

STRENGTHENING REGIONAL COOPERATION AND INTEGRATION IN ASIA

15.1 Introduction

Regional cooperation and integration (RCI) refers to policies and initiatives of countries in a region to engage in close economic cooperation and promote the integration of their economies, especially through trade and investment. RCI has played an important role in supporting Asian development over the past half century. It contributed to the region's peace and stability, promoted intraregional trade and investment, and supported the provision of regional public goods—in particular, controlling transboundary environmental pollution (for example, in rivers and the haze), combating communicable disease, and preventing financial contagion.

RCI in developing Asia has evolved significantly since World War II in terms of country coverage and the scope of cooperation. It was initially motivated by the need to ensure peace and security after years of war and conflict in the region, and to move beyond former colonial links. It was also influenced by the United Nations (UN), initially through the establishment of the Economic Commission for Asia and the Far East (ECAFE) in 1947.

Over time, RCI became homegrown and expanded to more areas, including research, education, and capacity development; development financing; trade and investment; money and finance; and responding to common regional challenges. The Asian Development Bank (ADB) continues to promote RCI across many subregions.

This chapter discusses the institutional evolution of RCI in Asia and the Pacific. Section 15.2 looks at the key motivating factors. Section 15.3 traces the changing drivers that influenced RCI's evolution in East Asia and Southeast Asia—the subregions that benefited most thus far from regional cooperation and market-driven integration. It shows how the Association of Southeast Asian Nations (ASEAN) emerged as a successful example of RCI. Section 15.4 discusses RCI across different subregions. Section 15.5 discusses the establishment of ADB as a prime example of RCI. Finally, section 15.6 highlights the future of RCI, including megaregional free trade agreements (FTAs) consistent with the region's brand of “open regionalism,” and addressing the challenges of inclusive and sustainable development.

15.2 Why regional cooperation and integration?

RCI, together with private-sector, market-led actions, promotes integration among economies in trade, investment, finance, and other areas. There are different motivations and reasons for countries to undertake RCI in Asia and the Pacific.

First, RCI can contribute to peace and stability, creating an environment of mutual trust that allows countries to deepen economic cooperation and interdependence. Looking back, the 1950s–1970s was an era characterized by tensions between countries. As a result, they sought security cooperation with neighboring countries. In addition, some countries sought to promote the Non-Aligned Movement, which contributed to binding ties among 120 developing countries within the Asian region and beyond.

Regional groupings such as ASEAN, which was established in 1967, had their original motivation based on concerns over security. As political stability took root, security gradually took second place to economic cooperation. For ASEAN, this evolution was seen in the creation of the ASEAN Preferential Trading Arrangements in 1977 and the ASEAN Free Trade Agreement in 1992. ASEAN played a critical role in nurturing mutual trust at the time Cambodia, the Lao People's Democratic Republic, Myanmar, and Viet Nam began market-oriented reforms.

Second, RCI enhances cross-border economic opportunities. It can provide a wide range of opportunities to increase trade and investment by helping lower tariff barriers and removing obstacles to free trade, promoting open investment regimes, and fostering infrastructure connectivity between countries.

The resulting regional integration allows countries to exploit economies of scale by expanding markets for their goods and services. It can better allocate resources as inputs are sourced beyond national boundaries, leading to cost reductions and the introduction of new products. It also enables technology and skills transfers. This facilitates the narrowing of development gaps between countries in the Asia and Pacific region and participation in regional and global value chains for some parts of the region.

RCI also allows countries to cooperate to mitigate macroeconomic and financial risks through regional policy dialogue and mechanisms that enhance financial stability. This became evident in East Asian and Southeast Asian countries after the 1997–1998 Asian financial crisis and the 2008–2009 global financial crisis.

In addition, RCI offers a forum, through peer influence, to promote good policies on prudent macroeconomic management, open trade and investment regimes, sound financial regulations, environmental protection, and stronger governance and institutions.

Third, RCI provides for regional public goods. Increasingly, the region's economies are vulnerable to a range of new cross-border risks arising from health and environmental issues such as the spread of communicable disease, transboundary pollution, and natural disasters triggered by cross-border natural hazards. Many of these issues need to be addressed not only nationally and globally, but also regionally. RCI can support collective action on climate change mitigation and adaptation.

