



Regional Economic Integration in Asia-Pacific:

Towards a broader and comprehensive framework

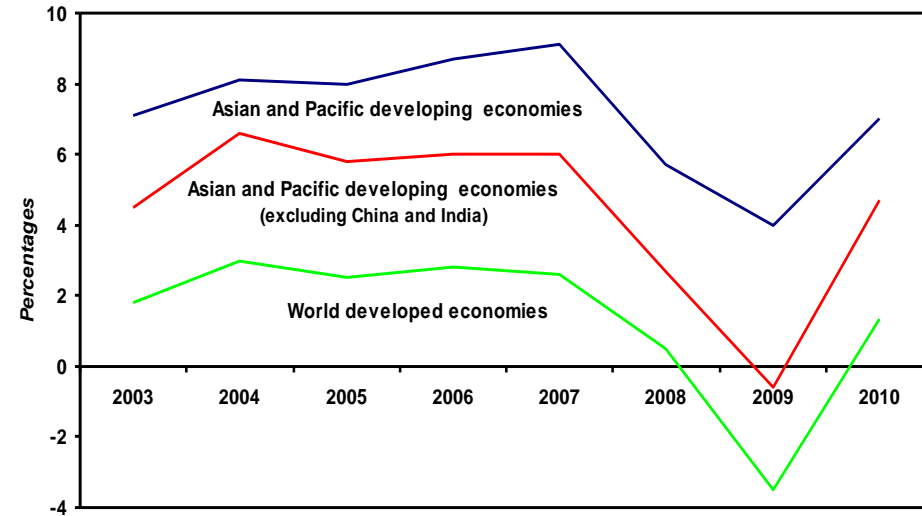
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Asia-Pacific and the changing economic geography

- Emergence of Asia as a new growth pole
 - Emerging Asian economies growth average 7.8% compared to rich countries' average of 2.7% over 2004-07
 - Continued growing robustly during 2009
 - Disproportionately high share of incremental output in the world coming from Asia



Asia-Pacific emerging as the centre of gravity of the world economy with 3 of the 4 largest economies in the world

- Rise of Asian middle class as a final consumer
- Largest markets for a growing number of products and services

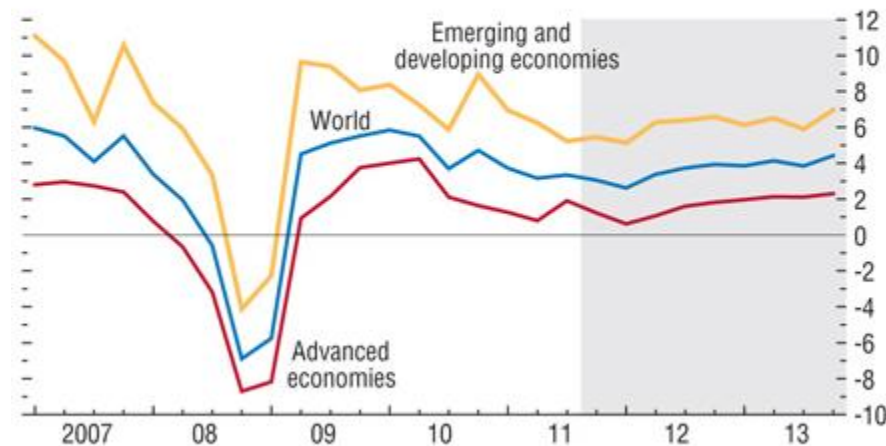


Emerging post-crisis global economic order

- Continuing uncertain and subdued outlook for developed economies
- Financial crisis as a new structural break
 - Difficult to return to pre-crisis **business as usual scenario even in the medium term**
- Advanced economies will need to
 - unwind global imbalances by restraining debt-fuelled consumption
 - Increase savings and exports
- Asian dynamism will have to be increasingly sustained by domestic and regional demand
- Regional economic integration will have to play a key role in future development strategy

