

The RCI Digest follows the progress of initiatives under ADB's four pillars of regional cooperation and integration (RCI): (i) cross-border infrastructure, (ii) money and finance, (iii) regional public goods, and (iv) trade and investment.

IN THE NEWS

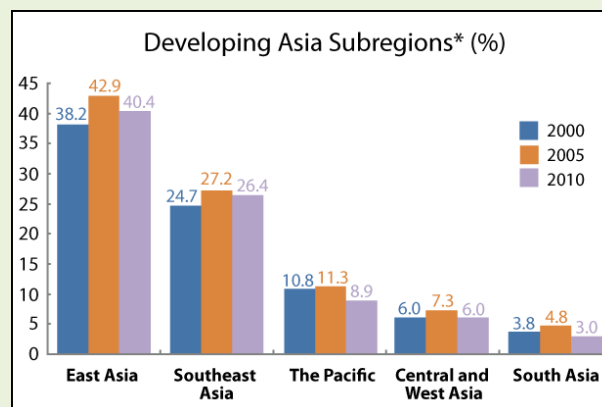
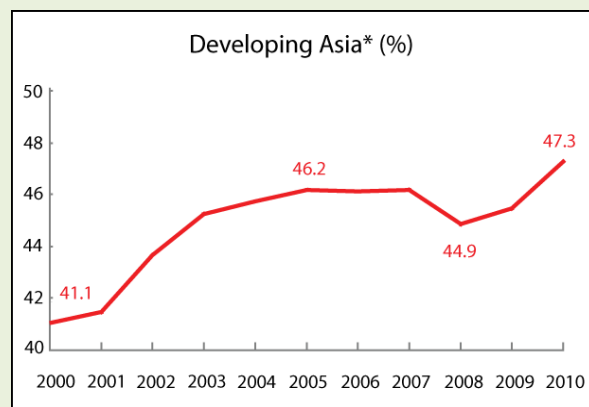
ADB calls for continued Aid for Trade in Asia and the Pacific. Asian Development Bank (ADB) President Haruhiko Kuroda stressed the importance of continued trade growth in the Asia and Pacific region in a [speech](#) delivered at the [Aid for Trade Global Review](#) in Geneva, Switzerland 18–19 July. He echoed the [call](#) made during the [Regional Review Meeting of Aid for Trade](#) held in Jakarta, Indonesia 14 June. President Kuroda and Indonesian Trade Minister Mari Elka Pangestu also launched the [Asian International Economists Network](#), which aims to bring together trade ministers, other government officials, and the research community.

ASEAN, Dialogue Partners review cooperation status. At the [ASEAN Post Ministerial Conference \(PMC\) + 1 Sessions](#) in Bali, Indonesia 21–22 July, ASEAN and its dialogue partners agreed to further strengthen the ASEAN Dialogue. ASEAN's Dialogue Partners include [Australia](#), [Canada](#), [People's Republic of China \(PRC\)](#), [European Union](#), [India](#), [Japan](#), [New Zealand](#), [Republic of Korea](#), [Russian Federation](#), and [United States \(US\)](#).

Asia reaffirms 2015 ASEAN Community target. The [44th ASEAN Foreign Ministers Meeting \(AMM\)](#) in Bali, Indonesia 19 July and the [20th World Economic Forum on East Asia](#) in Jakarta, Indonesia 12–13 June discussed diverse issues related to the 2015 ASEAN Community. The AMM reiterated ASEAN's commitment to the [ASEAN Charter](#) and the region's [Roadmap for an ASEAN Community 2009–2015](#). It also addressed other emerging issues that could solidify ASEAN integration and resilience. Delegates reiterated the importance of implementing the [Master Plan on ASEAN Connectivity](#). They reaffirmed ASEAN's single visa plan for its members. The meeting committed members to address climate change in line with principles laid out by the United Nations Framework Convention on Climate Change (UNFCCC). Meanwhile, topics at the World Economic Forum on East Asia ranged from managing currency volatility, rethinking state-led growth, climate change, and boosting tourism to the benefits of transformative technology and information.

Intra-regional trade in Asia reaches historical high

The share of intra-regional trade to total trade in developing Asia expanded significantly to 47.3% in 2010 from 41.1% in 2000 (and 33.0% in 1990). During this period, East Asia showed the largest increase, followed by Southeast Asia. In contrast, total trade within South Asia and within the Pacific narrowed, while that in Central and West Asia remained flat. Interestingly, while developing Asia's intra-regional trade share in 2010 exceeded the 2005 level, trade within subregions did not. This could suggest that trade across subregions have grown faster during the last five years.



