



# ASIAN ECONOMIC INTEGRATION REPORT 2026

LEVERAGING REGIONAL COOPERATION AND  
INTEGRATION TO NAVIGATE GLOBAL UNCERTAINTIES



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# FOREWORD

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Asia and the Pacific remains the powerhouse of global economic growth. Rapidly recovering from the scars of the pandemic, the region has sustained its growth momentum on the back of structural reforms and industrial upgrading. The year 2025, however, was marked by heightened geopolitical tensions and growing trade policy uncertainties, which posed persistent challenges for regional economies striving to adapt to shifting geopolitical dynamics and emerging global orders.

Despite these headwinds, the region's economies demonstrated remarkable resilience, supported by robust domestic consumption amid sluggish investment, as well as by strong export performance. While some economies experienced declining exports to the United States due to the new reciprocal tariffs, many maintained solid global export momentum—partly driven by front-loading of shipments to the United States and partly by export diversion and broader diversification efforts. The global boom in artificial intelligence further spurred strong demand for semiconductors and digital inputs, areas in which the region's high-income, technology-focused economies play a critical supplier role.

The challenging global policy environment underscores the need for renewed emphasis on regional cooperation and integration. Strengthened regional ties can help cushion the impact of external shocks and provide avenues to sustain growth through deeper economic linkages and expanded cross-border flows in trade, investment, human capital, and finance.

The *Asian Economic Integration Report 2026: Leveraging Regional Cooperation and Integration to Navigate Global Uncertainties* examines recent progress in regional cooperation and integration by analyzing trends in cross-border trade and global value chains, foreign direct investment, finance, migration, remittances, and tourism. The report recommends that policymakers intensify efforts to mitigate the adverse effects of global uncertainties by deepening and better implementing free trade agreements, capitalize on the momentum of cross-border digital investment, improve financial infrastructure and regional safety nets, and facilitate cross-border mobility of people—particularly for workers. These policy prescriptions, while not new, are more relevant than ever in today's context of persistent global uncertainty and can help the region navigate ongoing challenges by harnessing the tangible benefits of cooperation and integration.

The Asian Development Bank has long championed regional cooperation and integration, serving as a key development partner for many regional economies. Its forthcoming operational approach paper on regional cooperation and integration is expected to guide the next generation of its operations and thought leadership in this priority area. The analysis and recommendations in this annual report will continue to provide critical inputs for the implementation of the approach paper and will inform regional policymakers on the key issues and policy directions needed to unlock the full potential of regional integration.

Greater economic integration can flourish with enhanced cooperation across regional and subregional initiatives, supported by both the public and private sectors. We hope this report contributes to that process and supports more effective cross-border dialogue and policy action.



**Albert Park**

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# ABBREVIATIONS

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ADB	Asian Development Bank
AI	artificial intelligence
ARCII	Asia-Pacific Regional Cooperation and Integration Index
ASEAN	Association of Southeast Asian Nations
ASEAN+3	ASEAN plus the People's Republic of China, the Republic of Korea, and Japan
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
CMIM	Chiang Mai Initiative Multilateralisation
COVID-19	coronavirus disease
EU	European Union
FDI	foreign direct investment
FTA	free trade agreement
GDP	gross domestic product
GMS	Greater Mekong Subregion
GPR	geopolitical risk
GVC	global value chain
ICT	information and communication technology
IMF	International Monetary Fund
IMT-GT	Indonesia–Malaysia–Thailand Growth Triangle
M&A	merger and acquisition
MNE	multinational enterprise
MSME	micro, small, and medium-sized enterprise
OECD	Organisation for Economic Co-operation and Development
PRC	People's Republic of China

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PTA	preferential trade agreement
RCEP	Regional Comprehensive Economic Partnership
RCI	regional cooperation and integration
RFA	regional financial agreement
RII	Regional Integration Index
RVC	regional value chain
SAARC	South Asian Association for Regional Cooperation
SASEC	South Asia Subregional Economic Cooperation
SMEs	small and medium-sized enterprises
UK	United Kingdom
UN	United Nations
UNCTAD	United Nations Trade and Development
US	United States
WUI	World Uncertainty Index

# HIGHLIGHTS

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Economic integration across Asia and the Pacific has shown steady progress and is becoming increasingly important in helping the region navigate economic and geopolitical challenges. Trade connectivity leads overall regional economic integration and economies in Asia and the Pacific have shown great resilience in trade as they adjust to the evolving trade policy environment. The region needs to strengthen policy efforts to mitigate the negative impact of geopolitical uncertainties on trade. While global investment flows into the region continue to be weak, intraregional investments remain strong. In particular, the rapid growth in digital investments offers an opportunity to leverage the global boom in artificial intelligence and digital transformation. Regional financial integration is progressing slowly. Enhancing financial infrastructure, implementing stronger risk mitigation measures, and improving cross-border payment systems could help deepen integration. Remittance and tourism inflows remain robust although high-skilled out-migrants remain concentrated in some high-income economies outside the region. To sustain tourism-related growth, the region should focus more on value creation, market diversification, improved logistics, and cross-border cooperation.