Figure 1. Global GDP Growth

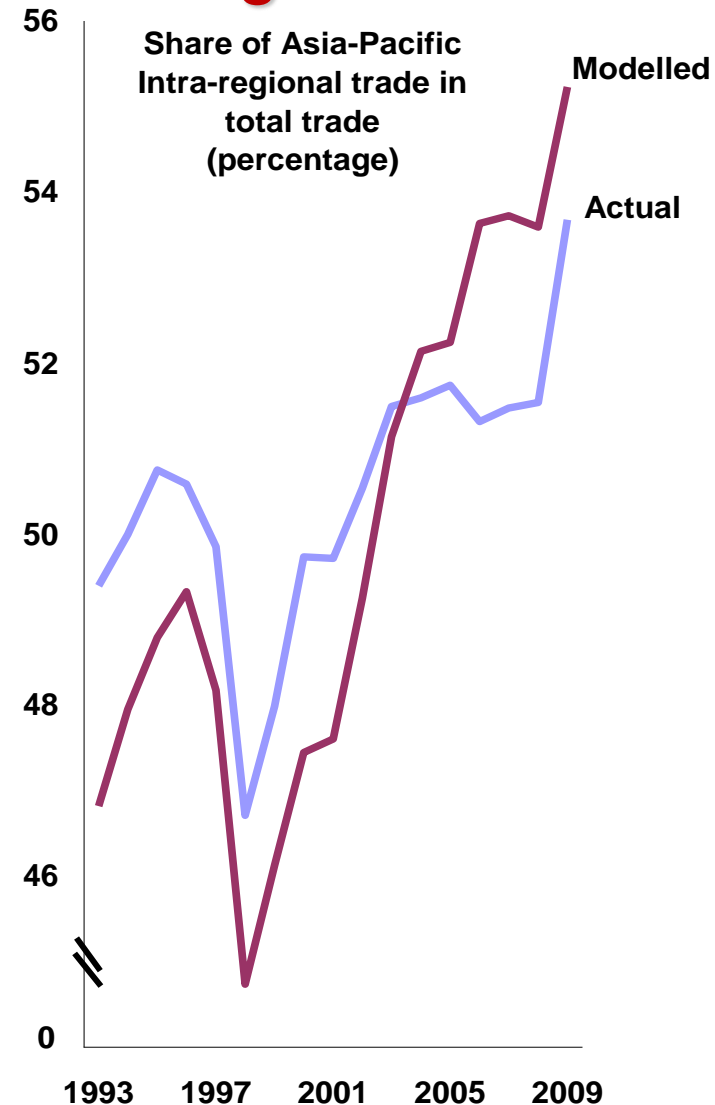
(Percent; quarter over quarter, annualized)





