



Technical Assistance Report

Project Number: 42490-01
Research and Development Technical Assistance (RDTA)
March 2009

Global and Regional Financial Market Integration

ABBREVIATIONS

ADB	–	Asian Development Bank
OREI	–	Office of Regional Economic Integration
TA	–	technical assistance
US	–	United States

TECHNICAL ASSISTANCE CLASSIFICATION

Type	–	Research and development technical assistance (RDTA)
Targeting Classification	–	General intervention
Sector	–	Public sector management
Subsector	–	Economic and public affairs management
Themes	–	Economic growth, regional cooperation and integration
Subthemes	–	Promoting macroeconomic stability, money and finance, trade and investments

NOTE

In this report, “\$” refers to US dollars.

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In preparing any country program or strategy, financing any project, or by making any designation of or reference to a particular territory or geographic area in this document, the Asian Development Bank does not intend to make any judgments as to the legal or other status of any territory or area.

I. INTRODUCTION

1. The ongoing global financial crisis has exposed a remarkable degree of global financial integration—and its consequences—for emerging East Asian financial markets.¹ Since the 2007 United States (US) subprime mortgage market crash, violent swings in stock prices and visible spillover effects in emerging East Asia's economic and financial systems have made it clear that this region is not insulated from major economic and financial market developments in industrialized countries. Such vulnerability to direct and indirect shocks in emerging East Asia's financial markets and systems will significantly determine the future course of financial integration at both the regional and global levels.

2. In financial crises, one frequently asked question is whether financial integration is ultimately beneficial for economic growth. Financial integration among economies should, in theory, offer benefits of risk sharing and foster economic development and growth. However, intensified financial links in a world of increased capital mobility may also increase the risk of cross-border financial contagion. For emerging East Asia, which has been actively pursuing regional financial integration, its situation creates even more questions. Are there additional benefits or costs of regional financial integration beyond financial globalization? Would the progress of regional financial integration complement, substitute, or conflict with financial globalization? Are there different factors driving regional financial integration vis-à-vis financial globalization? What lessons can the region's policy makers draw from the post-crisis experience of financial deregulation and liberalization to determine the future course of financial integration for their economies? Therefore, an in-depth analysis of the evolutionary nature of financial integration, at both the regional and global levels, will increase understanding of financial integration and offer developing member countries valuable lessons in forming their plans and strategies for their capital market development.

3. The current global financial crisis presents a timely opportunity for the region's policy makers to rethink their strategies for financial deregulation and liberalization and to reconsider a next step to integrate emerging East Asia's financial markets further. While substantial literature already exists under the separate subjects of financial globalization and regional financial integration, little research has been done on the dynamics between these two distinctive forces. This technical assistance (TA) project will assess the progress of regional financial integration vis-à-vis financial globalization and offer insights for future strategic planning.² The design and monitoring framework for this TA is in Appendix 1.

II. ISSUES

4. The current crisis illustrates how closely the global financial markets are connected and their roles in propagating a shock. Although the origin of the crisis can be traced to the US subprime mortgage market, its impact has been shared globally. While Asian banks were relatively shielded from the immediate losses from US subprime mortgages and related credit derivatives markets, the subsequent retrenchment in interbank lending and investors' risk appetite was felt globally, overtaking emerging Asian markets.

¹ The 10 largest emerging East Asian economies are the People's Republic of China; Hong Kong, China; Indonesia; the Republic of Korea; Malaysia; Philippines; Singapore; Taipei, China; Thailand; and Viet Nam.

² The TA concept paper was cleared on 23 October 2008. The TA first appeared in the business opportunities section of ADB's website on 8 January 2009.

5. Emerging East Asia's economic and financial integration has gained momentum since the 1990s. Although the region's real economic integration has been facilitated by national and regional policies for trade and investment liberalization, its financial integration has lagged. Thus, when the Asian Development Bank (ADB) adopted its regional cooperation and integration strategy in 2006, promoting monetary and financial integration became a focus of furthering regional cooperation and integration. ADB's long-term strategic framework (Strategy 2020)³ also identifies regional cooperation and financial sector development as core operations.