**Regional integration across Asia and the Pacific has deepened over recent decades.** Asian Development Bank (ADB) estimates show the region remains highly integrated economically through goods and services trade, foreign direct investment (FDI), finance, and people's mobility. Trade remains the primary driver of regional integration. Southeast Asia is the most integrated with Asia and the Pacific, while South Asia and Central Asia lag behind. Technology and digital transformation have played a critical role, including among Pacific developing economies, in strengthening subregional economic integration.

**Economies in Asia and the Pacific have shown strong resilience in trade despite the reciprocal tariffs introduced by the United States, but they remain exposed to vulnerabilities in supply chains.** The region's resilience has been driven by redirecting trade toward alternative markets, which has sustained export growth even as shipments to the United States (US) have declined in some economies. The region also continues to structurally upgrade within global value chains, moving into more upstream, higher value-added activities and deepening regional production networks. However, the relative concentration in production activities that rely on foreign inputs leaves economies vulnerable to supply chain disruptions. Empirical studies show geopolitical uncertainty raises trade costs and dampens exports, particularly in Asia and the Pacific. The region should thus promote product and partner diversification, deepen and effectively implement trade agreements, and strengthen trade facilitation and logistics cooperation.

**While economic uncertainties have slowed global investment, digital transformation continues to drive strong investor interest.** Global FDI into Asia and the Pacific declined slightly by 2% to \$614 billion in 2024, with FDI in East Asia falling by 15% and Southeast Asia recording a 10% increase. In 2025, the prospects of Asia and the Pacific for FDI remained subdued, with early estimates for the first half of the year showing a 4% decline in regional inflows. Despite the lackluster overall trend, digital FDI continues to expand rapidly across the region, comprising about 35% of total inflows in 2024 and rising by 24% in value between 2023 and 2024. Artificial intelligence, data centers, and fintech investments account for about three-fourths of digital FDI in the region. Leveraging the positive economic benefits from digital FDI will require policy efforts to promote skills training, encourage effective management, and improve data governance.

**Steady nonresident portfolio inflows have helped maintain regional financial market resilience amid global economic and policy uncertainties.** The share of intraregional assets and liabilities in both equity and debt markets showed a slight increase in 2024. A fund flow analysis shows that stock markets remained largely resilient to rising geopolitical risks, as yield-seeking investors often drive funds to firms exposed to these risks. This contributed in part to the swift recovery of global stock markets following the US tariff announcement in April 2025. Regional financial safety nets support economic stability in uncertain times. For example, strengthening the ASEAN+3 Chiang Mai Initiative Multilateralisation system through the introduction of a paid-in capital structure could help build a more effective regional safety net.

**Robust remittance inflows from Asia and the Pacific’s migrant workers (up by 7.4% in 2024) will likely continue.** Many of the most-skilled migrants from the region work in a few high-income economies outside the region while low- and semi-skilled migrant workers remain within Asia and the Pacific. While stringent immigration policies in some advanced economies could pose risks for certain segments of high-skilled migration, strong demand for top-tier skills continues to create opportunities for highly qualified workers. Regional cooperation, particularly in strengthening cross-border skills recognition, would benefit migrants across the skills spectrum. Digital remittances have helped reduce costs and increase efficiency. As more migrant households across the region use digital channels, improving digital financial literacy will help users navigate digital apps and avoid fraud. More efforts are needed to scale up digital infrastructure and strengthen cross-border coordination to improve interoperability and address regulatory challenges.

**Strategic policies and greater regional cooperation can boost tourism and sustain its economic benefits.**

In 2024, international arrivals in Asia and the Pacific rebounded strongly, reaching 96.3% of pre-pandemic 2019 levels. Tourism receipts surpassed the 2019 benchmark by 5%. Tourism is shaped by the interplay of push and pull factors. Rising incomes, demographic shifts, and digital readiness spur outbound travel, while destination competitiveness, attractions, infrastructure, safety, connectivity, and visa facilitation drive arrivals. Empirical evidence shows that a 1% increase in income can boost outbound travel by 4%–10%, whereas restrictive visa policies can reduce arrivals by up to 52%. To sustain tourism’s economic benefits, Asia and the Pacific must focus on value creation, enhancing visitor experience, diversifying markets, easing travel constraints, and advancing regional cooperation to improve connectivity and develop multi-destination tourism options.