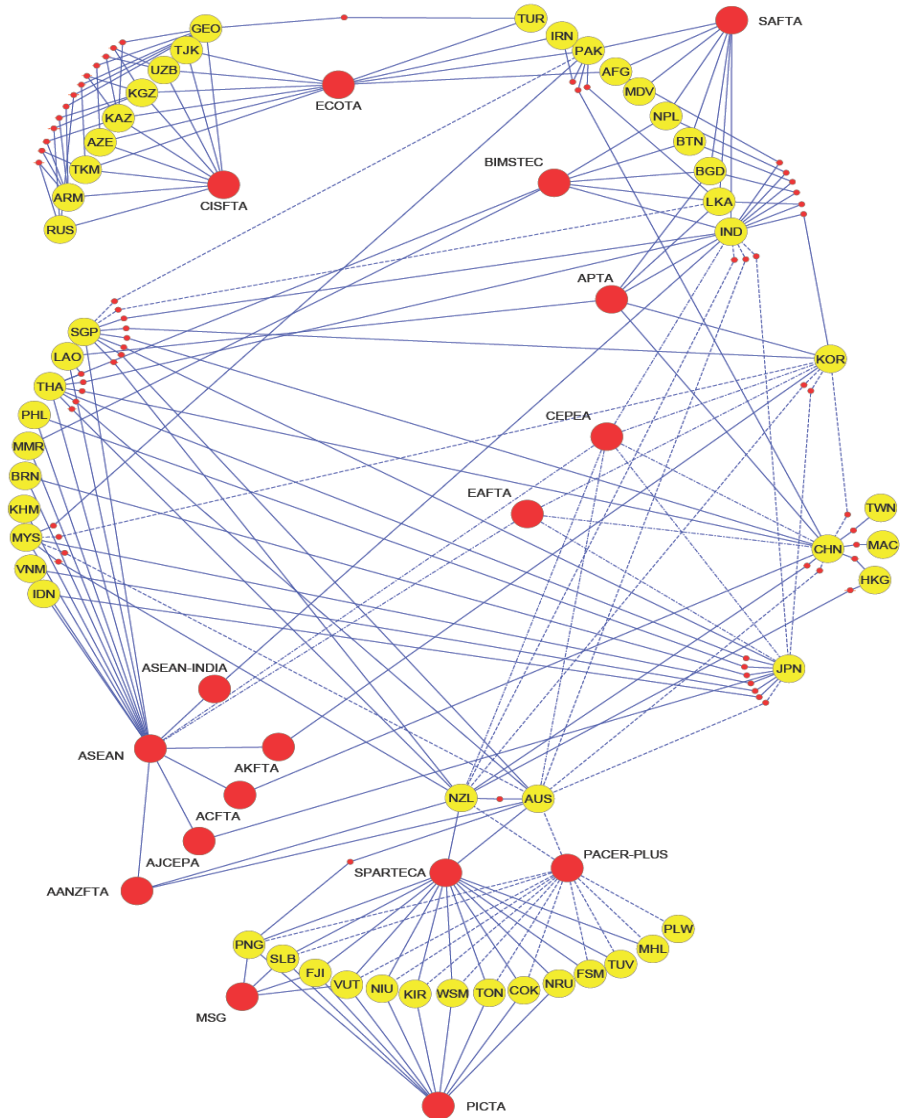
Large potential for increasing intra-regional trade

- Intra-regional trade (IRT) increased faster than A-P's global trade since 1998 bringing its share up by 7%
- Estimates suggest that IRT has potential to increase even more in future
- Evidence of **trade complementarities** within and across AP subregions
- Generally, complementarities are higher across subregions than within subregions
- Case for broader cooperation across subregions