RCI is also needed to combat illegal cross-border activities such as drug trafficking and money laundering by coordinating laws, policies, regulations, standards, and/or institutional mechanisms. These issues require collective effort because of the possible large harmful spillovers these illegal activities can have on neighboring countries.

Fourth, RCI can be a platform for a stronger Asian voice. Asia's contribution to the global economy is increasing, and more Asian countries are participating in global forums such as the Group of

Twenty (G20).¹ It is necessary to represent the region's views in global discussions on macroeconomic policies, coordination on taxation, financial regulations on banks and securities, and global agendas such as the Sustainable Development Goals and climate change.

For Asia to be effectively represented in global forums as well as to ensure Asian views influence the global agenda, there is a need for closer regional dialogue to understand how global issues affect the countries in the region and how Asia can contribute to setting the global agenda and pursuing it.

Finally, some regional forums provide platforms to draw in countries from outside the region. For instance, ASEAN provided impetus for the establishment of the Asia-Pacific Economic Cooperation (APEC) in 1989, and the basis for ASEAN+3—ASEAN plus the People's Republic of China (PRC), Japan, and the Republic of Korea (ROK)—in the late 1990s after the Asian financial crisis, and for ASEAN+6 (including Australia, India, and New Zealand) more recently.

In addition, ASEAN facilitated the establishment in 1994 of the ASEAN Regional Forum, which fosters dialogue and consultation on peace and security with countries far beyond ASEAN, including many countries in Asia and the Pacific (such as the Democratic People's Republic of Korea), Canada, the European Union, the Russian Federation, and the United States (US). In all these initiatives, the ASEAN Plus framework provides the anchor for cohesive cooperation.

15.3 Early movers of regional cooperation and integration in East Asia and Southeast Asia

Asia and the Pacific saw many forms of RCI after World War II. At the time, most Asian countries were trying to rebuild after the devastation of war. The UN ECAFE was established in 1947 to provide research and advice on economic issues faced by the region's developing countries. It was later renamed the Economic and Social Commission for Asia and the Pacific (ESCAP), broadening its focus to social issues such as labor and human development.²

¹ Six countries from the region are G20 members—Australia, India, Indonesia, Japan, the PRC, and the ROK.

² United Nations Economic and Social Commission for Asia and the Pacific. 2014. *Asia and the Pacific: A Story of Transformation and Resurgence*. Bangkok.

In 1950, the Colombo Plan for Cooperative Economic Development in South and Southeast Asia³ was established as the region's first multilateral initiative to provide finance for development. It was designed as a cooperative venture, channeling bilateral capital and technical assistance from developed countries (including Australia, Japan, the United Kingdom, and the United States) to countries in South Asia and Southeast Asia.⁴

Newly independent states in the region also sought to develop their economies beyond their colonial ties, building national identities and aspirations, and forging cooperation with other developing regions in the world—such as Africa and Latin America. These were central themes in some Asian conferences organized by developing countries in the early years.⁵

The most prominent was the 1955 Asian–African Conference in Bandung, Indonesia. The Bandung Conference was a high-water mark in propounding the notion of the “Third World” and the “South.” During the conference, Asian and African leaders enunciated the principles of cooperation, self-determination, mutual respect for sovereignty, nonaggression, noninterference in internal affairs, and equality.⁶ These principles paved the way for developing countries in Asia to establish the Non-Aligned Movement in 1961.⁷

In 1954, some countries in Southeast Asia and Pakistan, along with Australia, France, the United Kingdom, and the US, created a regional collective security organization, the Southeast Asia Treaty Organization (SEATO), to address the expanding communist influence in the region. However, SEATO had limited active support from the region and was dissolved in 1977.

³ Later renamed as Colombo Plan for Cooperative Economic and Social Development in Asia and the Pacific.

⁴ Oakman, D. 2004. *Facing Asia. A History of the Colombo Plan*. Canberra: The Australian National University Press.