*Percentage of intra-regional trade to total trade of the region, calculated using export data. See [ADB](#) for subregional definitions. Source: *Direction of Trade Statistics June 2011 CD*, IMF; and CEIC for Taipei, China.

Cross-border Infrastructure

CAREC receives two ADB grants for cross-border road projects. CAREC received a \$120-million grant from ADB for [CAREC Corridor 3](#). The project aims to upgrade a 62-km road from Tajikistan's capital Dushanbe to the Uzbekistan border at Tursunzade. Another \$55 million was disbursed for [CAREC Corridor 1](#) to finance a 60-km road connecting the Kyrgyz Republic with the PRC. Currently there are six corridors under CAREC, intended to intensify regional cooperation and integration among members.

BIMP-EAGA transport ministers push for harmonized transport policies. At the [Sixth BIMP-EAGA Transport Ministers Meeting](#), transport ministers from the Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area ([BIMP-EAGA](#)) highlighted the importance of harmonizing transport policies. Use of public-private partnerships (PPP) in developing projects was also stressed. More so, participants expressed optimism on the implementation of a memorandum of understanding covering BIMP-EAGA's 12 priority infrastructure projects. The Joint Ministerial Statement also mentioned the need for transport operators to help sustain regional connectivity.

ADB, Australia to support new Mekong River bridge construction. ADB approved a [\\$26-million technical assistance \(TA\) grant](#) financed by the Australian government to prepare detailed designs and implementation plans for the [Central Mekong Delta Region Connectivity Project](#). The project involves the construction of two large cable-stayed bridges and connecting road. The TA is part of the Australian government's commitment to grant \$171 million for the construction of the Cao Lanh Bridge across the Mekong River in Viet Nam's Dong Thap province. A \$200-million loan agreement between the Republic of Korea and Viet Nam will cover construction of the nearby Vam Cong bridge.

ASEAN, APEC secretariats agree to collaborate in key areas. During the [visit](#) of the Asia-Pacific Economic Cooperation (APEC) Secretariat delegation to the [ASEAN Secretariat](#) in Indonesia 27–28 June, APEC and ASEAN agreed to strengthen cooperation on regulatory reform, connectivity, competition policy, small and medium enterprise development, disaster management, and food security.

South Asia enhances cooperation in energy and transport. At its 25–26 July meeting, the energy expert committee of the South Asian Association for Regional Cooperation ([SAARC](#)) drafted terms of references for SAARC gas and oil imports from its neighbors—subject to approval at the ministers meeting scheduled in September. Meanwhile, the

World Bank approved a [\\$99-million package](#) to establish a 1,000-megawatt cross-border transmission facility between India and Nepal. Foreign affairs and transport ministers from India and Maldives agreed to begin preliminary work on a [regular passenger-cum-cargo ferry service](#) between Cochin and Male.

Meetings and conferences held in June–July. Co-sponsored by APEC and the US Agency for International Development (USAID), a conference on [“The Framework and Options for Public and Private Financing of Infrastructure”](#) was held in Washington, DC 22–23 June. A [meeting](#) between the heads of the Transport Corridor Europe-Caucasus-Asia ([TRACECA](#)) and United Nations Economic Commission for Europe ([UNECE](#)) was held in Baku, Azerbaijan 7 July to identify priority projects for the TRACECA Second Investment Forum 2012.

Money and Finance

Former French Finance Minister Lagarde becomes new IMF chief; Asian nations call for greater IMF representation. French national [Christine Lagarde](#) began a 5-year term as [Managing Director of the International Monetary Fund \(IMF\)](#) 5 July, promising emerging-market nations greater say. Within days, PRC national [Min Zhu](#) was appointed IMF Deputy Managing Director.

Islamic finance industry seeks enhanced cross-border connectivity and capacity building. On 18–19 July, Indonesian and Malaysian central banks hosted a [High Level Joint Conference on Islamic Finance](#) in Jakarta to discuss further cooperation for developing Islamic finance between the two countries. Also, the Malaysian government held the [6th Annual Islamic Markets Program](#) in Kuala Lumpur to promote and expand skills of Islamic Capital Market regulators. Meanwhile, enhancing cross-border connectivity was the theme of the [2nd Annual World Islamic Banking Conference: Asia Summit](#) in Singapore 8–9 June.