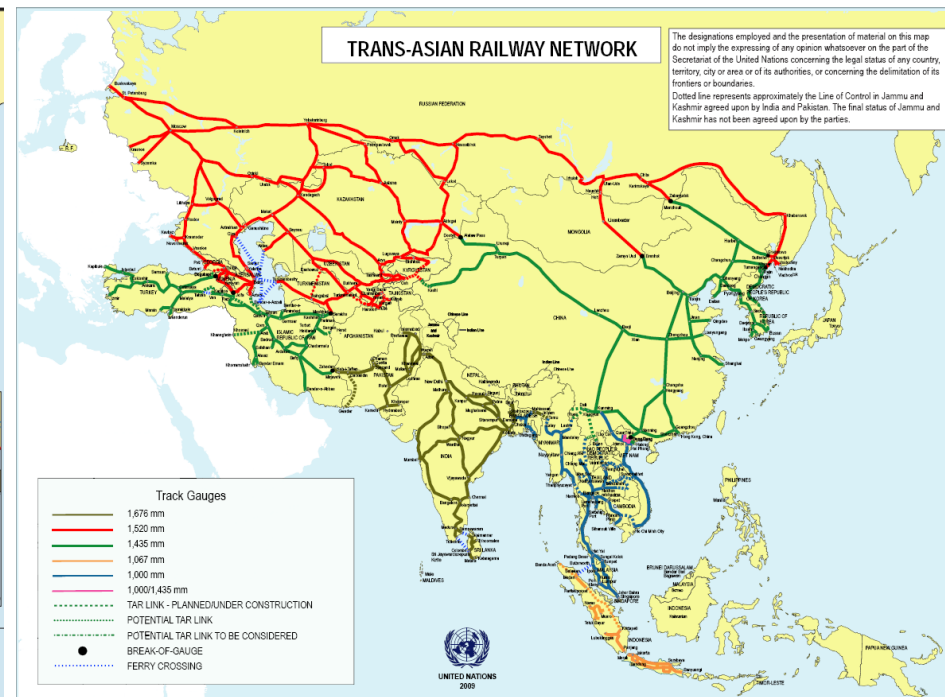
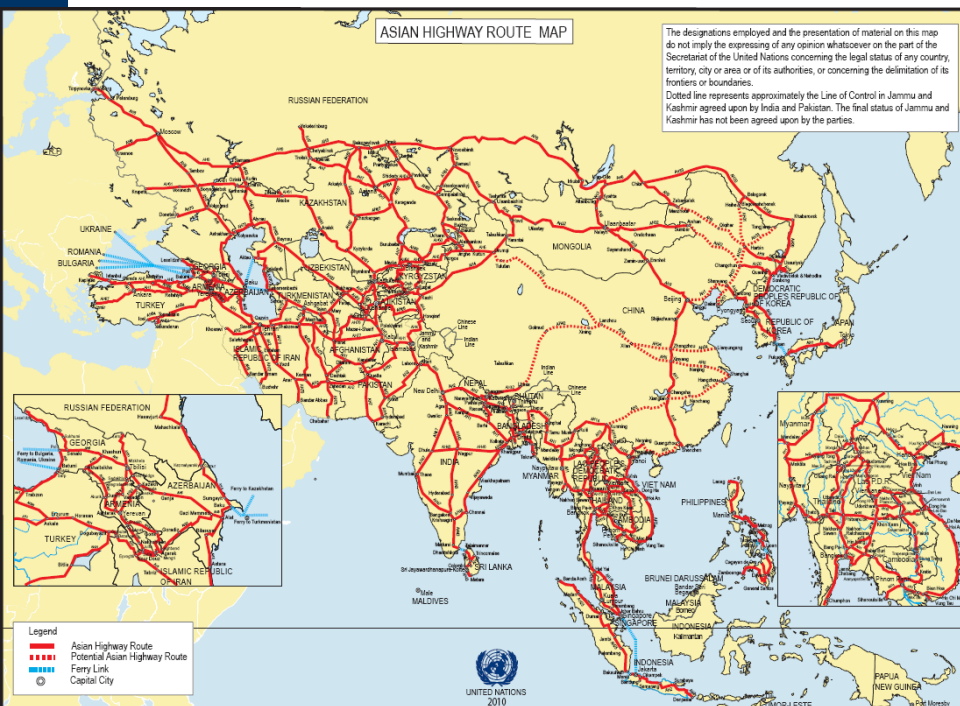
Asia-Pacific PTAs can serve as building blocks of a broader integrated market

- A-P countries are involved in 170 preferential trading arrangements
- Most PTAs are **bilateral** and **subregional** – do not contribute to a seamless, region-wide market
- Need to deepen subregional integration but also to foster trade links across subregions
- **CEPEA** (ASEAN+6) – 80% of the region's population and GDP – could constitute a **nucleus** for an incipient AP-wide FTA to which other countries could accede in future
- Japan and India have a stake in building a broader, inclusive integrated market of A-P



Beyond Trade:

Seamless connectivity-Asia-Pacific transport links are unevenly developed



- High costs of land transport in hinterlands and across countries
- Asian Highway and Trans Asian Railway route maps need to be fully developed by closing the gaps
 - Financing gaps need to be closed
 - Also need to strengthen **trade and transit facilitation**
- Intergovernmental Agreement on Dryports would also help