⁵ Acharya, A. 2005. Why Is There No NATO in Asia? The Normative Origins of Asian Multilateralism. *Weatherhead Center for International Affairs Working Paper Series*. No. 05-05. Cambridge, MA: Harvard University.

⁶ CVCE.eu. *Final Communiqué of the Asian–African Conference of Bandung Signed on 24 April 1955*. http://franke.uchicago.edu/Final_Communique_Bandung_1955.pdf.

⁷ Timossi, A. J. 2015. Revisiting the 1955 Bandung Asian–African Conference and Its Legacy. *South Bulletin*. 85. 15 May. Geneva: South Centre. <https://www.southcentre.int/question/revisiting-the-1955-bandung-asian-african-conference-and-its-legacy/>.

Other efforts such as the Association of Southeast Asia in 1961 and Maphilindo (Malaysia, the Philippines, and Indonesia) in 1963 were short-lived, primarily due to political tensions between members.⁸ However, these efforts led to the creation of ASEAN in 1967. ASEAN's establishment was successful because of its strict adherence to noninterference and its adoption of informal and consensus-oriented cooperation (Box 15.1).

Box 15.1: The Successful Evolution of ASEAN into the ASEAN Economic Community

The Association of Southeast Asian Nations (ASEAN) was established in 1967 by five countries—Indonesia, Malaysia, the Philippines, Singapore, and Thailand—to overcome conflict in the Southeast Asian region. Its form of regional cooperation was based on informality, consensus building, and nonconfrontational bargaining.

During its first decade, ASEAN's agenda was dominated by political and security issues with the backdrop of the Cold War. As peace and stability were nurtured gradually, greater trust between countries facilitated economic cooperation.^a This was embodied in the ASEAN Concord, agreed at ASEAN's first Leaders' Summit in Bali in 1976. The ASEAN Concord started cooperation on basic commodities, particularly food and energy, and industrial production in the form of technical cooperation and preferential trading arrangements.^b It became the harbinger for subsequent agreements such as the ASEAN Preferential Trading Arrangements in 1977, ASEAN Free Trade Area (AFTA) in 1992, ASEAN Framework Agreement on Services in 1995, and ASEAN Investment Area in 1998.

Together with unilateral country policies to liberalize trade and investment, AFTA and ASEAN's other trade and investment frameworks attracted foreign direct investment and knowledge transfer, and fostered emerging regional production networks. Data show that after AFTA's creation, United States multinational activity in the subregion increased faster than in other Asian countries.^c

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⁸ Acharya, A. 2014. Foundations of Collective Action in Asia: Theory and Practice of Regional Cooperation. In Capannelli, G., and M. Kawai, eds. *The Political Economy of Asian Regionalism*. Tokyo: Asian Development Bank Institute and Springer.

Box 15.1 *continued*

In 2003, ASEAN leaders agreed to establish the ASEAN Economic Community to consolidate ASEAN as a single market and production base and allow it to become more globally competitive. The ASEAN Economic Community was formally launched in 2015. It entails further economic liberalization; labor mobility; and the promotion of connectivity in transport, energy, and information and communication technology. It also aims at narrowing the development gap between members and strengthening ASEAN's relationship externally. To address financing gaps in building needed infrastructure, the ASEAN Infrastructure Fund was established in 2011 with equity investments from ASEAN members and the Asian Development Bank.

ASEAN's steadfast support for open regionalism in trade and investment is embodied in its ASEAN Plus framework. It has been central in wider regional initiatives such as ASEAN+3 (for monetary and financial cooperation) and the proposed megaregional ASEAN+6 free trade agreement—the Regional Comprehensive Economic Partnership (RCEP).^d

^a Acharya, A. 2014. Foundations of Collective Action in Asia: Theory and Practice of Regional Cooperation. In Capannelli, G., and M. Kawai, eds. *The Political Economy of Asian Regionalism*. Tokyo: Asian Development Bank Institute and Springer.

^b ASEAN. The Declaration of ASEAN Concord. Bali, Indonesia. 24 February 1976. https://asean.org/?static_post=declaration-of-asean-concord-indonesia-24-february-1976.

