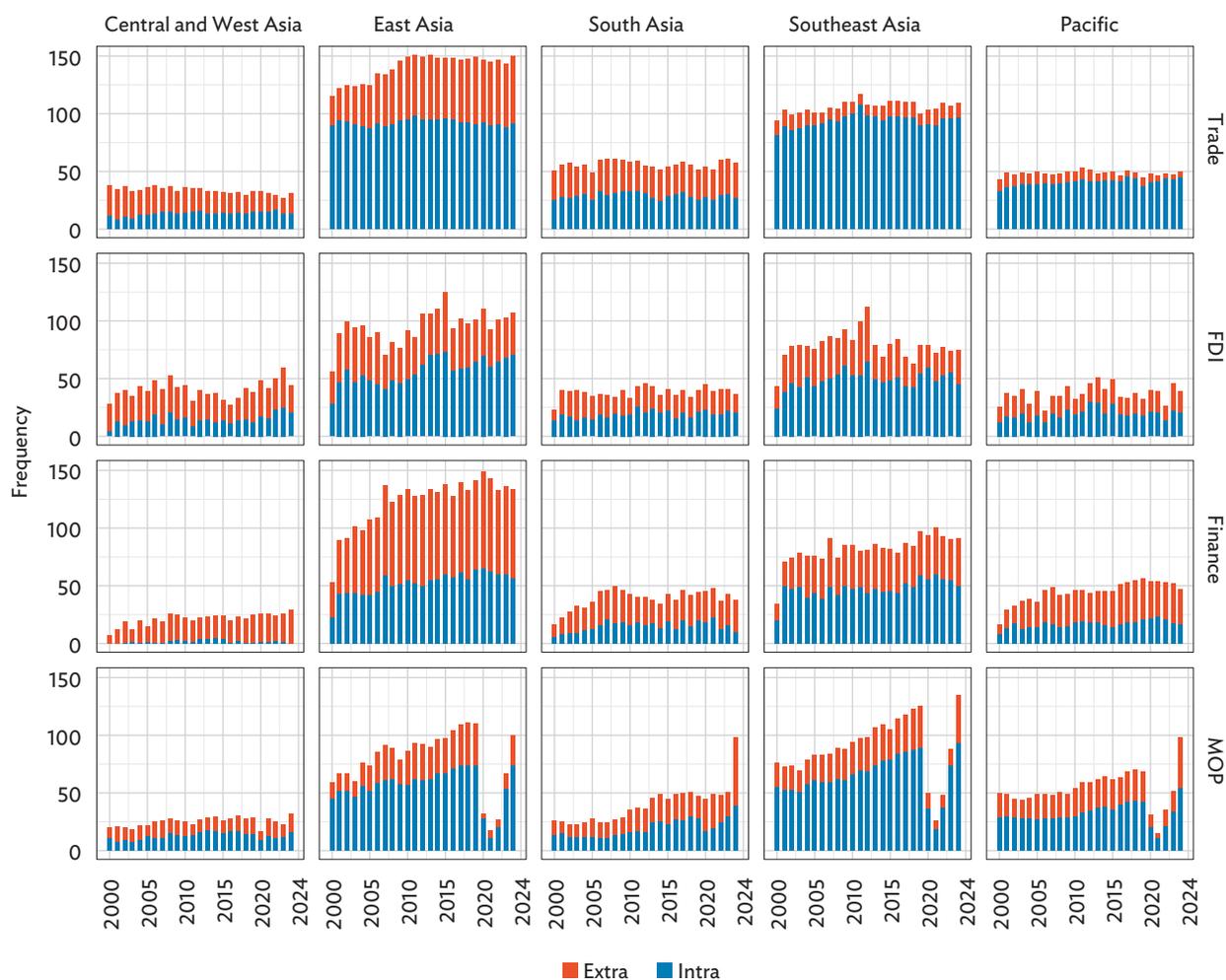
Notes: Based on ADB's RII estimates, the values for each dimension represent the ratio of the number of strong intraregional connections relative to the sum of strong intraregional and extraregional connections. For the detailed methodology, indicators used per dimension, and data sources, refer to Box 1.1 of ADB (2025b). The Pacific includes the Pacific developing economies of ADB plus advanced economies, Australia and New Zealand.

Sources: ADB calculations using data from ADB. Regional Economic Integration Index Database.

Looking at the absolute measure of integration by showing strong bilateral connections within and outside each Asian subregion, Southeast Asia consistently demonstrates the highest intraregional linkages, especially in trade, which remains the dominant driver of integration (Figure 1.9). East Asia exhibits a more balanced mix of intraregional and extraregional ties, reflecting its global supply chain linkages, while South Asia and Central and West Asia maintain far fewer intraregional connections. Since the pandemic,

intraregional mobility links have grown in Southeast Asia and East Asia, contrasting with declines in the Pacific and South Asia. Financial integration remains weak across all subregions, with intraregional ties declining since 2021 and extraregional links edging upward. FDI connections are relatively stable in East Asia and Southeast Asia, though 2024 saw a modest dip, while Central and West Asia and South Asia continue to lag in both intraregional and extraregional investment ties.

Figure 1.9: Number of Strong Bilateral Connections Within and Outside Each Asian Subregion



FDI = foreign direct investment, MOP = movement of people.

Notes: For the detailed methodology, indicators used per dimension, and data sources, refer to Box 1.1 of ADB (2025b). The Pacific includes the Pacific developing economies of ADB plus advanced economies, Australia and New Zealand.

Sources: ADB calculations using data from ADB. Regional Economic Integration Index Database.

Asia-Pacific Regional Cooperation and Integration Index on Subregional Initiatives

Across subregional initiatives, trends from 2006 to 2023 indicate intraregional integration has risen, while extraregional integration shows more varied trends.

For economies in the Central Asia Regional Economic Cooperation (CAREC) Program, extraregional integration (integration outside of Asia) remains stronger overall, particularly in trade and investment and money and finance. On average, extraregional FDI inflows accounted for about 60% of total FDI received by CAREC economies in 2023, compared to 40% from intraregional sources. Within CAREC, the PRC is the largest recipient of FDI, with the US constituting its single largest source of inflows. The Russian Federation also emerges as one of the largest extraregional source of investment. In the money and finance dimension, equity and bond liabilities show a clear dominance of extraregional linkages. Despite this, intraregional integration has strengthened in recent years, and some areas, especially institutional and social integration, are led by intraregional linkages. Notably, intraregional trademark applications make up more than half of total filings on average, compared with 36% for extraregional applications.