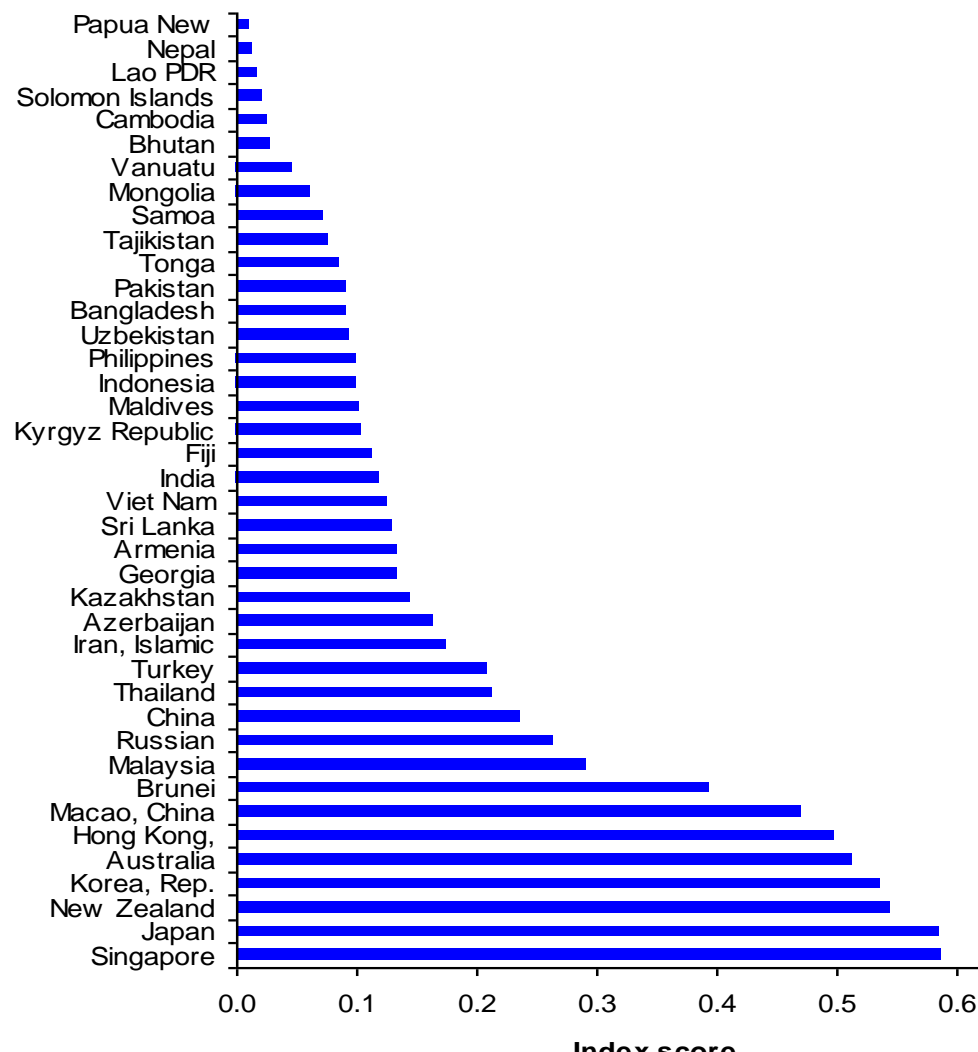


Beyond trade integration

Regional financial architecture for recycling Asian foreign exchange reserves for closing infrastructure gaps