^c Antras, P., and C. Foley. 2011. Regional Trade Integration and Multinational Firm Strategies. In Barro, R., and J.-W. Lee, eds. *Costs and Benefits of Economic Integration in Asia*. Oxford and New York: Oxford University Press and Asian Development Bank (ADB).

^d ASEAN+6 comprises ASEAN+3, Australia, India, and New Zealand.

Sources: McCawley, P. 2017. *Banking on the Future of Asia and the Pacific: 50 Years of the Asian Development Bank*. Box 12.3. Manila: ADB; ADB website. <https://www.adb.org>; and Central Asia Regional Economic Cooperation Program. <https://www.carecprogram.org>.

Technical and research institutions in the region were established to cater to specific priority areas—the Asian Institute of Technology in Thailand (1959) for technology, the International Rice Research Institute in the Philippines (1960) for agriculture, the Asian Productivity Organization in Japan (1961) for productivity, and the Asian Institute of Management in the Philippines (1968) for executive education.

Trade liberalization started gaining traction in the 1970s and 1980s. The spread of an open market environment, combined with declining transport costs for outsourced production, attracted multinational companies to locate to East Asia and Southeast Asia. Against the backdrop of slow-moving negotiations on the General

Agreement on Tariffs and Trade, APEC was created in 1989.⁹ Leaders saw APEC as a useful informal group for supporting the General Agreement on Tariffs and Trade Uruguay Round, which was concluded in 1994.

The 1997–1998 Asian financial crisis was a turning point for East Asian and Southeast Asian regionalism. It led to further regional cooperation on monetary and financial issues, spurring innovative mechanisms built on previous initiatives such as the ASEAN Swap Arrangement.¹⁰ ASEAN+3 developed several initiatives to strengthen resilience against financial instability, such as the Chiang Mai Initiative (2000) as a network of currency swap arrangements and the Asian Bond Markets Initiative (2002) to promote long-term financing within the region.

Asian countries weathered the 2008–2009 global financial crisis better than most because they pursued prudent macroeconomic policies, implemented comprehensive structural and financial sector reforms, and increased their foreign reserves after the Asian financial crisis. To collectively strengthen their preparedness for future crises, ASEAN+3 launched the Chiang Mai Initiative Multilateralization (CMIM) in 2010 (currently \$240 billion in size) and the ASEAN+3 Macroeconomic Research Office in 2011 to monitor CMIM economies, support implementation of the CMIM, and provide technical assistance to CMIM members (Chapter 10).

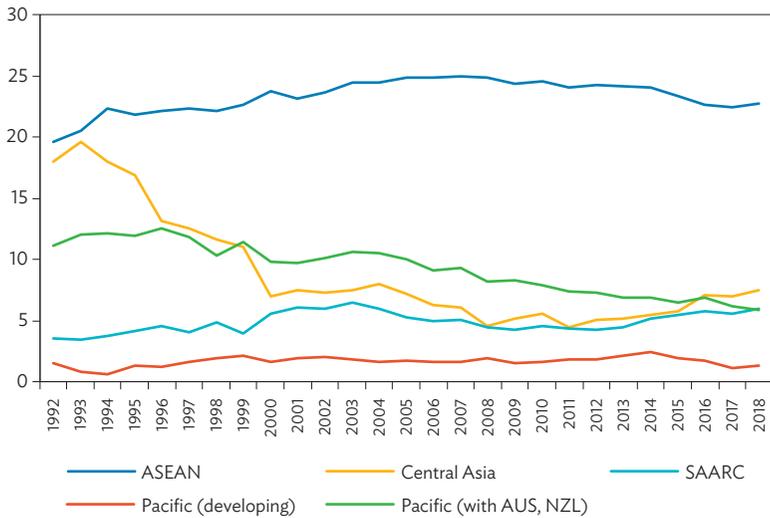
15.4 Regional cooperation and integration in other subregions

RCI developed in Asian subregions at different speeds. Those outside East Asia and Southeast Asia faced challenges from their political and economic environments. They lagged behind in terms of their intrasubregional trade shares (Figure 15.1). East Asia and Southeast Asia, after adopting open trade and investment regimes, faced new

⁹ Founding members were Australia, Brunei Darussalam, Canada, Indonesia, Japan, Malaysia, New Zealand, the Philippines, the ROK, Singapore, Thailand, and the US. Hong Kong, China; the PRC; and Taipei, China joined in 1991. Mexico and Papua New Guinea joined in 1993; Chile acceded in 1994; and Peru, the Russian Federation, and Viet Nam joined in 1998, leaving APEC with its current 21 members.