Subregional initiatives in Southeast Asia—the Greater Mekong Subregion (GMS), the Brunei Darussalam–Indonesia–Malaysia–Philippines East ASEAN Growth Area (BIMP-EAGA), and the Indonesia–Malaysia–Thailand Growth Triangle (IMT-GT)—have established stronger intraregional linkages across most dimensions, except in money and finance, where intraregional and extraregional integration are nearly at par. Intraregional integration is particularly robust in trade and investment, people and social integration, and infrastructure and connectivity. In trade and investment, indicators show that, on average, about two-thirds of goods trade and FDI in GMS take place within Asia. Likewise, under people and social integration, intraregional ties dominate, with intraregional remittances accounting for more than 90% of total inflows for several Southeast

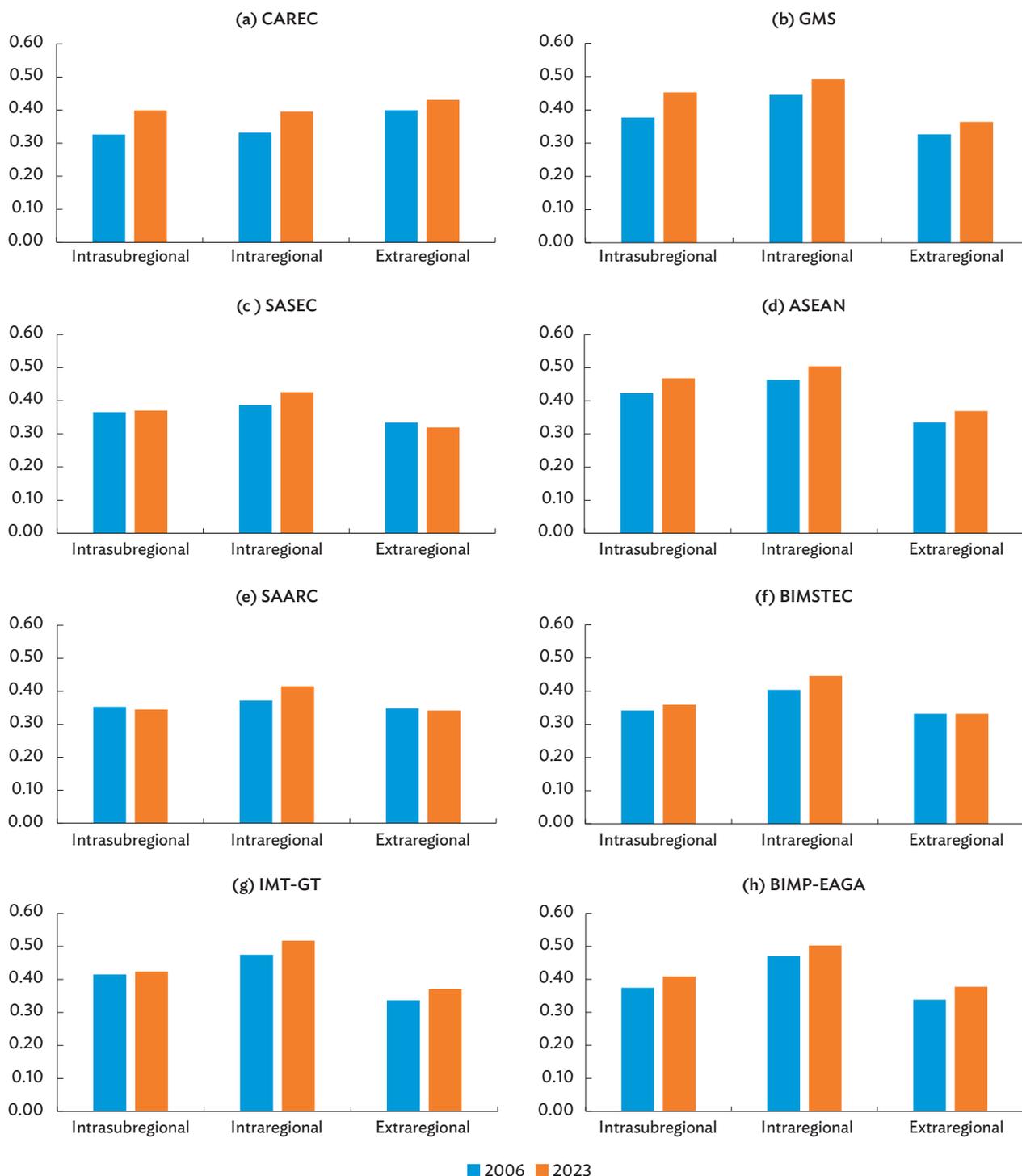
Asian economies. The subregion's strong transport and logistics networks reinforce these patterns, with lower intraregional trade costs and better liner shipping connectivity among GMS members, supporting deeper economic and social linkages.

For South Asian initiatives, comprising South Asia Subregional Economic Cooperation (SASEC), the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), and the South Asian Association for Regional Cooperation (SAARC), intraregional integration has increased between 2006 and 2023 and now surpasses extraregional integration, while extraregional linkages have slightly declined. Growing integration with Asia is driven by gains in money and finance and institutional arrangements. Among SASEC economies, the average share of intraregional cross-border equity liabilities rose markedly from 18.5% in 2006 to 37.1% in 2023. Progress in institutional arrangements is reflected in a wider network of free trade agreements (FTAs) and diplomatic representation. On average, SASEC members had FTAs with 22% of economies in 2006, increasing to 28% in 2023, and maintain embassies in 28% of economies in 2006, rising to 32% by 2023 across Asia. Figure 1.10 summarizes the findings across subregional initiatives.

Integration within Asia's subregional initiatives has been strengthened by advancements in technology, digital connectivity, and institutional linkages.

Intrasubregional integration varies significantly across subregional initiatives and dimensions (Figure 1.11). In trade and investment, progress remains mixed. South Asian initiatives show lower integration in 2023 compared to 2006, while smaller Southeast Asian initiatives post limited improvement. CAREC, however, demonstrates clear gains. Its intrasubregional goods trade share rose from 22% in 2006 to more than 30% in 2023, and intrasubregional investment roughly doubled over the same period. For smaller initiatives such as IMT-GT and BIMP-EAGA, lower trade, investment, and social integration levels are expected given their small membership base.

