

National Strategies for Regional Integration: South and East Asian Case Studies

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Summary

Regional integration is gathering momentum in Asia. Having successfully integrated into the global economy over the last five decades through outward-oriented development strategies, the region has embarked on a process of closer regional cooperation and integration. Several factors—the spread of production networks, improvements in infrastructure, falling trade barriers, and technological progress—have spurred the process. The global economic crisis is expected to merely dampen rather than halt the pace of Asian integration and global recovery will give renewed impetus to Asian integration. One key challenge for a fully interdependent Asia remains how to strengthen and spread the benefits of the process of regional cooperation and integration. An essential element is effective national strategies for regional cooperation and integration. This study examines the diverse experience of regional integration of South and East Asian economies during the last two decades and offers lessons for latecomers.

Using a set of country cases based on a similar framework, the study addresses an important policy question: *how can each country's integration with its neighbors and more distant regional economies be improved?* Of the eight country studies, five are from South Asia (India, Pakistan, Bangladesh, Nepal, and Sri Lanka) and three are from East Asia (the People's Republic of China, Thailand, and Singapore). The country cases—which differ by per capita income, country size and location—provide fascinating insights on the relationship between regional economic performance and strategies for regional integration at the country level. The studies cover the direction of goods and services trade; national policies on trade and investment; infrastructure and logistics; the role of geography; institutions; and the regional focus of the countries covered.

Four vital lessons are offered:

- Integrate with a large neighboring economy, where exposure to dynamic production networks brings numerous externalities to a given economy and its enterprises.
- Emphasize market orientation in regional strategy for optimal resource allocation

and greater competition to increase the efficiency of domestic markets.

- Tailor policy mix to national circumstances with the key ingredients of regional strategy— investment in infrastructure, improvement of logistics, open trade and investment policies, measures to improve export competitiveness, and public–private sector partnerships
- Involve the private sector in developing regional strategy, which can help influence and deepen the regional production networks across industries.