# EXECUTIVE SUMMARY

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## **Regional integration across Asia and the Pacific has deepened steadily over the past 2 decades.<sup>1</sup>**

Asian Development Bank (ADB) estimates on trade, investment, finance, and people's mobility show the region is highly integrated economically. Trade in goods and services remains the primary impetus, followed by the movement of people and foreign direct investment (FDI). Among the dimensions measured, financial integration remains weakest, lagging behind the European Union plus the United Kingdom (EU+UK). By subregion, Southeast Asia is most integrated with Asia and continues ahead of South Asia and Central and West Asia. Stronger regional cooperation and integration offers a buffer against the impact from external shocks and will likely be increasingly important in helping navigate the region's economic and geopolitical challenges.

**Integration within subregions has also progressed along with their integration with Asia.** The Central Asia Regional Economic Cooperation (CAREC) Program is the exception as it is more deeply integrated outside Asia. Nevertheless, there has been substantial progress in subregional integration, with the share of goods traded among CAREC members rising from 22% to more than 30% with investment roughly doubling over the past 2 decades. Technology and digital connectivity consistently strengthen subregional integration. Beyond better mobile connectivity and internet access, there is steady growth in collaborative research and trade in information and communication technology goods. There is also deeper integration among Pacific developing economies due to improved digital connectivity and stronger institutional linkages. Overall, Asia's subregional initiatives boost cross-border connectivity and harmonize policies, allowing economies to work together toward digital transformation, private sector development, and environmental sustainability.

## Trade and Global Value Chains

**Despite the new and varied reciprocal United States (US) tariffs imposed in 2025, Asian economies have shown great resilience in trade as they adjusted to the ever-evolving environment.** While exports from the People's Republic of China (PRC) to the US were slashed by 19.8% in 2025 from 2024 based on latest available data, PRC global exports still grew by 4.6% as shipments to other regions expanded—up by 10.3% to other Asian economies and 7.9% to the EU+UK. Similarly, although Japan's exports to the US declined by 3.4% and those from the Republic of Korea by 3.8%, they still grew globally by increasing exports within Asia and to other regions. Most Association of Southeast Asian Nations (ASEAN) economies maintained robust export momentum—including to the US. Taipei,China's global export growth was highest at 35%, including 78% growth in US exports mainly from accelerating demand for semiconductors amid the global artificial intelligence boom.

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<sup>1</sup> 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.

**Within global value chains, Asia has gradually shifted from mostly downstream, assembly-based products to more upstream, higher value-added activities.** The region is also gradually building stronger forward linkages and shows a clear trend of deepening regional value chain networks. While medium- and high-technology sectors retain high backward linkages, they also maintain even higher forward linkages, underscoring Asia's systemic importance in providing intermediate inputs to the rest of the world. At the same time, diversification indicators are asymmetric. Asia is relatively diversified across sectors in forward value chain linkages, being a source of inputs to global value chains (GVCs) across a range of sectors. Asia's backward GVC linkages are more concentrated than those of any region in the world, however, potentially leaving Asia's production networks exposed to possible disruptions from a limited set of suppliers.

**Rising global economic and policy uncertainty is both more frequent and synchronized, posing persistent challenges to the region.** ADB empirical analysis shows that the uncertainties exporters face, both domestically and externally, raise outward trade costs and reduce exports, particularly for economies in Asia. The damage is more evident in the forward GVC routes and common in both intermediate and final goods exports. Greater diversification across products, partners, and sectors—as well as deeper, better-implemented trade agreements—could mitigate this by spreading risk and anchoring expectations. Thus, the region should consider adopting three complementary policy priorities: (i) promote export and partner diversification along with product upgrades and innovation; (ii) strengthen and deepen trade agreements to enhance its stabilizing role; and (iii) invest in regional cooperation, including for trade facilitation and improved logistics.