Figure 1.10: Intrasubregional, Intraregional, and Extraregional Integration, by Subregional Initiative

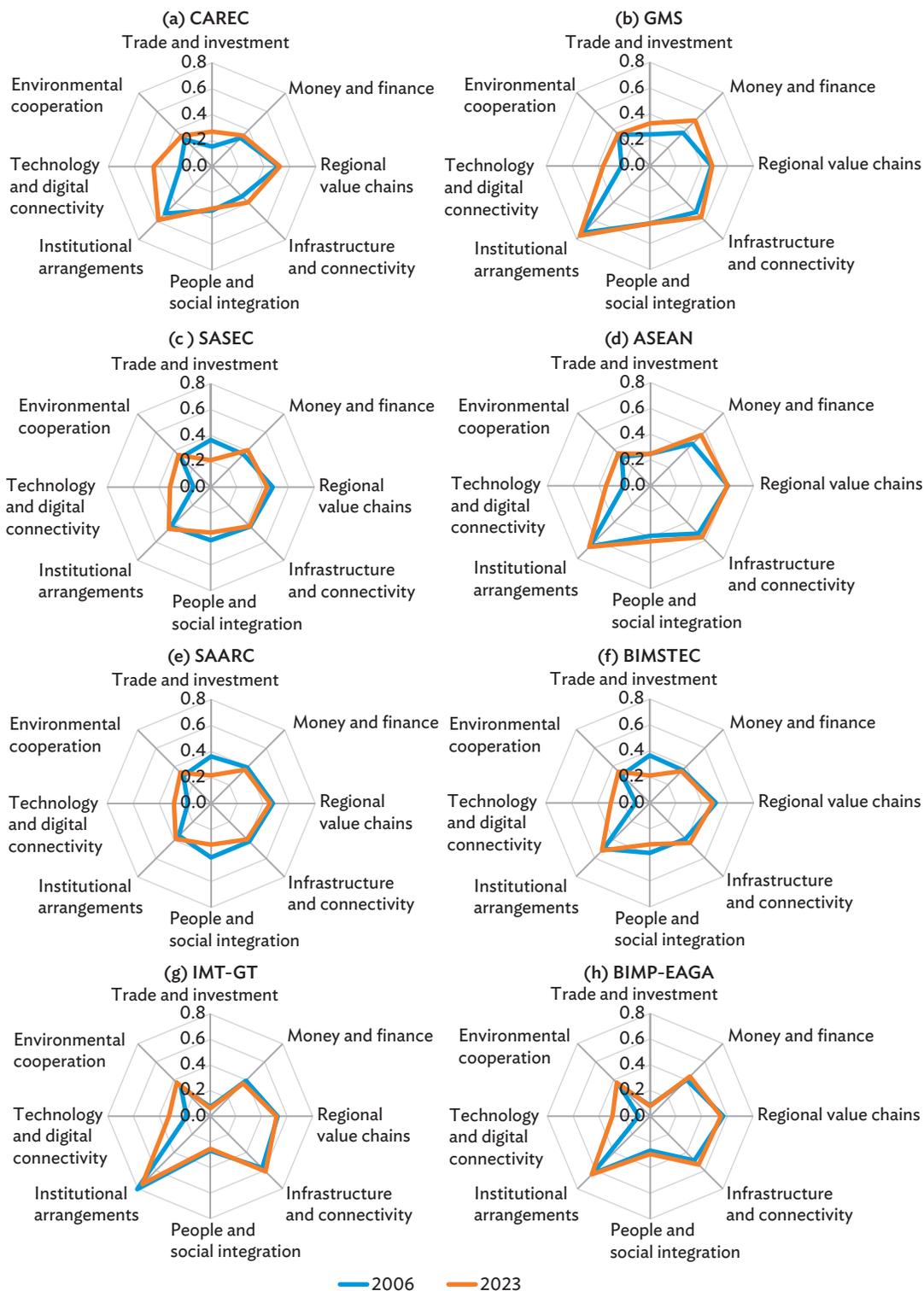


ASEAN = Association of Southeast Asian Nations, BIMP-EAGA = Brunei Darussalam–Indonesia–Malaysia–Philippines East ASEAN Growth Area, BIMSTEC = Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation, CAREC = Central Asia Regional Economic Cooperation, GMS = Greater Mekong Subregion, IMT-GT = Indonesia–Malaysia–Thailand Growth Triangle, SAARC = South Asian Association for Regional Cooperation, SASEC = South Asia Subregional Economic Cooperation.

Note: For the GMS, the entire People’s Republic of China is used as a proxy due to data limitations, although the initiative covers only Yunnan Province and Guangxi Zhuang Autonomous Region. Higher index estimates denote greater regional integration. Intraregional integration represents integration with Asia, while extraregional integration represents integration outside of Asia. Intrasubregional integration is measured within members of the same subregional initiative.

Source: ADB, Asia-Pacific Regional Cooperation and Integration Index Database. <https://aric.adb.org/database/aricii> (accessed October 2025).

Figure 1.11: Intrasubregional Integration by Dimension, 2006 and 2023



ASEAN = Association of Southeast Asian Nations, BIMP-EAGA = Brunei Darussalam–Indonesia–Malaysia–Philippines East ASEAN Growth Area, BIMSTEC = Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation, CAREC = Central Asia Regional Economic Cooperation, GMS = Greater Mekong Subregion, IMT-GT = Indonesia–Malaysia–Thailand Growth Triangle, SAARC = South Asian Association for Regional Cooperation, SASEC = South Asia Subregional Economic Cooperation.

Note: GMS estimates based on national People’s Republic of China data, while the initiative includes Yunnan Province and Guangxi Zhuang Autonomous Region. Intrasubregional integration represents integration with Asia, while extraregional integration represents integration outside of Asia. Intrasubregional integration is measured within members of the same subregional initiative.

Source: ADB. Asia-Pacific Regional Cooperation and Integration Index Database. <https://aric.adb.org/database/aricii> (accessed October 2025).

