

Pan-Asian Integration

Linking East and South Asia

Edited by

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and

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FOREWORD

There is growing policy interest in the pattern and effects of pan-Asian integration. East and South Asia—which include some of the world’s largest and most dynamic economies—are forging closer economic ties than ever before. This process has been driven by the rise of the People’s Republic of China and India as regional growth poles, deepening regional production networks, falling trade barriers and logistics costs, and the spread of free trade agreements (FTAs). The pace of pan-Asian integration seems set to accelerate in the next decade and underpin inclusive growth and prosperity in the Asia-Pacific.

The Asian Development Bank (ADB) has long recognized the importance of regional cooperation and integration for the region’s economic development. ADB was mandated to support regional cooperation as a part of its Charter and a comprehensive *Regional Cooperation and Integration Strategy* was adopted in 2006. Regional cooperation is also highlighted as one of ADB’s core operational specializations in the *Strategy 2020: The Long Term Strategic Framework of the Asian Development Bank 2008–2020*.

Against this backdrop, ADB’s Office of Regional Economic Integration conducted this study on deepening economic relations between East and South Asia. An international team of thematic and country experts participated in the exercise. The study aims to chart the pattern of economic linkages between these two subregions, analyze the factors underlying the growing ties, examine the benefits of closer integration and make recommendations for improving future East Asia–South Asia cooperation and integration.

The study finds that there has been a rapid growth in trade and investment linkages between the economies of East and South Asia, albeit from a low base. FTAs are playing a prominent role in fostering trade and investment within East and South Asia, with around 20 FTAs at different stages of implementation. Furthermore, the study estimates that a broad Pan-Asian agreement covering East and South Asian economies offers significant gains to regional incomes. Key impediments to realizing these gains include the persistence of trade barriers, a lack of trade-related infrastructure, and insufficient structural reforms.

The study makes five important recommendations at the regional level to foster closer East Asia–South Asia integration in the future. These include: (1) countries should continue lowering trade and non-tariff barriers, (2) investment in trade-related infrastructure and streamlining of cross-border procedures offers a direct path to lower trade costs, (3) South and East Asian countries need to consolidate their FTAs, (4) deregulation and policy reform in the services sector should be pursued, and (5) trade liberalization efforts need to be embedded in a wider program of economic reforms. It is hoped that the study will contribute to understanding and policy development for strengthening economic ties between East and South Asia.

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The thematic team consisted of John Arnold, Philippa Dee, J. Malcolm Dowling, Christopher Findlay, Miriam Manchin, Ryo Ochiai, Annette Pelkmans-Balaoing, Michael Plummer, and Robert Scollay. The country teams included Suthiphand Chirathivat, Ejaz Ghani, Binod Karmacharya, Nagesh Kumar, Nephil Maskay, Ramkishen Rajan, Mohammed Ali Rashid, Chayodom Sabhasri, Pooja Sharma, Shandre Mugan Thangavelu, Nadeem Ul Haque, Dushni Weerakoon, and Zhang Yunling.

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The opinions expressed in the book are those of the authors and do not represent the views of ADB.

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