## Cross-Border Investment

**Early estimates suggest that FDI inflows to Asia in 2025 remain subdued, despite a stabilization of new investments in 2024 following a sharp decline in the previous year.** Asia remains an important driver of global FDI, accounting for about 40% of global inflows and outflows. Balance of payments data show Asia attracted \$614 billion of FDI in 2024, down 2% from 2023, when it fell by 17%. East Asia saw a 15% decline in 2024, while Southeast Asia grew by 10%. Meanwhile, intraregional investment has intensified over the past 5 years, accounting for an average 58% of Asia's FDI inflows and steeply increasing in 2024. Asia's prospects for FDI in 2025 appear subdued, with early estimates for the first half of 2025 showing a 4% decline in regional inflows. Persistent geopolitical uncertainty and a slowdown in global economic growth are downside risks that continue to weigh on investor sentiment. Leveraging inflows into the region's rapidly growing digital economy and renewable energy sectors, supported by effective investment policies, can help stabilize FDI growth into the region.

**Across Asia, digital FDI is vibrant.** Advancements in digital technology continue to drive growth and investment, which currently represents about 20% of global output. Firm-level data suggest increasing opportunities for international investment in the digital economy—or digital FDI—which accounts for 31% of global inflows and 35% of inflows to Asia in 2024. Digital FDI expanded rapidly, growing by 25% in 2024 both globally and in Asia. Nearly 30% of Asia's digital FDI went to the Pacific, particularly Australia, followed by 26% to Southeast Asia, highlighting the geographic concentration of digital investment within the region. Emerging areas such as artificial intelligence, fintech, and data centers attracted 75% of digital investments in 2024. Investments in data centers have begun to surpass those in financial services, attesting to their growing importance within Asia's digital transformation.

**Multinationals play an important role in shaping how digital technology is adopted, with varying effects depending upon firm characteristics and transmission channels.** An empirical analysis of the Republic of Korea shows that outward-oriented firms—particularly local multinationals with foreign subsidiaries—are more likely to adopt

digital technologies than foreign firms, with stronger effects in services. Multinationals can also have positive impact locally—a greater presence of domestically owned multinationals within a sector significantly increases digital adoption among purely domestic firms. This positive impact could be strengthened through enhanced absorptive capacity, more skilled labor, effective management practices, and policies that support digital skills and data governance.

## Finance

**Regional financial markets remain resilient to global economic and policy uncertainties.** Nonresident portfolio investments into the region returned their positive momentum in 2025 after retreating during the fourth quarter of 2024. The intraregional share of portfolio debt assets posted a modest increase by 0.5 percentage points to 22.2% in 2024. Portfolio equity assets followed a similar pattern, increasing from 21.1% in 2023 to 21.5% in 2024. On the liabilities side, the intraregional share of both portfolio debt and equity rose by 2 percentage points, reaching 31% and 22% in 2024, respectively. The larger increase in intraregional shares for portfolio liabilities relative to portfolio assets highlights the growing role of regional markets for financing. Strengthening the regional institutional investor base, expanding hedging instruments, and promoting regulatory harmonization could further deepen financial integration across the region.

**Geopolitical risks influence fund’s investment flows as portfolios adjust.** Increasing geopolitical risks will likely influence how investors view the rates of expected returns and portfolio performance. Fund flow analysis shows that stock markets have remained largely resilient to the impact of higher geopolitical risks. A search-for-yield motivation tends to drive funds into firms facing higher geopolitical risks, partially cushioning the negative impact of the heightened risk, helping ease financial market volatility. This partly explains the quick recovery in global stock markets following the US reciprocal tariffs announced on 2 April 2025. Depending on the concentration of firms more prone to geopolitical risk and its breadth and depth, different economies may see different types of short-term capital flow changes. This requires closely monitoring capital flow trends and assessing the impact on macroeconomic performance and financial markets.

**Regional financial safety nets are crucial for safeguarding economic stability in times of heightened uncertainty.** By pooling resources, regional economies can better access international capital and benefit from countercyclical financing during periods of stress, helping avoid the pitfalls of limited market access, fire-sale asset losses, and prohibitively high borrowing costs. Current efforts by ASEAN+3 (ASEAN plus the PRC, Japan, and the Republic of Korea) to strengthen the Chiang Mai Initiative Multilateralisation system through, for example, a paid-in capital structure, should enhance the effectiveness of the regional financial safety net. The region must remain vigilant in safeguarding financial stability against potential volatilities stemming from heightened geopolitical risks and a global economic slowdown.

## Movement of People

**Asia remains a major source of global talent as demand for skilled migrants continues to rise.** In 2024, Asia’s outbound migrants reached 100 million, double the 50 million in 1990. Migration from Asia to destinations outside the region (61.2% in 2024) continued to exceed migration within Asia (38.8%). Asia’s highly skilled migrants are concentrated in a few high-income economies outside the region, including Canada, the UK, the United Arab Emirates, and the US. About one-third of Asian migrant workers are highly skilled (tertiary educated), with about 70% concentrated in six destination economies. Within the region, mobility remains essential especially for low- and semi-skilled migrants, supported by labor

mobility arrangements with host economies such as Australia, Japan, the Republic of Korea, and New Zealand. Amid evolving migration policies in some major destination economies and shifting demand for global talent, skills recognition through regional qualification frameworks can facilitate high-skilled mobility by reducing compliance costs and increasing transparency, while low- and semi-skilled migration can be supported mainly through bilateral labor agreements and capacity building. Cross-border coordination and regional cooperation underpin these concerted policy efforts.