¹⁰ Central banks and monetary authorities of the original five ASEAN members—Indonesia, Malaysia, the Philippines, Singapore, and Thailand—agreed to establish reciprocal currency or swap arrangements in August 1977. The ASEAN Swap Arrangement was created primarily to provide liquidity support for those with balance of payment problems (see Asia Regional Integration Center. <https://aric.adb.org/initiative/asean-swap-arrangement>). It was the historical forerunner of the Chiang Mai Initiative and the Chiang Mai Initiative Multilateralization.

Figure 15.1: Intrasubregional Trade Share, 1992–2018
(% of a subregion's total trade)



ASEAN = Association of Southeast Asian Nations, AUS = Australia, NZL = New Zealand, SAARC = South Asian Association for Regional Cooperation.

Source: Asian Development Bank calculations using data from International Monetary Fund. *Direction of Trade Statistics*. <https://www.imf.org/en/Data> (accessed 27 December 2019).

challenges that required a deepening of RCI, particularly in financial cooperation.

In South Asia—which for a long time struggled to secure stability, peace, and security in the subregion—RCI progress was hampered by geopolitical tensions. The South Asian Association for Regional Cooperation (SAARC) was established in 1985.¹¹ It launched RCI initiatives such as the SAARC Preferential Trading Arrangement (SAPTA) and the Agreement on South Asian Free Trade Area (SAFTA) signed in 1993 and 2004, respectively. However, they have had limited impact on intraregional trade thus far.¹²

Central Asia, following the collapse of the Soviet Union in 1991, began several cooperation arrangements to recover and maintain economic connectivity. The most recent is the Eurasian Economic

¹¹ Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka.

¹² Desai, V. V. 2010. *The Political Economy of Regional Cooperation in South Asia*. ADB Working Paper Series on Regional Economic Integration. No. 54. Manila: Asian Development Bank.

Union (2015), which includes a customs union.¹³ These arrangements did not include all Central Asian countries, and they represent a work in progress, with full impact on regional integration still to be assessed.

In 1971, the South Pacific Forum was initiated to foster regional cooperation, particularly on trade and economic issues. It became the Pacific Islands Forum in 1999 to denote its membership of both the north and south Pacific island countries.¹⁴

South Asia, Central Asia, and Pacific subregions need continued efforts to boost RCI.

South Asia needs to deepen connectivity through transport, energy, and trade facilitation. It is also important to pursue broad-based, market-oriented reforms unilaterally and collectively to further integrate the subregion economically, and integrate more with other Asian subregions and the global economy.

Central Asia needs to move beyond basic transport and energy connectivity to develop economic corridors that attract private sector participation and build value chains. To promote inclusive growth, these corridors should allow lagging border and remote areas, agriculture, and small and medium-sized enterprises to participate in private sector-led value chains. Central Asian countries should also expand regional cooperation on economic policy and structural reforms and explore working together on development of financial and capital markets.

While Pacific island countries are challenged by their small size, geographic remoteness, and vulnerability to natural hazards and climate change, RCI can help mitigate and help resolve these challenges. Examples include encouraging maritime and digital connectivity, tackling ocean health and managing shared ocean resources, promoting sustainable tourism, and fostering human capacity development. The University of the South Pacific, owned by 12 Pacific governments, was founded in 1968 and currently operates an online education platform.

¹³ The Eurasian Economic Union came into force on 1 January 2015 with Armenia, Belarus, Kazakhstan, the Kyrgyz Republic, and the Russian Federation. It incorporates previous treaties covering the Eurasian Customs Union (2010) and the Eurasian Economic Space (2012). Uzbekistan is working toward joining the Eurasian Economic Union.