6. Financial integration is a dynamic and multifaceted process. Advances in information and communication technology and the removal of barriers to cross-border activity have expedited financial market integration globally. At the regional level, policy makers have promoted financial integration since the 1997/98 Asian financial crisis. However, evidence suggests that the region's financial markets are integrated more with global markets than with each other. Moreover, factors driving regional financial integration are not fully understood, particularly regarding how they differ from the factors behind financial globalization and whether policy efforts to promote regional integration complement or conflict with policies to enhance financial stability.

7. Although promoting market integration and financial efficiency, financial innovation contributed to the current crisis by compromising regulators' ability to assess underlying risks and by providing the link for massive financial contagion. Rapid growth in financial innovation, along with the trend of financial deregulation, led to the proliferation of complex structured products, which then facilitated this financial intermediation by helping global financial institutions bundle, repackage, and sell subprime mortgages to a broad spectrum of investor groups.

8. The degree of financial openness was also an important element for the financial contagion. The most affected countries include those with high foreign participation in local equity markets, banking systems that depend heavily on short-term foreign currency funding, and those running external current account deficits. Volatility in foreign portfolio investment flows—short-term funds placed in stocks, bonds, and banks' overseas borrowing—also presented a significant risk. Exposures to short-term external funds have badly affected the performance of the region's currencies amid greater uncertainty about the continuity and stability of these foreign currency funds.

9. In the past, financial liberalization and deregulation often preceded financial disruptions in emerging market economies. Large capital inflows drawn to their relatively high growth potentials usually led to rapid credit growth, asset bubbles, and imprudent lending practices. As seen in the 1997/98 Asian financial crisis, high levels of foreign currency debt, overvalued currencies, low levels of foreign currency reserves, lack of prudential oversight, and weak financial institutions turned out to be a volatile combination.

10. Since the 1997/98 crisis, emerging East Asian economies have rectified their macroeconomic imbalances, bolstered their external positions, and addressed their structural weaknesses almost uniformly. Recognizing the institutional and structural weaknesses in their largely bank-dominated financial systems, regional economies have also directed substantial efforts toward developing and deepening their capital markets. However, unlike the 1997/98 crisis that reflected the region's own fundamental imbalances and structural weaknesses, the

³ ADB. 2008. *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank 2008–2020*. Manila.

root cause of the current crisis can be found in global financial imbalances. The US's chronic account deficits and large capital inflows to finance these deficits were facilitated by rapid financial integration. Due to growing financial globalization, the US economy was able to attract massive capital to fill the large gap between its investments and savings. Emerging East Asia provided much of that needed capital thanks to an inadequate supply of regional financial products and services in the region.

11. Regional financial integration can help the region promote the development of national and regional financial markets, encourage market infrastructure investment, and harmonize the regulatory environment—which will ultimately contribute to the efficiency of financial resources allocation in the region. However, it is not yet clear if regional financial integration is without risks nor what additionality it can bring beyond the costs and benefits of the region's financial integration with global markets.

12. The region's policy makers currently face the challenge of balancing regional integration and financial globalization to maximize the benefits of financial integration while minimizing its potential risks. The current crisis should not deter the progress that the region has made toward financial openness and integration because it created transmission channels for a financial crisis. However, with financial markets becoming increasingly integrated, it is important to reassess the stage of both global and regional financial integration and carefully reset the path and pace of future integration. As the past and present crises highlighted, mismanagement of financial globalization often leaves emerging market economies—with weak fundamentals and underdeveloped financial systems—vulnerable to external adversities. Regional financial integration, which is thought to eventually benefit regional economies by helping mobilize regional savings for regional investments more effectively and efficiently, may or may not be particularly useful or compatible with the efforts to enhance financial stability depending on the country-specific development stages and different requirements for openness.

13. Many studies have documented the progress of financial integration since the 1997 crisis and recognized its benefits. Three major studies include (i) Monetary and Financial Integration in East Asia in 2004 implemented under the Study on Monetary and Financial Cooperation in East Asia, (ii) Asian Economic Cooperation and Integration: Progress, Prospects and Challenges in 2005 under the High-Level Conference on Asia's Economic Cooperation and Integration, and (iii) Emerging Asian Regionalism: A Partnership of Shared Prosperity in 2008 under Emerging Asian Regionalism: Ten Years After the Crisis.⁴ Most recently, another TA on Quantifying the Costs and Benefits of Regional Economic Integration⁵ has been approved to estimate the costs and benefits of regional economic integration to help the region's policy makers make more informed decisions in regional integration efforts.