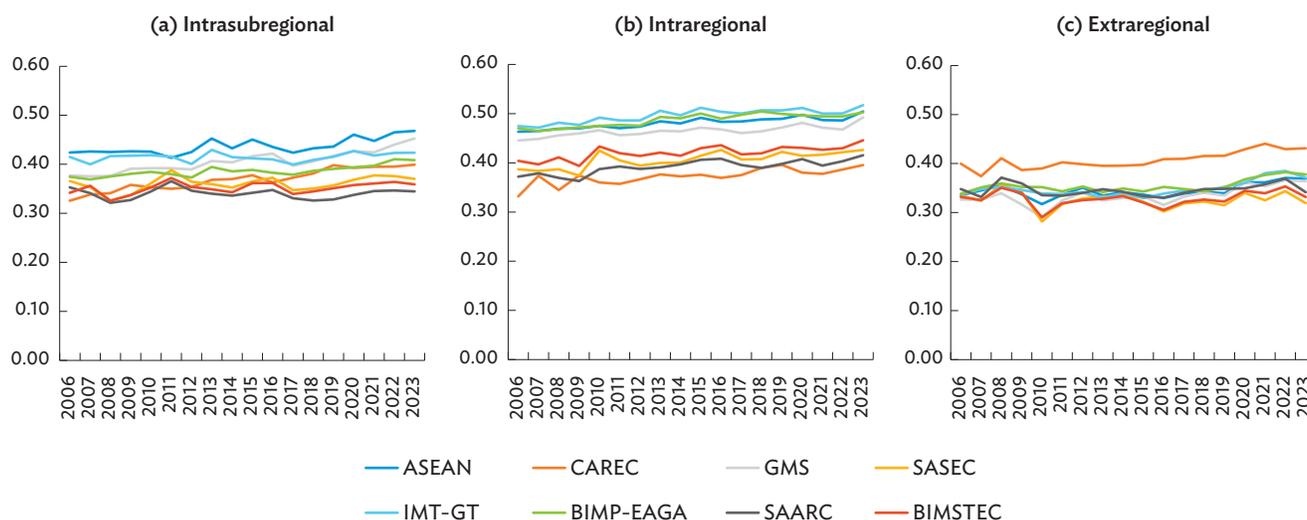
In contrast, technology and digital connectivity consistently emerge as strong areas of intrasubregional integration. Beyond improvements in mobile connectivity and internet access, indicators on research collaborations and ICT goods trade show expansion. For instance, intrasubregional research collaborations (as a share of total) in BIMP-EAGA rose from 5% in 2006 to 17% in 2023. Institutional arrangements remain a key pillar, particularly through FTAs, as most economies now maintain FTAs with economies in their respective subregional initiatives.

Regional value chain (RVC) and environmental cooperation show modest progress. Indicators on trade complementarity and concentration have seen minimal gains across most initiatives. In some cases, intermediate goods trade declined slightly between 2006 and 2023. Environmental goods trade within subregions also remains marginal, although participation in environmental agreements has increased across most initiatives.

Asian subregional initiatives show distinct patterns of regional engagement.

In both intraregional and intrasubregional integration, Southeast Asian initiatives such as GMS and IMT-GT demonstrate the strongest regional linkages, while CAREC and South Asian initiatives like SASEC and SAARC exhibit weaker ties (Figure 1.12). Overall, intraregional integration has increased across most initiatives, reflecting stronger regional ties. On the other hand, extraregional integration is higher in CAREC, underlining its expanding connections outside the region. These trends suggest deepening regional integration within subregions, alongside more moderate and varying external engagement.

Figure 1.12: Intraregional and Extraregional Integration Indexes by Subregional Initiative



ASEAN = Association of Southeast Asian Nations, BIMP-EAGA = Brunei Darussalam–Indonesia–Malaysia–Philippines East ASEAN Growth Area, BIMSTEC = Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation, CAREC = Central Asia Regional Economic Cooperation, GMS = Greater Mekong Subregion, IMT-GT = Indonesia–Malaysia–Thailand Growth Triangle, SAARC = South Asian Association for Regional Cooperation, SASEC = South Asia Subregional Economic Cooperation.

Note: For the GMS, the entire People's Republic of China is used as a proxy due to data limitations, although the initiative covers only Yunnan Province and Guangxi Zhuang Autonomous Region. Intraregional integration represents integration with Asia, while extraregional integration represents integration outside of Asia. Intrasubregional integration is measured within members of the same subregional initiative.

Source: ADB. Asia-Pacific Regional Cooperation and Integration Index Database. <https://aric.adb.org/database/aricii> (accessed October 2025).

A key feature of the ARCII is its flexibility for index customization.

The customized framework allows for the inclusion or exclusion of specific indicators and to undertake more granular comparisons of the economic integration trajectory against a benchmark of economies or a subregion. By tailoring the components of the framework, three main objectives can be achieved.

First, indicators can be selected based on their relevance to a particular economy grouping or subregion, with less relevant indicators being excluded. For example, a customized index for Central and West Asia may emphasize rail and road transport indicators rather than liner shipping connectivity, reflecting the region's limited access to maritime transport and its reliance on land-based connectivity.

Second, customization enables indicators with substantial data gaps to be substituted with suitable alternatives. This is particularly important for smaller economies, such as in the Pacific, where statistical systems are often underdeveloped and data coverage is limited. The substitution of indicators helps ensure broader economy representation and more robust measurement.

Third, a customized ARCII can be used to capture emerging economic priorities within specific subregions, supporting analysis of both historical RCI trends and future economic trajectories. For instance, ASEAN economies are increasingly focused on strengthening energy connectivity through initiatives such as the ASEAN Power Grid. Incorporating indicators related to electricity trade or cross-border energy networks would allow the customized ARCII to better reflect the evolving landscape of regional integration in Southeast Asia.

While index customization enhances the specificity and relevance of RCI assessments, it involves some trade-offs. Whereas the standard ARCII facilitates comparability across regions, subregions, and initiatives, a customized ARCII prioritizes depth and contextual relevance by focusing on selected indicators, policy priorities, or economy groupings.

A customized ARCII index was implemented for the Pacific developing economies to generate better estimates of regional cooperation and integration.

The Pacific is home to small, remote islands that share similar economic and cultural characteristics such as small economy sizes, remoteness from major markets, geographic dispersion, dependence on remittances and development assistance, and vulnerability to climate change and natural disasters. Over the years, development in the Pacific developing economies can be grouped into two main streams: gains from tourism and remittances benefit the economies of the Cook Islands, Fiji, Niue, Palau, Samoa, Tonga, and Vanuatu; while resource rent-based economies comprise Kiribati, the Marshall Islands, the Federated States of Micronesia, Nauru, Papua New Guinea, the Solomon Islands, and Tuvalu. Gross domestic product is projected to grow by 4.1% in 2025 and 3.4% in 2026, as economies continue to recover post-pandemic (ADB 2025a).