PRC promotes bilateral trade and investment and strengthens financial cooperation. The People's Bank of China (PBOC) and the National Bank of Kazakhstan signed a [3-year local currency swap agreement](#) in June—adding to PRC's list of bilateral currency swap agreements. Also in June, the PBOC and the Central Bank of the Russian Federation signed a [bilateral local currency settlement agreement](#) to allow bilateral trade in their currency of choice—either a freely convertible currency, renminbi, or the ruble.

Regional Public Goods

Clean energy best practices reviewed at various forums in Asia. The 20–24 June [6th Asia Clean Energy Forum](#) in Manila, Philippines examined ways to improve [clean energy](#) practices through more developed financial mechanisms, capacity building, and a more [enabling market environment](#). Also, Japan organized the [3rd International Forum for Sustainable Asia and the Pacific](#) in Yokohama 26–27 July. The forum reviewed low carbon technologies and green efforts relevant to poverty reduction, sustainable development, and social resilience in the aftermath of Japan’s natural disasters.

EU, SPC to assist Pacific island states in new climate resilience project. The EU and the Secretariat of Pacific Community (SPC) will work together on a [4-year project](#) to develop a national framework and adaptation activities for nine Pacific countries vulnerable to climate change—Cook Islands, Republic of Kiribati, Republic of the Marshall Islands, Federated States of Micronesia, Nauru, Niue, Republic of Palau, Kingdom of Tonga, and Tuvalu. The project will include capacity development and system improvements to better manage Pacific climate funds.

Asia to bolster air pollution policy agenda. At the 28 June 12th Inter-governmental Meeting under the [Male Declaration](#), Bangladesh, Bhutan, India, Iran, Maldives, Nepal, Pakistan, and Sri Lanka agreed to [strengthen the regional policy framework](#) for regulating air pollution, including sustainable funding, capacity building, and raising public awareness and participation. Country representatives of the Clean Air Initiative for Asian Cities gathered for the [7th Air Quality Management City Workshop](#) on 30 June–1 July in Dalian, PRC, to discuss latest techniques in clean air policy planning and reporting.

ASEAN strengthens commitment to fight dengue. ASEAN health ministers declared 15 June as [ASEAN Dengue Day](#) to increase public awareness on dengue. The first annual celebration organized by Indonesia delivered the Jakarta Call for Action on the Control and Prevention of Dengue that gathered the commitment of stakeholders across all sectors to collectively combat the disease.

APEC holds first workshop on flood mitigation and management. The 28–29 July workshop in Da Nang, Viet Nam discussed climate change and global warming as the main cause of severe flooding in Australia; Indonesia; Philippines; PRC; Taipei, China; and Viet Nam. APEC members were urged to take collective action to reduce the increasing threats posed by abnormal floods.

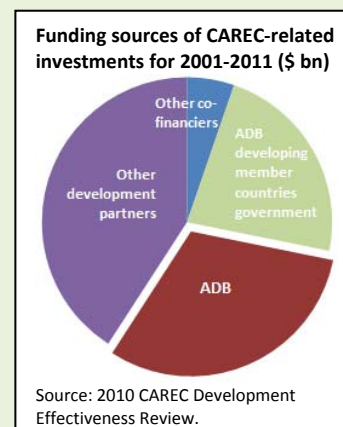
SPECIAL FEATURE



The **Central Asia Regional Economic Cooperation (CAREC)** Program is a partnership of 10 countries and six multilateral institutions promoting development through regional economic cooperation. CAREC proactively facilitates practical, results-based regional projects and policy initiatives in transport, energy, trade facilitation, and trade policy. ADB serves as the [CAREC Secretariat](#), and provides financial and technical support in the implementation of priority regional projects and initiatives. CAREC is present across the region building transport and energy infrastructure, simplifying border and trade arrangements, and undertaking capacity building and knowledge sharing on priority sectors and themes through the work of the [CAREC Institute](#).