14. However, these studies omit an in-depth analysis of the evolution of financial integration, which would increase understanding of the core aspects of Asian financial integration and offer valuable lessons in forming plans and strategies for the future course of regional financial integration. This will also complement the ongoing TA project on quantifying the costs and

⁴ ADB. 2001. *Technical Assistance for the Study on Monetary and Financial Cooperation in East Asia*. Manila (TA 6000-REG, for \$500,000, approved on 2 October); ADB. 2004. *Technical Assistance for the High-Level Conference on Asia's Economic Cooperation and Integration*. Manila (TA 6172-REG, for \$150,000, approved on 13 May); and ADB. 2006. *Technical Assistance for Emerging Asian Regionalism: Ten Years After the Crisis*. Manila (TA 6374-REG, for \$1,367,000, approved on 18 December).

⁵ ADB. 2008. *Technical Assistance for Quantifying the Costs and Benefits of Regional Economic Integration in Asia*. Manila (TA 6500-REG, for \$900,000, approved on 13 November).

benefits of regional integration from the aspect of financial market integration⁶ and is consistent with ADB's medium-term corporate strategic priorities for research on regional cooperation.

III. THE TECHNICAL ASSISTANCE

A. Impact and Outcome

15. This TA project aims to study the current stage of both regional and global financial integration in emerging East Asia. It will also analyze factors behind the progress of regional financial integration in relation to financial globalization to identify policy challenges in pursuing further integration while enhancing financial resilience in the region.

16. Findings of the study will provide reliable estimates for assessing the degree of regional versus global financial integration. In doing so, this can help measure the effect of financial transmissions at both regional and global levels. Amid continued financial turbulence, having more accurate empirical estimates of the extent of financial globalization and regional financial integration in Asia will help gauge how resilient emerging East Asia's financial systems are to global turmoil. But more importantly, this study will enhance understanding of the dynamics of financial integration at the regional level amid the strong trend of financial globalization. And its findings will provide a practical reference for policy makers in formulating their financial market development plans.

B. Methodology and Key Activities

17. A book will be published, composed of chapters drawn from a collection of rigorous background papers suitable for journal publication. The book will comprise three major sections. The first section will empirically measure the degree of regional versus global financial integration and document the progress of regional financial integration in emerging East Asia amid the rapidly globalizing financial landscape.⁷ The second section will compile studies on the dynamics and interaction between regional financial integration and financial globalization, and analyze the driving factors behind these two distinct forces of financial integration. The third section will provide the policy implications of findings from the first two sections, including the benefits, if any, of taking a regional approach to financial market integration over a global approach.

18. To the extent possible, each paper will draw on past ADB research and avoid duplication with existing papers. The methodology section will clearly explain the assumptions and estimation techniques employed to facilitate independent replication and verification. A summary of the findings will be reflected in an overview chapter. Preliminary findings will be discussed in midterm review seminars and the final results presented in a finalization workshop.

C. Cost and Financing

19. The TA project will cost an estimated \$750,000 and be financed on a grant basis by ADB's TA funding program (TASF-IV). The detailed cost breakdown and financing plan are in Appendix 2.

⁶ ADB. 2008. *Technical Assistance for Quantifying the Costs and Benefits of Regional Economic Integration in Asia*. Manila (TA 6500-REG, for \$900,000, approved on 13 November).

⁷ The book will cover the G7 countries (Canada, France, Germany, Italy, Japan, the United Kingdom, and the US) and emerging East Asia (Footnote 1).

D. Implementation Arrangements

20. ADB will be the Executing Agency for the TA. Within ADB, the Office of Regional Economic Integration will implement the TA in collaboration with concerned departments. The TA will require 14.5 person-months of international consulting services, 19.5 person-months of national consulting services, and approximately 0.5 person-month of resource persons' services. All of the consultants will be engaged individually in accordance with ADB's *Guidelines on the Use of Consultants* (2007, as amended from time to time). The terms of reference for consultants are in Appendix 3. The TA is expected to be completed in 18 months, from March 2009 to September 2010.