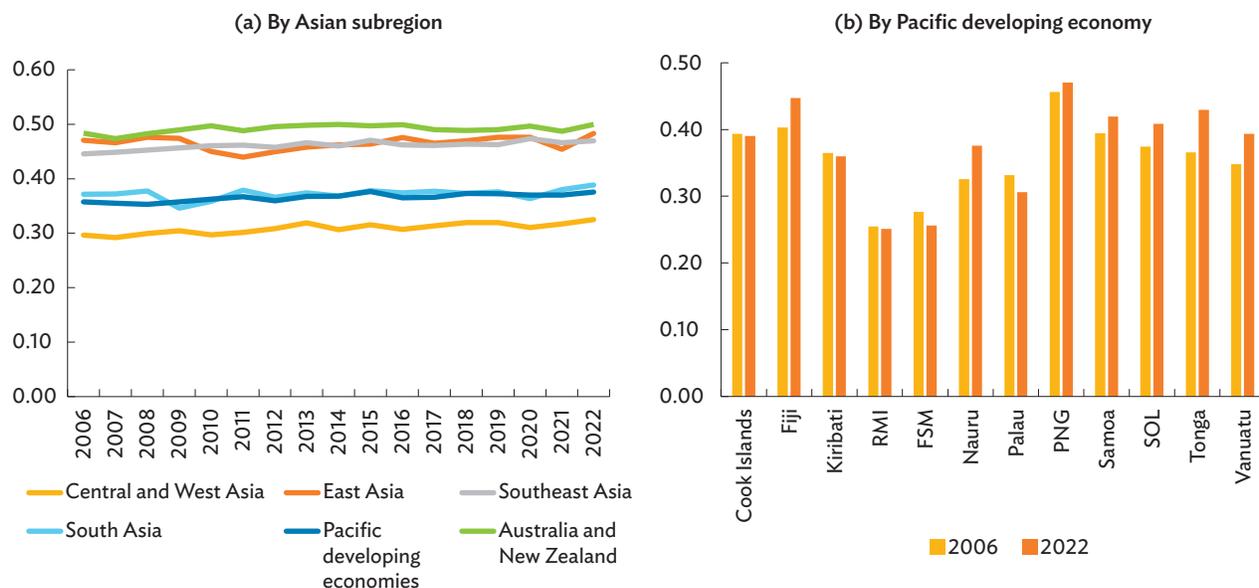
Regional integration among the Pacific developing economies, therefore, is influenced by the subregion's unique economic profile and shared vulnerabilities. To measure RCI in the Pacific developing economies, the ARCII was customized to include measurable indicators that reflect the economies' RCI agenda. New indicators introduced to the ARCII framework were trade in fish products, trade in wood products, changes in correspondent banking, the international investment position, and subsea cable connectivity. Meanwhile, indicators deemed irrelevant to the Pacific developing economies' RCI space and those that have largely missing data coverage were excluded. With these iterations, the customized ARCII generated RCI estimates for 12 Pacific developing economies (excluding Niue and Tuvalu).

Results from the estimation find that the overall regional integration of the Pacific developing economies increased modestly from 2006 to 2022, with a 5.1% increase (Figure 1.13). Trade and investment, RVC, and infrastructure connectivity are the strongest drivers of integration, while institutional integration is the weakest. Additionally, linkages in digital connectivity and environmental cooperation have seen the biggest gains since 2006. Intrasubregional integration (among Pacific

developing economies) has likewise recorded moderate gains, with integration estimates broadly on par with the Caribbean but still below those for ASEAN (Figure 1.14). The top drivers of intrasubregional integration are infrastructure and connectivity, RVC, and people and social movement.

In terms of integration with selected partners (Figure 1.15), the Pacific developing economies have maintained strong relations with Australia and New Zealand, while the PRC has shown growing engagement in these economies in recent years. Integration estimates with the PRC

Figure 1.13: Intra-regional Integration Using Customized ARCII for the Pacific Developing Economies

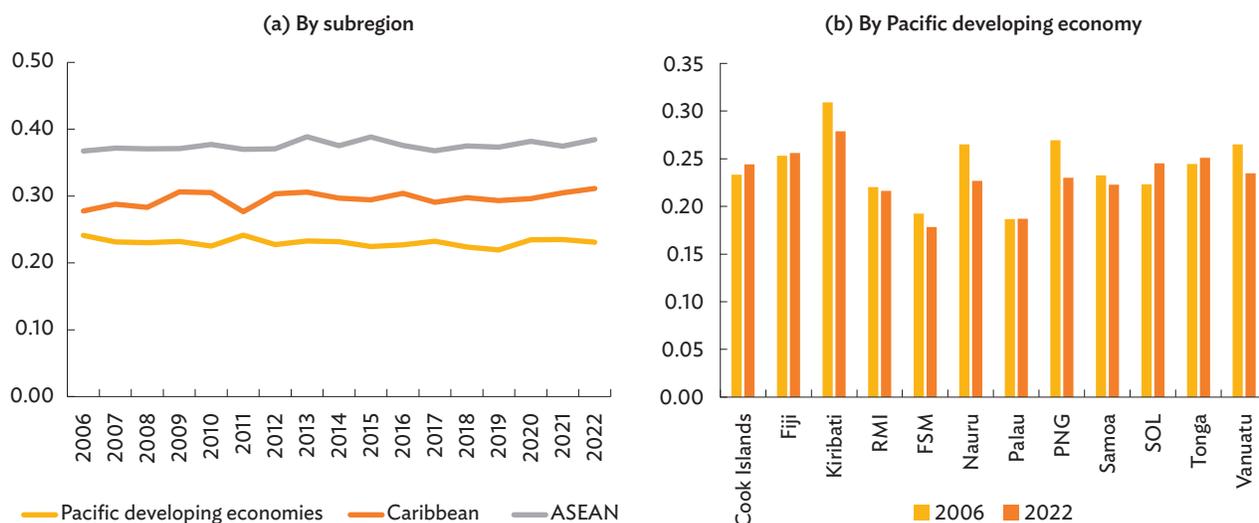


ARCII = Asia-Pacific Regional Cooperation and Integration Index, RMI = Republic of the Marshall Islands, FSM = Federated States of Micronesia, PNG = Papua New Guinea, SOL = Solomon Islands.

Note: The estimates in Panel A reflect integration of Asian subregions with Asia and the Pacific using indicators from the customized framework for the Pacific developing economies.

Source: Asian Development Bank. Asia-Pacific Regional Cooperation and Integration Index Database. <https://aric.adb.org/database/aricii> (accessed October 2025).

Figure 1.14: Integration Among Pacific Developing Economies Using Customized ARCII



ARCII = Asia-Pacific Regional Cooperation and Integration Index, ASEAN = Association of Southeast Asian Nations, RMI = Republic of the Marshall Islands, FSM = Federated States of Micronesia, PNG = Papua New Guinea, SOL = Solomon Islands.

Note: The estimates in Panel A reflect integration among economies within each subregion. For example, the Pacific developing economies, Caribbean, and ASEAN estimates capture integration within their respective subregions, measured using indicators from the customized framework for the Pacific developing economies.

Source: Asian Development Bank. Asia-Pacific Regional Cooperation and Integration Index Database. <https://aric.adb.org/database/aricii> (accessed October 2025).

increased by 11.5% between 2006 and 2022, notably surpassing the Pacific developing economies’ integration with the US, which has remained relatively stable. Social integration primarily drives integration with Australia plus New Zealand (AUS+NZL) and the US, which is likely influenced by overseas remittances. Meanwhile, trade and investment with the PRC is growing steadily particularly in merchandise trade which rose from 4.3% in 2006 to 17% in 2022.