**Despite global uncertainties, recent remittance trends to Asia have been resilient.** In 2024, the region received \$392.8 billion—up by 7.4% from 2023 and 43.4% of the global total—while 2025 monthly data show sustained, robust inflows to selected Asian economies. However, prolonged global uncertainties, including more stringent immigration policies in some destination economies, could damage the region’s migration and remittance prospects over the long run. Digital remittances contributed to the resilience of remittance flows in recent years, particularly as digitalization lowers costs and increases efficiency. In Asia, a high level of digital use and transaction frequency (mobile money in particular) could be leveraged to reduce average remittance costs. As of 2025, they cost 5.4% in Asia, lower than the 6.5% globally but higher than the Sustainable Development Goal target of 3%. Worldwide, the share of digital remittances to total remittances doubled from 15.8% in 2020 to 32.0% in 2024, with mobile money inflows almost tripling in value. For cross-border digital remittances, improved digital financial literacy is a precursor for people to better navigate digital applications and avoid fraudulent transactions. In addition to scaling up digital infrastructure, better coordination is needed to tackle cross-border interoperability and regulatory challenges. Remittance-dependent economies can also leverage their financial inclusion strategies to strengthen digital financial literacy, especially in migrant communities.

**Tourism remains an important economic driver in Asia, contributing \$3.2 trillion (8.4% of regional gross domestic product) and supporting 200 million jobs in 2024.** International arrivals in the region rebounded strongly, reaching 96.3% of 2019 levels, with tourism receipts surpassing the 2019 benchmark by 5%. Subregional results were varied, with Central and West Asia showing the fastest growth—its share of regional arrivals rose from 18.6% in 2014 to 23.2% in 2024. While East Asia and Southeast Asia remain the region’s largest destinations, their shares have fallen slightly over time. Tourism flows depend on the interplay of push-pull factors. Between 2019 and 2023, the source of Asia’s tourism markets further diversified, with Europe a growing source. Nonetheless, intraregional travel remained dominant at 65.8% in 2023.

**Supportive policy measures and cross-border coordination could help boost tourism flows.** Tourism is affected by economy pull factors (destination economies) and global push factors (source economies). Rising incomes, demographic shifts, and digital readiness stimulate outbound travel, while a destination’s competitiveness—attractions, infrastructure, safety, connectivity, and visa facilitation—drives inbound arrivals. Empirical evidence shows that a 1% increase in income can raise outbound travel by 4%–10%. Conversely, restrictive visa policies reduce tourist arrivals by 32%–52% depending on subregion. Going forward, converting tourism’s growth into broader and lasting economic gains requires Asia to prioritize value creation, quality employment, and industrial resilience of all tourism-related activities. This means visitor spending should increase alongside tourist volumes by enriching visitor experience; diversifying source markets; easing destination travel constraints; and strengthening workforce skills and involving more micro, small, and medium-sized enterprises. Expanding tourism beyond gateway cities, improving data systems for real-time information gathering, and advancing regional cooperation to scale connectivity and multi-destination tourism solutions need to be pursued.



# Asian Economic Integration Report 2026

*Leveraging Regional Cooperation and Integration to Navigate Global Uncertainties*

Asia and the Pacific continues to deepen economic integration amid global uncertainty. Trade remains the strongest driver, with economies adapting to shifting policies and supply chains. Intraregional investment is resilient, supported by rapid digital growth and rising opportunities from artificial intelligence. Financial integration progresses slowly, highlighting the need for stronger infrastructure, better risk management, and improved cross-border payments. Remittances and tourism remain robust, though high-skilled migration is concentrated outside the region. This report presents the latest trends and highlights policy priorities to help strengthen resilience and advance inclusive, sustainable integration.

## About the Asian Development Bank

ADB is a leading multilateral development bank supporting inclusive, resilient, and sustainable growth across Asia and the Pacific. Working with its members and partners to solve complex challenges together, ADB harnesses innovative financial tools and strategic partnerships to transform lives, build quality infrastructure, and safeguard our planet. Founded in 1966, ADB is owned by 69 members—50 from the region.



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