¹⁴ Membership includes Australia, the Cook Islands, the Federated States of Micronesia, Fiji, Kiribati, the Marshall Islands, Nauru, New Zealand, Niue, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu.

15.5 ADB and its role in regional cooperation and integration

ADB's founding in 1966 was itself an early example of RCI. Countries in Asia and the Pacific wanted an institution that would support Asian development. They also sought to bring in financial resources and know-how from within and outside the region with the help of nonregional members (Chapter 14).

RCI has always been an ADB priority. Its Charter mandates ADB to “foster economic growth and cooperation in the region ... and to contribute to the acceleration of the process of economic development of the developing member countries of the region, collectively and individually.”

ADB promotes its RCI agenda through subregional cooperation programs (Box 15.2). The first subregional program, the Greater Mekong Subregion (GMS) Economic Cooperation Program, was established in 1992. This initiative was designed to foster economic linkages after countries launched market-oriented reforms. The GMS Program was followed by the Indonesia–Malaysia–Thailand Growth Triangle (IMT-GT) Program in 1993, and later by the Brunei Darussalam–Indonesia–Malaysia–Philippines East ASEAN Growth Area (BIMP-EAGA) Program in 1994.

In 1997, the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) was created to support economic ties between South Asia and Southeast Asia. The Central Asia Regional Economic Cooperation (CAREC) Program was formally launched in 2001 to facilitate trade, transport, and energy linkages following the 1991 breakup of the Soviet Union. In South Asia, the South Asia Subregional Economic Cooperation (SASEC) Program was established in 2001.

15.6 Looking ahead

Asia and the Pacific have adopted RCI frameworks over the years to promote trade, investment, infrastructure connectivity, and regional public goods. These frameworks contributed to the pursuit of good policies and a sense of cooperation between countries.

Looking ahead, there remain many areas where RCI can further deepen and contribute to the welfare of the region and the world at large.

Box 15.2: ADB Subregional Cooperation Programs

Greater Mekong Subregion (GMS) Economic Cooperation Program:

In 1992, six countries—Cambodia, the Lao People's Democratic Republic, Myanmar, the People's Republic of China (PRC) (Yunnan Province), Thailand, and Viet Nam—established the GMS Program. The PRC's Guangxi Zhuang Autonomous Region joined the program in 2004. The GMS Program focuses on (i) increasing connectivity through sustainable development of physical infrastructure and economic corridors; (ii) improving competitiveness through efficient facilitation of cross-border movement of people and goods, market integration, and enhancement of value chains; and (iii) building a greater sense of community through shared concerns. The GMS Program pays particular attention to building strategic alliances, especially with the Association of Southeast Asian Nations (ASEAN), ASEAN+3 (ASEAN plus the PRC, Japan, and the Republic of Korea), and the Mekong River Commission.

Indonesia–Malaysia–Thailand Growth Triangle (IMT-GT): The program began in 1993 as a subregional framework for accelerating economic cooperation and integration. The IMT-GT currently covers 14 provinces in southern Thailand, 8 states of Peninsular Malaysia, and 10 provinces of Sumatra in Indonesia. The strategic objectives are to (i) facilitate trade and investment; (ii) promote agriculture, agro-industry, and tourism; (iii) strengthen infrastructure linkages and support IMT-GT integration; (iv) address cross-sector concerns such as human resource development, labor, and the environment; and (v) strengthen institutional arrangements and mechanisms for cooperation.

Brunei Darussalam–Indonesia–Malaysia–Philippines East ASEAN Growth Area (BIMP-EAGA): The BIMP-EAGA Program was launched in 1994 to address subregional development inequality. The program includes Brunei Darussalam; the provinces of Kalimantan, Sulawesi, Maluku, and West Papua in Indonesia; Sabah and Sarawak and the Federal Territory of Labuan in Malaysia; and Mindanao and Palawan Province in the Philippines. The Asian Development Bank has been BIMP-EAGA's regional development advisor since 2001. The program focuses on five strategic pillars: (i) connectivity, (ii) a food “basket,” (iii) tourism, (iv) the environment, and (v) sociocultural activities and education. Its long-term goal is to ensure that non-resource-based industries are established in the subregion. BIMP-EAGA cooperation aims to increase trade, tourism, and investment within and outside the subregion, taking advantage of the subregion's resources and existing complementarities.