The customized ARCII framework provides measurable indicators and integration estimates that can inform regional policies and strategies, including the 2050 Blue Pacific Strategy and the Pacific Roadmap for Economic Development, toward deeper RCI in the Pacific developing economies. In this regional strategy, the role of RCI is highlighted through increased trade and investment, harmonized regulatory frameworks, trade diversification, and improved financial integration and literacy.

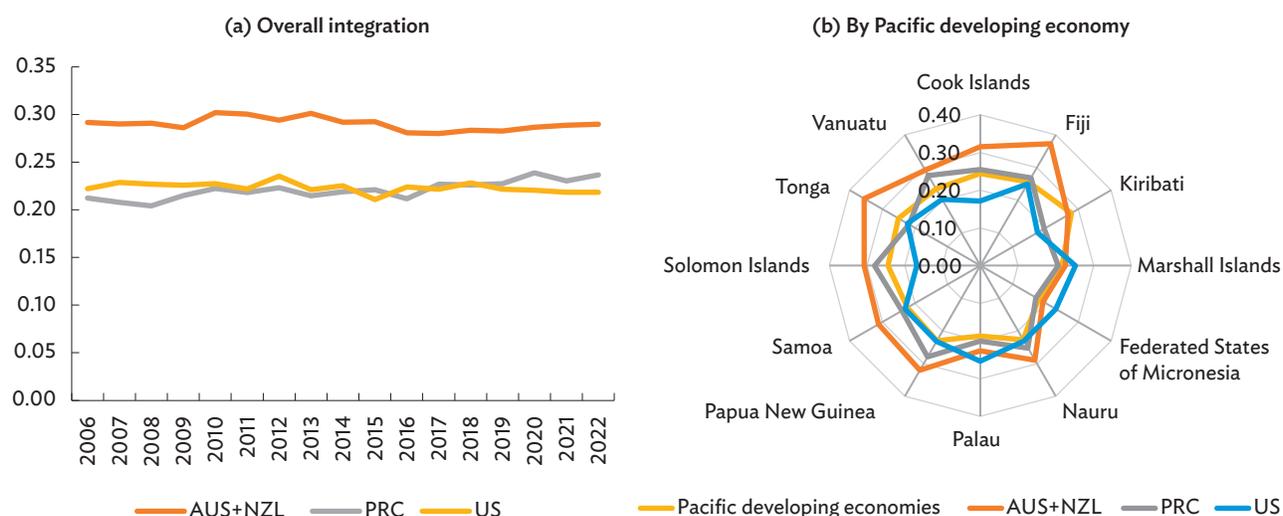
One final advantage of customization is the flexibility to incorporate indicators aligned with evolving economic integration agendas, thereby producing estimates that better capture emerging RCI priorities. These results are particularly valuable for policymakers in making informed decisions and shaping policy strategies around nascent

areas of cooperation. The analysis can inform regional development strategies, as well as national development plans and country partnership strategies. Finally, the customized ARCII provides a set of measurable indicators that can be part of monitoring and evaluation frameworks for better tracking of RCI progress.

Subregional Cooperation Initiatives in Asia and the Pacific

ADB’s commitment to RCI has led to shared economic benefits in Asia. These benefits include closer and integrated trade and transport, more efficient intraregional supply chains, stronger financial interconnectedness, and more coordinated responses to cross-border challenges such as climate change, pandemics, and financial shocks. The subregional cooperation initiatives seek these same benefits and leverage RCI to achieve them. The initiatives include those led and monitored by ADB such as CAREC, GMS, and SASEC. Government-led subregional programs include the IMT-GT, BIMP-EAGA, SAARC, BIMSTEC, and the Pacific Islands Forum.

Figure 1.15: Pacific Developing Economies’ Integration with External Partners Using Customized ARCII



ARCII = Asia-Pacific Regional Cooperation and Integration Index, AUS = Australia, PRC = People’s Republic of China, NZL = New Zealand, US = United States. Source: Asian Development Bank. Asia-Pacific Regional Cooperation and Integration Index Database. <https://aric.adb.org/database/aricii> (accessed October 2025).

Subregional cooperation initiatives have advanced digital transformation across Asia.

The CAREC Program, involving countries from the Central and West Asia and East Asia, has made notable progress. The CAREC Digital Strategy 2030 strengthened regional cooperation using digital technologies, particularly in trade facilitation. Participating countries have adopted paperless trade and digital customs procedures while exploring ways to improve efficiency through emerging technologies such as blockchain and artificial intelligence. Georgia and Mongolia have implemented pilot projects to leverage these emerging digital technologies in streamlining trade processes.

In 2025, ADB initiated a scoping study to assess the feasibility of the CAREC Digital Corridor Project to enhance digital connectivity, reduce data transmission delays, and improve access to global digital services across the region. In addition, CAREC is supporting startup digital ecosystem and is preparing a facility to mobilize venture capital through a regional fund of funds.

In South Asia, BIMSTEC has advanced digital transformation by enhancing awareness and generating understanding on benefits of paperless trade and digital payments. Similarly, interests have grown among SASEC countries to embed digitalization across sectors, including energy and transport. Initiatives like smart grid integration and electronic cargo tracking systems are increasingly being discussed and implemented in the member countries.

Moving to Southeast Asia and East Asia, the GMS Digitalization Action Plan (2025–2027) promotes actions that balance individual economy priorities with a shared vision for regional digital empowerment, initially targeting agriculture, tourism, and trade. In addition, the GMS Innovation Strategy for Development 2030 identifies digitalization as one of three strategic pillars, alongside the green transition and connectivity. BIMP-EAGA has a Digital Cluster and the private sector led Digital Alliance leading efforts to promote digital transformation. Member economies have made notable progress in strengthening ICT connectivity under BIMP-EAGA Vision 2025. Brunei Darussalam and Malaysia's Federal Territory of Labuan nearly achieved target of 100% broadband coverage, followed by Indonesia at 97.5%, Sabah at 95.3% and Sarawak at 91.9%, and the

Philippines at 74%. Micro, small, and medium-sized enterprises (MSMEs) are trained in digital tools to boost resilience and competitiveness, through the Go Digital ASEAN initiative and related programs. IMT-GT has elevated digital transformation as a strategic focus area under the Implementation Blueprint 2022–2026 to unlock inclusive growth and competitiveness.

In the Pacific, digital connectivity and cooperation is pursued through a regional agenda of climate finance and health surveillance, helping to address the geographic and institutional challenges. For example, through the Systems Strengthening for Effective Coverage of New Vaccines in the Pacific project, a regional approach has been adopted to improve immunization outcomes by introducing three vaccines in Samoa, Tonga, Tuvalu, and Vanuatu, thereby supporting these countries by (i) pooling procurement of the human papillomavirus (HPV), pneumococcal conjugate vaccine, and rotavirus vaccines through the United Nations Children's Fund (UNICEF), (ii) strengthening the delivery of vaccination programs, and (iii) increasing community awareness.