Recent Developments

- **Almost \$10 billion has been committed through ADB’s multi-tranche financing facility (MFF) mechanism in the CAREC transport and energy sectors.** To date, nearly \$3 billion has been implemented through approval of 16 tranches of the CAREC MFFs.
- **2011 marks CAREC’s 10 years of institutional cooperation.** Activities include (i) a 10-year strategic framework ([CAREC 2020](#)) and a 10-year study on CAREC achievements; (ii) convening of a development partner’s forum; and (iii) production of a commemorative video on CAREC achievements.
- **A Senior Officials’ Meeting was convened in Baku, Azerbaijan in June to review the draft CAREC 2020 strategy paper.** An integral part of CAREC 2020 is a list of medium-term high-priority CAREC projects in the core sectors of cooperation. CAREC 2020 is expected to be endorsed by the [10th Ministerial Conference](#) to be held in Baku in November.



Source: CAREC Institute.

Trade and Investment

India implements economic cooperation and trade deals with Malaysia and Philippines. The Comprehensive Economic Cooperation Agreement (CECA) between India and Malaysia came into force 1 July. Bilateral trade is expected to increase to \$15 billion by 2015 from \$10 billion in 2010–2011. India issued a [customs notification](#) 24 June to include the Philippines in the list of countries covered under the ASEAN-India preferential trade agreement (PTA).

Asia gets boost in trade financing through ADB-Swiss Re partnership. Private insurance company Swiss Re Group agreed to [insure \\$250 million of trade finance](#) conducted via ADB's [Trade Finance Program](#) (TFP). The TFP provides guarantees and loans to partner banks in support of international trade.

Asia advances trade with EU and Australia. Hong Kong, China and the European Free Trade Association (EFTA) signed a free trade agreement (FTA) 21 June in Schaan, Liechtenstein—Hong Kong, China's first FTA with Europe. The FTA is expected to come into force in mid-2012 after ratification. Meanwhile, [Australia](#) and India met 28 July for the first round of negotiations on the CECA launched earlier in May.

Lao PDR and Tajikistan make progress towards WTO membership bid. The Lao People's Democratic Republic (Lao PDR) and [Australia](#) signed an agreement in Geneva, Switzerland 25 June to enhance bilateral market access. The agreement supports Lao PDR's accession to WTO. As of 29 June, negotiations with three WTO members must be concluded before Lao PDR can complete its WTO membership. On 5 July, [Tajikistan](#) was commended for reforms undertaken to align its trade policy with WTO rules during the [6th meeting of the Working Party](#).

Maldives hosts fifth meeting of SAFTA Ministerial Council. On 13 June, the [SAFTA Ministerial Council](#) announced its trade liberalization program (TLP) covering various tariff lines from 2012 through 2016. Afghanistan was also formally inducted to the SAFTA TLP effective 7 August.

STUDIES AND REPORTS



[Asia Economic Monitor](#) (July, ADB)—The latest issue of the AEM forecasts that the region's growth will moderate in 2011 as authorities continue to battle inflation amid anemic recovery and deleveraging in advanced economies. The report suggests that a pragmatic approach to policymaking may be effective

in managing inflation driven by sustained and volatile changes in commodity prices.



[Bond Market Development in Asia: An Empirical Analysis of Major Determinants](#) (July, ADBI WPS)—Biswa Nath Bhattacharyay finds that the development of Asia's bond markets is determined by the size and openness of the economy, stage of economic development, size of the banking sector, and the interest rate spread.



[World Trade Report 2011 \(The WTO and Preferential Trade Agreements: From Co-existence to Coherence\)](#) (July, WTO)—This flagship report by WTO describes PTA's historical development and current landscape, examines the contents and economic effects of these agreements, and proposes several options to increase coherence between PTAs and the multilateral trading system.



[Asia-Pacific Trade and Investment Report 2011: Post-crisis Trade and Investment Opportunities](#) (July, UNESCAP)—This year's report underscores the role of regional cooperation in harnessing the benefits of intra-regional trade and investment, trade in services, and investment in climate-smart goods. It outlines policy actions to bolster regional cooperation, including measures to reduce trade costs, conditions for small and medium enterprises (SMEs) to link with regional and global value chains, and policy responses to improve national and regional governance of overlapping PTAs.



[World Investment Report 2011: Non-Equity Modes of International Production and Development](#) (July, UNCTAD)—This publication highlights the significance of emerging economies both as recipient and source of FDI and discusses the phenomena of non-equity investment models, such as contract manufacturing and farming, service outsourcing, franchising, and licensing.