21. Seven international consultants will be engaged intermittently for a total of 12 person-months to write background papers on the identified issues. The draft papers will be discussed in consecutive seminars, each of which will examine a section of the book. After giving authors time to revise and incorporate comments from these seminars, the papers will be presented in a finalization workshop where resource persons will be invited to comment on the different papers. Five resource persons will be invited to review the findings and serve as discussants during this finalization workshop. Engagement of these discussants will total approximately 0.5 person-month. Some background papers may be merged and developed into chapters by the lead consultant for each section. Given the independent nature of the studies (by area of expertise) and that the experience and qualification of the background writers are the main consideration for their engagement, each will be hired as individual consultant. The Office of Regional Economic Integration has available staff skilled in managing the multiple contracts of background writers. One or two economics editor(s) will also be engaged intermittently, as international consultants, for a total of 2.5 person-months to serve as the publication's editor(s) as well as to assist in writing the book's overview chapter. ADB may collaborate with international research organizations to ensure the quality of the papers to be included in the book. After publication, a book launch will be organized and the findings disseminated through the Asia Regional Integration Center website, among others.

22. One national consultant will be engaged for 12.0 person-months to serve as project coordinator for overall administration of the TA project. An events coordinator will be employed for 3.0 person-months, intermittently, to serve as focal person for the conduct of the seminars, workshop, and related activities. Once all the chapters of the book are complete, a copy editor will be hired for 2.5 person-months and a typesetter for 2.0 person-months to ensure a high-quality publication that adheres to ADB's style, usage, and format. Disbursements under the TA will be made in accordance with ADB's *Technical Assistance Disbursement Handbook*.⁸

IV. THE PRESIDENT'S DECISION

21. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$750,000 on a grant basis for Global and Regional Financial Market Integration, and hereby reports this action to the Board.

⁸ ADB. 2008. *Technical Assistance Disbursement Handbook*. Manila.

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets and/or Indicators	Data Sources and/or Reporting Mechanism	Assumptions and Risks
<p>Impact</p> <p>Well-informed and balanced view of regional versus global financial integration that will ultimately lead to greater financial resilience and stable growth in the emerging East Asia region</p>	<p>Increase in government-led initiatives and market-driven developments supporting greater financial stability in the region</p>	<p>Economic and financial indicators</p> <p>Media coverage</p>	<p>Assumption</p> <p>Continued interest of governments in market-driven and government-led regional and global financial integration initiatives</p> <p>Risk</p> <p>Regional/global shocks make countries more inward-looking</p>
<p>Outcome</p> <p>Enhanced understanding of the process of regional financial integration vis-à-vis financial globalization, while providing policy lessons to a wide range of ADB's developing member countries</p>	<p>Dialogues among better-informed policy makers on the process of regional financial integration vis-à-vis financial globalization</p> <p>Wide dissemination of the studies to the general public</p> <p>Better-informed formulation of policies to facilitate financial integration</p>	<p>Feedback from various conferences, workshops, meetings, and other forums</p> <p>Relevant policies formulated by individual Asian economies and the region</p>	<p>Assumption</p> <p>Political commitments to financial stability and structural reforms</p> <p>Risk</p> <p>Regional/global shocks make countries more inward-looking</p>
<p>Outputs</p> <ol style="list-style-type: none"> 1. Two or three midterm seminars and one finalization workshop to present revised papers and findings for comments 2. Background papers covering empirical estimates of the degree of regional versus global financial integration, dynamics and interactions between regional financial integration and financial globalization, and assessment of benefits of taking a regional versus global approach to financial integration. 3. A book comprising 	<p>Seminars and workshop organized and attended by interested parties within and outside ADB</p> <p>Background papers completed, presented, and used as inputs to the final report (i.e., a book)</p> <p>Book published, launched, and disseminated</p>	<p>Number of interested participants and quality of discussions during the seminars and workshop</p> <p>Technical and analytical debate generated among researchers</p> <p>Media coverage or the number and quality of press reviews</p> <p>Number of hits on the ADB and Asia Regional Integration Center websites</p> <p>Significant demand for the printed book</p>	<p>Assumptions</p> <p>Availability and interest of researchers, relevant ADB Management and staff, and outside parties</p> <p>Timely recruitment of researchers</p> <p>Accuracy of data and information collected</p> <p>Risks</p> <p>Conflict in the schedules of researchers/consultants</p> <p>Poor quality of papers</p> <p>Delays in the submission of papers</p>