Private sector development was supported through e-mobility pilots, public–private partnerships models, and green finance facilities.

The CAREC program supports its member countries in mobilizing private sector participation to advance intercity e-mobility solutions. A key example is the ongoing initiative to introduce electric bus (e-bus) services between Almaty in Kazakhstan and Bishkek in the Kyrgyz Republic.

A number of capacity-building events helped BIMSTEC member states to design and implement effective public–private partnerships models to attract private investment in regional infrastructure; deepened skills on advanced trade facilitation measures; and strengthened BIMSTEC customs authorities' ability to roll out authorized economic operator programs. The proposed SASEC Green Finance Facility aims to mobilize long-term low-cost financing for clean energy projects, with a strong emphasis on private sector-led investments in solar, wind, and hydropower. In transport, discussion is ongoing on how to address challenges and develop strategies to finance private sector green vessels to

accelerate uptake by improving the bankability of vessels and unlocking private capital.

In the GMS, the GMS Economic Cooperation Program Strategic Framework 2030 (GMS 2030) emphasizes leveraging private sector expertise, resources, and innovation to drive the subregion's development and address regional development challenges more effectively. In this regard, the "Private Sector Engagement in the GMS" was endorsed in November 2025 and aims to enhance private sector participation in the subregion through a structured set of entry points, involving institutional arrangements, networking mechanisms, capacity building, policy dialogue, identification of investment opportunities, and support for innovation. The strategy provides a road map for implementing these entry points, and includes clear timelines and division of labor among key stakeholders. Examples of specific actions under the entry points include formalizing roles for private firms in sector working groups, holding investment and project roundtables, conducting innovation competitions, and organizing high-level business forums.

IMT-GT also supports MSMEs through e-commerce platforms, smart energy and transport systems under the Sustainable Urban Development Framework (SUDF) citywide initiatives, and digital tourism innovations. Similarly, BIMP-EAGA advances MSME empowerment through initiatives focused on capacity building, market access, and digital adoption. To further facilitate MSME integration into regional markets, BIMP-EAGA promotes streamlined cross-border trade regulations and corridor-based supply chains, with 149 SMEs participating as of December 2025. Investment promotion activities and digital business centers also help connect local enterprises to regional and global markets, completing 29 trade and investment promotion initiatives with 21 realized business ventures.

The Pacific Islands Forum leaders approved the Pacific Quality Infrastructure Principles which include local content, value for money, climate resilience, responsible borrowing and governance, social and environmental safeguards, inclusivity, and private sector investment.

Environmental sustainability was addressed through climate action plans, disaster-risk financing, and green city initiatives.

CAREC is supporting its member countries in building resilience and financial preparedness against climate change and disaster events through innovative regional disaster-risk financing solutions. A CAREC working group on agricultural development and food security was established in May 2025, which discussed regional strategy, measures, and potential projects to promote agriculture production and modernization, food trade, food traceability systems for livestock exports, climate-smart agriculture, food security information sharing, and regional food reserves. To translate the CAREC Climate Change Vision into concrete actions and implementable regional initiatives and projects across CAREC clusters, the CAREC members endorsed the CAREC Climate Change Action Plan 2025–2027. As a regional framework, it will enhance climate action focusing on four areas: Climate Risk and Health, the Water–Energy–Food Security Nexus, Low-Carbon Growth, and a CAREC Climate Platform, supported by the newly established CAREC Climate and Sustainability Project Preparatory Fund.

In South Asia, regional dialogue on Inclusive and Pro-Poor Growth was held with the help of United Nations Economic and Social Commission for Asia and the Pacific. It featured sustainable and climate-resilient development models from ASEAN and BIMSTEC, emphasizing integrated approaches to environmental and social inclusion. A capacity development program on carbon market, trading, and accounting was conducted in April 2025 in Thimphu, Bhutan to enhance BIMSTEC member states' understanding of carbon markets, trading mechanisms, and accounting frameworks.

SASEC's regional cooperation agenda is strongly aligned with climate resilience and low-carbon development. The Regional Sustainable Tourism Program and Sector Management Framework study will integrate environmental and cultural sustainability into infrastructure planning and destination development.

The GMS program developed a comprehensive and evolving framework that integrates and accelerates economy-level commitments on climate resilience,

greenhouse gas mitigation, biodiversity conservation, and environmental sustainability. This framework is carried out through the GMS 2030 Strategic Framework for Accelerating Climate Action and Environmental Sustainability, and the GMS Climate Change and Environmental Sustainability Program, which also provides capacity building that tackles plastic pollution and advancing the circular economy, and leveraging digital technologies to strengthen environmental sustainability, accelerate climate action, and enhance climate resilience.

BIMP-EAGA has an environment cluster leading all efforts to promote environmental sustainability, which is central to BIMP-EAGA's long-term growth strategy. These efforts include the green cities initiative, climate resilience initiative, clean technologies initiative, biodiversity conservation and the sharing of best practices, and a sustainable approach to ecotourism and agriculture and fisheries.

IMT-GT puts great emphasis on sustainable urban development, natural resources management, and biodiversity conservation in its environment cooperation agenda. The IMT-GT SUDF 2019–2036 is centered on developing green cities which are predominantly located in coastal areas of the subregion. The objectives of the IMT-GT Blueprint 2022–2026 environment strategy are (i) to increase the number of cities adopting the SUDF and implementing Green City Action Plans; and (ii) to sustainably manage and conserve the subregion's natural resources and protected areas—especially forests, water, and wildlife. The fifth strategic component of the IMT-GT Blueprint 2022–2026 emphasizes adopting a green, blue, and circular economy to help the subregion build back better post COVID-19 pandemic.

The Pacific region continues to prioritize climate change and environmental concerns, exemplified by ongoing initiatives such as the design of a loss and damage fund, as agreed in November 2022 during United Nations Framework Convention on Climate Change talks. The Pacific Resilience Facility stands as a testament to the commitment to building resilience against climate-caused disasters. Climate change and environmental concerns hold significant prominence within regional dialogue. These, along with other regional priorities, find expression in the Blue Pacific Strategy 2050 framework, and exhibit a strong alignment with ADB's Pacific Approach.

Digital transformation, environmental sustainability, and inclusive growth are embedded in subregional cooperation across trade, energy, tourism, and regional public goods.

In trade, CAREC, BIMSTEC, SASEC, and GMS promoted digital customs, paperless trade, and e-commerce platforms. BIMP-EAGA and IMT-GT supported MSMEs through digital tools and cross-border commerce. Meanwhile, energy cooperation focused on clean energy integration and transition. CAREC supported hydropower and green corridors, BIMSTEC developed a Grid Interconnection Master Plan, and SASEC promoted renewable energy and green hydrogen. GMS launched an Energy Transition Taskforce and supported regional interconnections. BIMP-EAGA and IMT-GT integrated smart grids and decarbonization strategies.