[Aid for Trade in the Asia-Pacific: Its Role in Trade-Driven Growth](#) (July, ADB and WTO)—This first report by the Regional Technical Group on Aid for Trade in the Asia-Pacific examines the Asia-Pacific experience and identifies the elements of economic corridors, public-private partnerships, donor coordination, and monitoring and

evaluation as strategies for the [WTO Aid for Trade Initiative](#) to work successfully in the region.



[Economic Crises and Institutions for Regional Economic Cooperation](#) (June, ADB WPS)—C. Randall Henning examines the extent to which past regional economic crises facilitate the development of effective regional institutions. He finds that Asian regionalism is effective if

spearheaded by governments delegating tasks to various national agencies with substantial autonomy in their fields of responsibility.



[Financing Infrastructure for Connectivity: Policy Implications for Asia](#) (June, ADBI)—Biswa Nath Bhattacharyay proposes ways to finance Asia's huge infrastructure needs by identifying potential financing sources and instruments. Addressing the financing gap requires more developed and integrated

regional financial markets and proper investment incentives.



[Trade Patterns and Global Value Chains in East Asia: From Trade in Goods to Trade in Tasks](#) (June, WTO & IDE-JETRO)—This book focuses on factors that have shaped global production and shows how the development of these production networks has promoted

economic growth and employment in Asia. Trade in value added is introduced as a new statistical measurement to complement conventional trade statistics for a deeper and more comprehensive analysis of trade patterns.



[Best Practices in Investment for Development: How to Create and Benefit from FDI-SME Linkages - Lessons from Malaysia and Singapore](#) (June, UNCTAD)—This report analyzes factors that attract foreign direct investments into Malaysia and Singapore and identifies strategic policy

options that could yield the most effective outcomes for domestic SMEs, transnational corporations, and the host country economy.

AUGUST–SEPTEMBER EVENTS

- 2–4 Aug: **17th GMS Ministerial Conference** (Phnom Penh, Cambodia)
- 3–4 Aug: **4th China-ASEAN Education Cooperation Week** (Guiyang, PRC)
- 4–5 Aug: **Expert Meeting on Marine Biodiversity and Eutrophication in the Northwest Pacific Region** (Toyama, Japan)
- 8–9 Aug: **20th Annual Northeast Asia Economic Forum** (Waikiki, Hawaii)
- 8–9 Aug: **Integrated Climate Impact Assessment Tool for Urban Policy Makers: Expert Consultations** (Manila, Philippines)
- 9–13 Aug: **43rd ASEAN Economic Ministerial and Related Meetings** (Manado, Indonesia)
- 18–20 Aug: **Technical Workshop on Role of Key Emerging Economies—ASEAN, PRC, and India—for a Balanced, Sustainable and Resilient Asia** (New Delhi, India)
- 22–26 Aug: **New Issues in Trade Policy: Challenges and Responses from Asia** (Manila, Philippines)
- 23–25 Aug: **Regional Sharing Workshop on Assessment of Challenges and Opportunities in the Asia Pacific Region for Rio+20** (Kathmandu, Nepal)
- 26–30 Aug: **10th International Congress on AIDS in Asia and the Pacific** (Busan, Republic of Korea)
- Aug: **Regional Seminar on the Future Direction of Asia–Pacific Trade Agreement** (Bangkok, Thailand)
- 5–7 Sep: **2nd Diesel Emissions Conference India 2011** (New Delhi, India)
- 12 Sep: **Working Committee on Capital Market Development** (Yogyakarta, Indonesia)
- 18–24 Sep: **32nd General Assembly of the ASEAN Inter-Parliamentary Assembly** (Phnom Penh, Cambodia)
- 13 Sep: **Philippines Country Workshop on Climate-Induced Migration** (Manila, Philippines)
- 14–16 Sep: **Annual Meeting of the New Champions: the “Summer Davos” in Asia** (Dalian, PRC)
- 15–16 Sep: **Regional Conference on Policy Responses to Climate-Induced Migration in Asia and the Pacific** (Manila, Philippines)
- 19–21 Sep: **WTO Public Forum 2011 on Seeking Answers to Global Trade Challenges** (Geneva, Switzerland)
- 23–25 Sep: **2011 Institute of International Finance Annual Membership Meeting** (Washington, DC, US)
- 24 Sep: **Informal ASEAN Finance Ministerial Meeting** (Washington, DC, US)
- 24 Sep: **ASEAN Finance Ministers Investor Seminar** (Washington, DC, US)

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