Design Summary	Performance Targets and/or Indicators	Data Sources and/or Reporting Mechanism	Assumptions and Risks
<p>chapters drawn from the results and policy recommendations of the background papers</p> <p>4. A book launch to disseminate the papers' findings</p>			
<p>Activities with Milestones</p> <ol style="list-style-type: none"> 1. Engage researchers/consultants and identify terms of reference for each paper (March-April 2009) 2. Conduct two or three seminars for draft paper presentations (April-May 2009) 3. Authors incorporate comments received from their seminars (May-June 2009) 4. Conduct a finalization workshop for presentation of final results (July–August 2009) 5. Authors incorporate comments received from finalization workshop; papers finalized (August-September 2009) 6. Editing by economics editor and authors incorporate further comments (October 2009) 7. Copyedit, design layout, typeset, proofread, and print (November 2009–June 2010) 8. Publish book, and post overview chapter on the Asia Regional Integration Center website (July 2010) 9. Launch book (August-September 2010) 			<p>Inputs</p> <p>ADB:</p> <p>14.5 person-months of international consulting, 19.5 person-months of national consulting, and engagement of resource persons for approximately 0.5 person-month, including travel and per diem (\$584,000)</p> <p>Workshop and seminars (\$38,000)</p> <p>Miscellaneous administration and support costs, including publications, communications, and office supplies (\$53,000)</p> <p>Contingencies (\$75,000)</p>

ADB = Asian Development Bank.

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Total Cost
Asian Development Bank Financing^a	
1. Consultants	
a. Remuneration and Per Diem	
i. International Consultants	300.0
ii. National Consultants	56.0
iii. Resource Persons	10.0
b. International and Local Travel	218.0
2. Workshop and Seminars	38.0
3. Miscellaneous Administration and Support Costs (including publications, communications, and office supplies)	53.0
4. Contingencies	75.0
Total	750.0

^a Financed by the Asian Development Bank's technical assistance funding program (TASF-IV).

Source: Asian Development Bank estimates.

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

A. Macro-Financial Economists for Section on Regional versus Global Financial Integration (international, 2 consultants for 1.5 person-months each, intermittent)

1. The consultants will be international experts with proven knowledge and extensive work experience on issues related to regional financial integration efforts in Asia or other regions. The consultants will preferably have adequate experience in similar assignments involving the preparation of research products and in working with international financial/research institutions.

2. Under the supervision of Office of Regional Economic Integration (OREI) staff of the Asian Development Bank (ADB), the consultants will

- (i) submit a proposed outline or abstract of their papers;
- (ii) write background papers, and present these in seminars and in the finalization workshop;
- (iii) incorporate the comments from the seminars and workshop;
- (iv) submit their findings for consolidation for the identified book chapter(s);
- (v) provide inputs to the overall study, including concrete suggestions on activities, structures, and outputs; and
- (vi) ensure that their papers are properly and timely delivered in a coherent structure.

3. The papers to be written by the consultants will, among others, (i) empirically measure the degree of regional versus global financial integration; (ii) measure the effect of financial transmission at both the regional and global levels; (iii) gauge the resilience of emerging East Asia's financial systems to global turmoil; and (iv) document the process of regional financial integration in a rapidly globalizing financial landscape. The findings of the papers should provide reliable estimates for the progress of regional versus global financial integration. The papers should be new, original, and of a quality suitable for journal publication. The papers should draw on past ADB research and avoid duplication with existing papers. The methodology sections should clearly explain the assumptions and estimation techniques employed to facilitate independent replication and verification.

B. Macro-Financial Economist and Lead Coordinator/Researcher for Section on Regional versus Global Financial Integration (international, 2 person-months, intermittent)

4. The consultant will be an international expert with proven knowledge and extensive work experience on issues related to regional financial integration efforts in Asia or other regions. The consultant will preferably have adequate experience in similar assignments involving the preparation and coordination of research products and in working with international financial/research institutions. Acting as the lead researcher for the chapter(s) on regional versus global financial integration, the consultant will also have final responsibility for coordination with the international consultants writing about the same theme and the economics editor for the final draft of this chapter.

5. Under the supervision of OREI staff, the consultant will:

- (i) submit a proposed outline or abstract of his/her paper;
- (ii) write a background paper and present this in seminars and in the finalization workshop;

- (iii) incorporate the comments from the seminars and workshop;
- (iv) coordinate the work of the two consultants writing on the same theme, integrate the findings of the empirical papers on this theme, and write the book chapter(s) on this topic;
- (v) coordinate and maintain effective communication with the ADB focal point and the economics editor to ensure overall high quality of the publications and analytical consistency;
- (vi) provide inputs to the overall study, including concrete suggestions on activities, structures, and outputs; and
- (vii) ensure that outputs are properly and timely delivered in a coherent structure.