Tourism initiatives emphasized sustainability and inclusivity. CAREC developed tourism clusters, BIMSTEC promoted thematic circuits, and SASEC proposed a Regional Centre for Sustainable Tourism. GMS implemented the Tourism Strategy 2030 and Tourism Infrastructure for Inclusive Growth Project, while BIMP-EAGA and IMT-GT supported ecotourism and cultural and heritage tourism.

Regional public goods were advanced through climate action plans, health initiatives, and environmental conservation. CAREC launched the Climate Change Action Plan and Glaciers to Farms program. BIMSTEC and SASEC supported climate-smart agriculture and regional pandemic recovery and resilience. GMS promoted circular economy and sustainable agriculture, while BIMP-EAGA and IMT-GT focused on biodiversity and green infrastructure. Pacific initiatives addressed sanitation, climate finance, and regional health security.

ADB's support has evolved from infrastructure-focused assistance to strategic partnerships emphasizing digitalization, climate resilience, trade, and inclusive growth.

CAREC recalibrated its strategies post-midterm review, focusing on transport, trade, and digital sectors.

BIMSTEC transitioned to institutionalized cooperation with a memorandum of understanding outlining key areas. SAARC received support for climate studies, sustainable development goal contextualization, and energy cooperation.

SASEC expanded its portfolio to include energy, tourism, and digital transformation, with 233 projects in the pipeline between 2024 and 2026. GMS developed the GMS 2030 Strategy and Innovation Strategy, supporting regional public goods and upstream analytics. BIMP-EAGA's project pipeline grew to 217 and finalizing its new BIMP-EAGA Vision 2035 strategy and adopting an integrated economic corridors approach. IMT-GT increased investments in green infrastructure and maritime connectivity, preparing the next Implementation Blueprint.

Pacific initiatives, guided by the Pacific Approach and Blue Pacific Strategy 2050, emphasized ocean health, climate resilience, and regional collaboration. ADB supported coral reef restoration, regional vaccine procurement, and climate finance platforms. Future plans include expanded engagement with regional organizations, digitalization, and climate action through coordinated platforms and programmatic approaches.

Progress in trade policy and regulatory alignment focused more on strengthening digital infrastructure and regional economic integration. However, challenges persist, including varying levels of digital readiness within CAREC economies. Meanwhile, the BIMP-EAGA and the IMT-GT are focused on accelerating connectivity and addressing regulatory issues affecting trade, while Pacific developing economies aim to streamline trade processes but face market access issues. Progress in the GMS is affected by broader global trade dynamics and geopolitical fragmentation. Guided by CAREC 2030 and CAREC Integrated Trade Agenda (CITA) 2030, the launch of the negotiations for the CAREC Trade and Investment Facilitation (CARTIF) Partnership Agreement will facilitate trade in goods and services, promote regulatory transparency and cooperation, encourage investment through better policies, and support digital trade and inclusive participation (e.g., small and medium-sized enterprises, women).

Subregional cooperation initiatives have been the cornerstone for RCI in Asia.

Subregional initiatives serve as foundational platforms for countries to collaborate over shared challenges, unlock economic opportunities, and promote sustainable development. By fostering cross-border connectivity, harmonizing policies, and facilitating knowledge exchange, these initiatives have enabled participating countries to collectively pursue goals such as digital transformation, private sector development, and environmental sustainability. Programs like CAREC, GMS, SASEC, BIMSTEC, IMT-GT, and BIMP-EAGA have not only enhanced trade and transport linkages but also strengthened institutional capacities, encouraged innovation, and mobilized investments in critical sectors. Their evolution reflects a growing recognition that regional cooperation is essential for achieving inclusive growth, resilience, and long-term prosperity in a rapidly changing global landscape.

Policy Recommendations

Recent developments have emphasized the importance of regional cooperation in helping Asian economies to navigate the impacts of emerging global tensions and tackle crosscutting industry challenges especially in climate change, health and education, food security, energy connectivity. As discussed, trade in goods and services remains an integral driver of economic growth in Asia. Harmonizing digital standards and regulatory frameworks will enable seamless cross-border e-commerce, paperless trade, and digital financial inclusion. Alongside investment, cooperation in these areas should aim to reduce intraregional inequality while ensuring economies gain in terms of human capital, productivity, and resilience. RCI initiatives facilitate transfer of technology and knowledge sharing, which strengthen public goods such as food security and supply chains for essential goods and critical minerals, and build systemic resilience against nontraditional security challenges such as climate-aggravated food security risks and transboundary water stress.

In line with this, ADB continuously invested in advancing RCI. In 2024, under operational priority 7 on fostering RCI, key achievements included \$4.12 billion in financing cross-border cargo transport and energy transmission; \$2.92 billion to facilitate trade and investment across borders, and 92 regional public goods initiatives which successfully mitigated cross-border environmental and health risks and expanded access to education services regionally (ADB 2025c).

Regional integration indexes show modest growth in institutional cooperation within the region. However, it is essential to generate more jobs and reduce inequality. Institutional cooperation is critical for policy harmonization and capacity building. Regional platforms for sharing best practices in infrastructure development, digital innovation, and climate adaptation would enhance the impact of RCI initiatives. Both intrasubregional and intersubregional cooperation should be strengthened to align policies and regulations across borders. This includes investment treaties, customs regulations, and data flow regulations to improve economies of scale and strengthen business enabling environment. Policies that improve the bankability of regional projects and mitigate risks to mobilize private investment in infrastructure, logistics, and digital platforms must be encouraged. Public–private partnerships should be prioritized.

The customized ARCI for the Pacific developing economies also revealed encouraging results of progressive linkage in digital connectivity and environmental cooperation, which are unique challenges for small island developing states. This shows that shared institutional priorities and targeted investments improve RCI regional integration outcomes, especially when tailored to the specific vulnerabilities and cultural and development needs of the region. Strengthening these linkages not only enhances resilience and inclusivity but also supports long-term economic sustainability through improved access to services, climate adaptation, and digital innovation.

Further, intraregional connectivity projects such as the ASEAN Power Grid, the ASEAN highway network, CAREC, and SASEC transport corridors should be promoted. Interregionally, greater cooperation should be pursued between ADB subregions (e.g., Southeast Asia, East Asia, and South Asia) to strengthen connectivity and economic relations across subregions. Development of integrated

economic corridors that combine transport, logistics, and industrial clusters will reduce transaction costs, improve efficiency, and attract private sector participation.

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