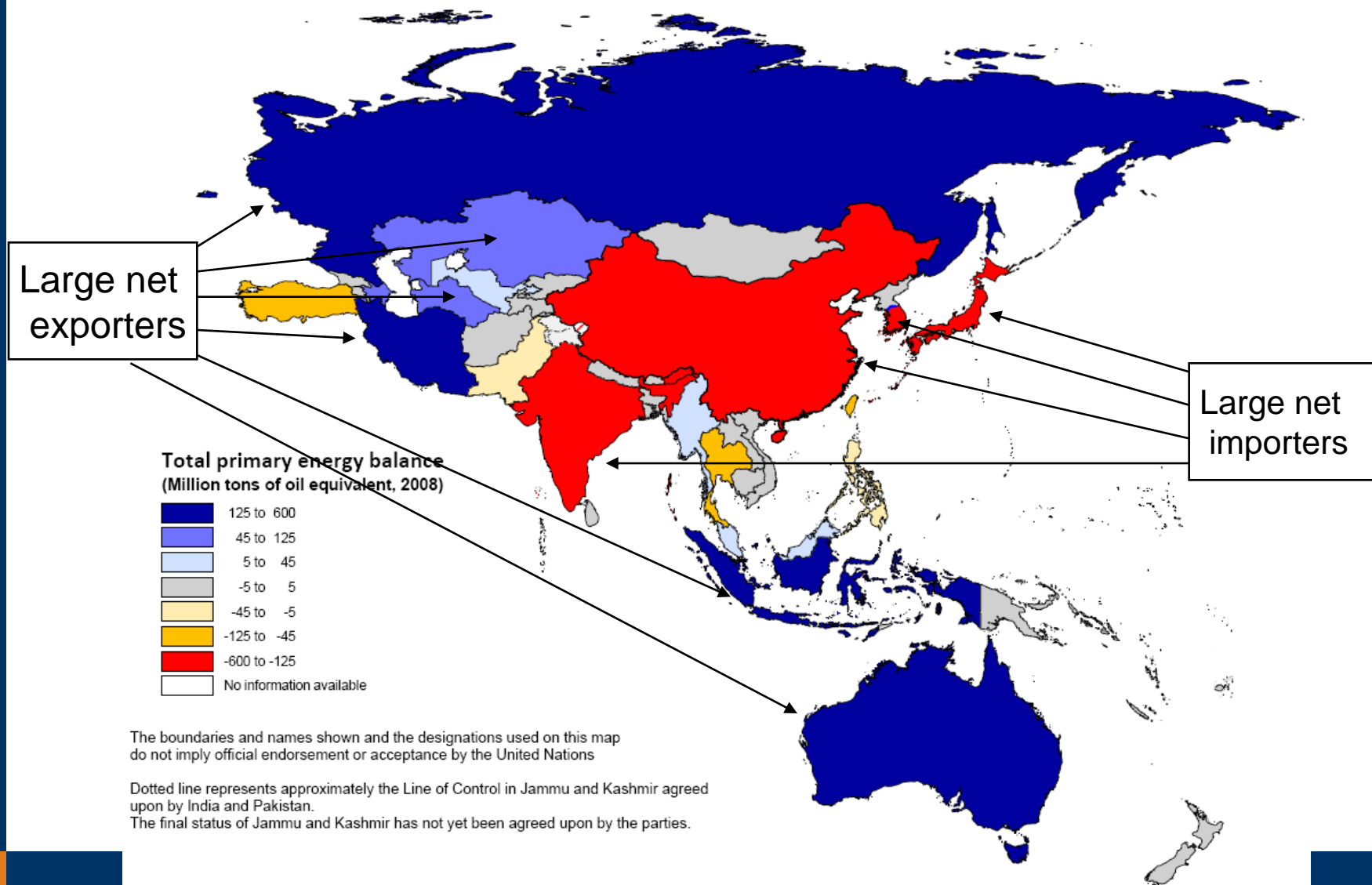
- Asia-Pacific region is characterized by wide infrastructure gaps
- Huge investments to close them
- Region's foreign exchange reserves are larger than US\$ 6 trillion
- Lack a well developed regional financial architecture does not allow them to be mobilized for region's development needs
- Important steps in monetary and financial cooperation are the Chiang Mai Initiative Multilateralization and Asian Bond Funds
- Need to develop the financial architecture beyond them to channel region's savings to infrastructure needs

Infrastructure Composite Scores in Asia-Pacific, 2007





Huge potential for regional cooperation in energy





In conclusion

- A compelling case for deepening and broadening economic integration in Asia-Pacific region and move towards formation of an economic community
- Increasing criticality in the aftermath of the crisis for sustaining region's dynamism and inclusive development
- Great potential of enhancing intraregional trade by exploiting the synergies beyond those within the subregions through broader regionalism
- Fruitful cooperation possibilities exist also in finance and energy, among other sectors
- Deeper cooperation would also assist the region to play its due role in global economic governance and emerge as the centre of gravity of the world economy
- Time for the region to get its act together and exploit more fully the potential of regionalism for mutual benefit
- An important agenda for **India-Japan partnership**



Thank you



Subregional Office for South and South-West Asia

<http://southwest-sro.unescap.org/>