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Box 15.2 *continued*

Central Asia Regional Economic Cooperation (CAREC) Program:

CAREC was formally established in 2001 to promote economic cooperation in Central Asian countries. Initial members included Azerbaijan, Kazakhstan, the Kyrgyz Republic, Mongolia, the PRC (the Xinjiang Uygur Autonomous Region; the Inner Mongolia Autonomous Region joined later), Tajikistan, and Uzbekistan. Afghanistan joined in 2005, and Pakistan and Turkmenistan in 2010, enabling a north–south route to the Arabian Sea through Pakistan. Georgia joined in 2016. The program includes a partnership between members and a group of multilateral development partners. ADB serves as CAREC secretariat, operational since 2000. CAREC has focused on transport, energy, trade (both trade facilitation and trade policy), and economic corridor development. The focus is now expanded under the CAREC 2030 strategy, approved in 2017, to include support for economic and financial stability, tourism, agriculture and water, and regional human capital development.

South Asia Subregional Economic Cooperation (SASEC) Program:

SASEC was established in 2001 as a project-based initiative that initially promoted economic cooperation by enhancing cross-border connectivity and facilitating trade between Bangladesh, Bhutan, India, and Nepal. Sri Lanka and Maldives joined in 2014, and Myanmar in 2017. Priority areas for cooperation include transport, trade facilitation, energy, and economic corridor development.

Sources: McCawley, P. 2017. *Banking on the Future of Asia and the Pacific: 50 Years of the Asian Development Bank*. Box 12.3. Manila: Asian Development Bank (ADB); ADB website. <https://www.adb.org>; and CAREC. <https://www.carecprogram.org>.

First, trade and investment can be further liberalized and trade facilitated through subregional initiatives and multilateral agreements. Streamlining and harmonizing customs border procedures, for example, can ease cross-border flows. The World Trade Organization (WTO) Trade Facilitation Agreement, which came into force in February 2017, was the most recent global multilateral trade agreement. Asia's subregions should continue to work toward implementing such global agreements.

Second, megaregional FTAs that can act as building blocks for the multilateral trading system need to be promoted. The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the Regional Comprehensive Economic Partnership (RCEP) (still under negotiation) are examples of this type

of FTA. Megaregional FTAs can promote liberalization consistent with WTO principles and simplify complexities from the proliferation of bilateral and regional FTAs by rationalizing rules of origin.

Third, there is a need to complement hard infrastructure with “soft” connectivity institutions to more efficiently use cross-border connectivity, including digital communications. Examples in Central Asia and the GMS include railway associations for cross-border rail safety and gauge coordination, and regional power coordination centers to make cross-border transmission more efficient and boost power trade.

Fourth, greater cooperation is needed in conservation and management of shared natural resources such as rivers, oceans, and forests with large biodiversity. Collective effort is needed to achieve the targets of the 21st Conference of the Parties (COP21) to the UNFCCC. Managing transboundary rivers, as pioneered by the Indus Water Treaty agreed between India and Pakistan in 1960, is critical.

Fifth, greater cooperation is needed in agriculture, including policies, research on seed varieties, and land and water use. In addition, with the increased cross-border flow of agricultural products, cooperation should be strengthened in veterinary services to reduce the spread of contagious disease among animals, and in coordination of food quality and quarantine standards.

Sixth, a greater focus on people is required. Promoting sustainable regional tourism is one priority. Subregional initiatives can share country experiences on policies covering technical and vocational education and training, universal health coverage, and social protection, among others. Along with easing people’s mobility across borders for work and tourism, enhanced cooperation on the prevention of contagious diseases, including HIV/AIDS, is also needed.

Finally, Asia’s voice on global affairs should be amplified. As the economies of Asia and the Pacific and its populations continue to grow, the region becomes more important in addressing global issues, whether on the environment and climate change, population aging, or trade issues. Its voice should be commensurate with its increased economic importance in the global community.