6. The paper to be written by the consultant will, among others, (i) empirically measure the degree of regional versus global financial integration, (ii) measure the effect of financial transmission at both the regional and global levels, (iii) gauge the resilience of emerging East Asia's financial systems to global turmoil, and (iv) document the process of regional financial integration in a rapidly globalizing financial landscape. The findings of the paper should provide reliable estimates for the progress of regional versus global financial integration. The background paper should be new, original, and of a quality suitable for journal publication. The paper should draw on past ADB research and avoid duplication with existing papers. The methodology section should clearly explain the assumptions and estimation techniques employed to facilitate independent replication and verification.

C. Macro-Financial Economists for Section on Dynamics of Regional Financial Integration and Financial Globalization (international, 2 consultants for 1.5 person-months each, intermittent)

7. The consultants will be international experts with proven knowledge and extensive work experience on issues related to regional financial integration efforts in Asia or other regions. The consultants will preferably have adequate experience in similar assignments involving the preparation of research products and in working with international financial/research institutions.

8. Under the supervision of OREI staff, the consultants will:

- (i) submit proposed outline or abstract of their papers;
- (ii) write background papers and present these in seminars and in the finalization workshop;
- (iii) incorporate the comments from the seminars and workshop;
- (iv) submit their findings for consolidation for the identified book chapter(s);
- (v) provide inputs to the overall study, including concrete suggestions on activities, structures, and outputs; and
- (vi) ensure that their papers are properly and timely delivered in a coherent structure.

9. The papers to be written by the consultants will, among others, (i) describe how financial globalization affects the process of regional financial integration, (ii) examine if there are interactions between the wave of financial globalization and regional financial integration, and (iii) identify the different factors driving regional financial integration vis-à-vis financial globalization and study how these factors interact. The papers should be new, original, and of a quality suitable for journal publication. The papers should draw on past ADB research and avoid duplication with existing papers. The methodology sections should clearly explain the assumptions and estimation techniques employed to facilitate independent replication and verification.

D. Macro-Financial Economist and Lead Coordinator/Researcher for Section on Dynamics of Regional Financial Integration and Financial Globalization (international, 2 person-months, intermittent)

10. The consultant will be an international expert with proven knowledge and extensive work experience on issues related to regional financial integration efforts in Asia or other regions. The consultant will preferably have adequate experience in similar assignments involving the preparation and coordination of research products and in working with international financial/research institutions. The consultant will act as the lead researcher for the chapter(s) on regional versus global financial integration. The consultant will have final responsibility for coordination with the international consultants writing about the same theme and the economics editor for the final draft of this chapter.

11. Under the supervision of OREI staff, the consultant will:

- (i) submit proposed outline or abstract of his/her paper;
- (ii) write a background paper and present this in seminars and in the finalization workshop;
- (iii) incorporate the comments from the seminars and workshop;
- (iv) coordinate the work of the two consultants writing on the same theme, integrate the findings of the empirical papers on this theme, and write the book chapter(s) on this topic;
- (v) coordinate and maintain effective communication with the ADB focal point and the economics editor to ensure overall high quality of the publications and analytical consistency;
- (vi) provide inputs to the overall study, including concrete suggestions on activities, structures, and outputs; and
- (vii) ensure that outputs are properly and timely delivered in a coherent structure.

12. The paper to be written by the consultant will, among others, (i) describe how financial globalization affects the process of regional financial integration, (ii) examine if there are interactions between the wave of financial globalization and regional financial integration, and (iii) identify the different factors driving regional financial integration vis-à-vis financial globalization and study how these factors interact. The paper should be new, original, and of a quality suitable for journal publication. The paper should draw on past ADB research and avoid duplication with existing papers. The methodology section should clearly explain the assumptions and estimation techniques employed to facilitate independent replication and verification.

E. Macro-Financial Economist for Policy Paper (international, 2 person-months, intermittent)

13. The consultant will be an international expert with proven knowledge and extensive work experience on issues related to regional financial integration efforts in Asia or other regions. The consultant will preferably have adequate experience in similar assignments involving the preparation and coordination of research products and in working with international financial institutions.

14. Under the supervision of OREI staff, the consultant will:

- (i) submit a proposed outline or abstract of his/her paper;

- (ii) write a policy paper and present this in seminars and in the finalization workshop;
- (iii) incorporate the comments from the seminars and workshop;
- (iv) write the book chapter(s) on this theme drawing from results of the background papers;
- (v) provide inputs to the overall study, including concrete suggestions on activities, structures, and outputs;
- (vi) ensure that outputs are properly and timely delivered in a coherent structure; and
- (vii) coordinate and maintain effective communication with the ADB focal point and the economics editor to ensure overall high quality of the publication and analytical consistency.

15. The paper to be written by the consultant will, among others, attempt to answer questions such as (i) Are there additional benefits or costs in taking a regional approach to financial integration versus a global approach? (ii) Would the progress of regional financial integration complement, substitute, or stand in conflict with financial globalization? (iii) What lessons can the region's policy makers draw from the post-crisis experience of financial deregulation and liberalization to determine the future course of financial integration for their economies? (iv) How can policy makers harmonize their efforts toward regional financial market integration in the face of financial globalization? The paper should be able to provide a practical reference or guidelines for Asian policy makers in formulating their financial development plans by suggesting a balanced view of regional versus global financial integration. The paper should be new, original, and of a quality suitable for journal publication. The paper should draw on past ADB research and avoid duplication with existing papers.

F. Economics Editor (international, 1 or 2 consultants, for a total of 2.5 person-months, intermittent)

16. An economics editor with extensive experience in editing economic publications will be engaged to ensure high-quality publication of the book. Under the supervision of OREI staff, the consultant will:

- (i) coordinate the work of all paper and chapter writers;
- (ii) review the draft papers and suggest revisions to ensure the chapters form a consistent report;
- (iii) assist in integrating the overall findings and in reflecting these in the overview chapter of the book; and
- (iv) ensure that edited materials adhere to ADB style and usage, conform to high publication standards, and are properly and timely delivered.

G. Project Coordinator (national, 12 person-months)

17. A project coordinator for overall administration of the technical assistance will be engaged. The consultant should have adequate experience in coordination work, preferably in similar assignments involving the conduct of workshops and economic publications. Familiarity with issues concerning regional financial integration in Asia will be an advantage. Under the supervision of OREI staff, this consultant will:

- (i) maintain communication with the international consultants and resource persons;
- (ii) ensure the timely delivery of papers;
- (iii) provide technical assistance in reviewing the papers prepared for the study;
- (iv) guarantee smooth completion of the report and publication of the book; and

- (v) oversee the organization and conduct of the midterm review workshop, completion seminars, and book launch.

H. Events Coordinator (national, 3.0 person-months, intermittent)

18. An events coordinator will be engaged to serve as overall coordinator of the seminars, finalization workshop, and book launch. The consultant will have adequate experience in coordinating events and organizing workshops and will serve as the focal person in the preparation of administrative requirements and the implementation of logistical arrangements for the workshop and related activities.

I. Copy Editor and Typesetter (national, 2 consultants, 4.5 person-months total)

19. A copy editor will be engaged for 2.5 person-months once all the chapters of the book are completed to ensure that edited materials adhere to ADB style and usage and conform to high publication standards. In addition, a typesetter will be engaged for 2 person-months to lay out the text, tables, and charts and convert the files into the required format for print publication. The consultants should possess expertise in copy editing and desktop publishing, and preferably have extensive experience in similar assignments involving preparation of economic publications.

J. Resource Persons (about 5 resource persons, approximately 0.5 person-month total)

20. Resource persons, with backgrounds as policy makers and/or experts, will be engaged to review the draft background papers and book chapters, and as participants in the finalization workshop.

OUTLINE OF THE FINAL REPORT

- I. INTRODUCTION OR OVERVIEW
- II. REGIONAL INTEGRATION VERSUS GLOBAL FINANCIAL INTEGRATION
 - A. Measuring the Degree of Regional and Global Financial Integration
 - B. Progress of Regional and Global Financial Integration in East Asia
- III. DYNAMICS OF REGIONAL FINANCIAL INTEGRATION AMID FINANCIAL GLOBALIZATION
 - A. Factors behind Regional and Global Financial Integration
 - B. Interactions between Regional Financial Integration and Financial Globalization
- IV. POLICY CHALLENGES AND/OR IMPLICATIONS