

# **Institutions for Asian Integration: Toward an Asian Economic Community**

**Presentation at  
Wolfensohn Center for Development at Brookings  
Institution  
10 June 2010**

**Srinivasa Madhur  
Senior Director, Office of Regional Economic Integration  
Asian Development Bank**

The views expressed in this presentation are those of the author and do not necessarily reflect the views and policies of the Asian Development Bank, or its Board of Governors or the governments they represent.



# Background

- **Why integrate?**
- **What more needs to be done?**
- **Why ADB?**
  - » ADB trilogy on Asian integration
    - Emerging Asian Regionalism (2008)
    - Infrastructure for a Seamless Asia (2009)
    - Institutions for Asian Integration: Toward an Asian Economic Community (2010)

# Issues addressed in the study

- **Progress of integration:** How far has Asia come?
- **Need for institution building:** What are the gaps?
- **Regional comparisons:** What lessons from other regions?
- **The way forward:** What institutional architecture suits Asia? And how to move from goals to strategies?

# Progress of Asian integration

- Market-driven production networks – “Factory Asia”
- Spurt in government-led FTAs
- Emergence of regional and subregional cooperation initiatives
  - ASEAN, SAARC, CAREC, GMS, PIF, etc
  - ASEAN+3 financial cooperation

# Need for institution building

- Cement recent gains from regional integration
- Broaden the process across subregions and sectors
- Ensure compatibility of regional and global integration
- Deepen integration to build an Asian Economic Community

# Definition of institutions

- Institutions defined in various ways
- A narrow definition used in this study: arrangements and organizations involving national governments
  - ranging from *ad hoc* and informal forums to formal standing bodies
  - focused on economic integration and cooperation

# Asia's institutional landscape

- Large number of overlapping institutions
- Scope and structure vary widely
- Mostly inter-governmental
- Marked by lack of formal rules and legal structures
- Few delegated powers

*No grand design: development in response to specific needs*

# Inventory of Asia's institutions for integration

	Trans-regional	Region-wide	Subregional					Total
			Central Asia	South Asia	Southeast Asia	Northeast Asia	Pacific	
Overarching	3	6	1	1	1	1	1	14
Functional	1	7	1	3	6	1	7	26
Facilitating	4	2	2	1	2	1		12
Security	2	1						3
<b>Total</b>	<b>10</b>	<b>16</b>	<b>4</b>	<b>5</b>	<b>9</b>	<b>3</b>	<b>8</b>	<b>55</b>



# Lessons from other regions

- Time to create stronger, more effective institutions to support next stages of Asian integration
- European-style *leap* to supranational institutions unlikely to suit Asia
- Latin American and African models have limitations too
- Historical, cultural, political and social diversity poses a challenge for institution building in Asia

*Institution building likely to be pragmatic, flexible, and incremental*

# Two General Principles for Reform

- Make most of global institutions and conventions, such as
  - WTO commitments
  - UN conventions
  - Financial Stability Board
- Enhance governance by providing more information and inputs from civil society

# Four recommendations

- Strengthen existing subregional institutions
- Develop functional institutions
- Create an Asian Legal Advisory Council
- Establish pan-Asian forums or institutions

# Strengthen existing subregional institutions

**ASEAN, SAARC, CAREC, PIF, GMS,...**

- Each institution should pursue a core competency or function
- Invest in stronger secretariats
- Establish clear membership rules
- Establish strong links among institutions to allow greater experience-sharing to promote closer integration

***Consistent with the bottom-up approach of Asian integration***



# Develop functional institutions

- Work towards an Asia-wide free trade and investment area
- Strengthen and build institutions for financial integration and cooperation
  - Build on CMIM, transform the AMRO into an effective regional surveillance institution and work towards an Asian Monetary Fund (facilitate exchange rate coordination through, e.g. an ACU)
  - Strengthen the Asian Bond Markets Initiative (e.g, through institutions such as CGIF)
- Other potential areas: health, environment, disaster management and student exchanges

***Consistent with the bottom-up approach of Asian integration***



# Create an Asian Legal Advisory Council

- To ensure that international legal obligations are implemented and interpreted uniformly across regions
- To issue advisory opinions on ratified treaties and conventions
- To leave resolution of disputes to national courts
- Will not have mandate to interpret domestic laws

**Consistent with a new top-down approach to complement the bottom-up approach**

# Establish Pan-Asian forums or institutions

- To address pan-Asian issues like infrastructure, finance, epidemics, environment, etc
- Mechanism for coordinating initiatives in various subregions
  - All countries represented and have a voice
  - Capture synergies and manage economic and other spillovers
- A Pan-Asian Infrastructure Forum
- An Asian Monetary Fund
- An Asian Financial Stability Dialogue
- A region-wide forum to manage natural calamities, reduce environmental degradation, and adapt to climate change

**Consistent with a new top-down approach to complement the bottom-up approach**

# Complementarity of global and Asian institutions: Examples

Function	Global	Asia
<b>Macro-economic cooperation</b>	<b>IMF</b> <i>Surveillance, global stability, crisis lending</i>	<b>AMF (to evolve from CMIM)</b> <i>Regional surveillance, stability, crisis lending</i>
<b>Development finance</b>	<b>World Bank</b> <i>Global public goods: climate change, health, poverty</i>	<b>ADB</b> <i>Regional public goods: regional priorities, infrastructure</i>
<b>Trade liberalization</b>	<b>WTO</b> <i>Global disciplines, dispute resolution, Article XXIV</i>	<b>Asia-wide FTA (EAFTA or CEPEA)</b> <i>Deeper, wider agreements</i>
<b>Financial system stability</b>	<b>Financial Stability Board</b> <i>Global systemic stability, colleges of regulators</i>	<b>Asian Financial Stability Dialogue</b> <i>Regional regulatory initiatives</i>



# From goals to strategies

- Maximize complementarity and cooperation with global institutions
- Proceed with pragmatism and caution
- Ensure financial commitment
- Require high-level leadership commitment

**Overarching objective of institution-building—regionally integrated and globally connected Asia**

# Thank you.

For inquiry or comments, please contact:

**Srinivasa Madhur**  
**Senior Director, OREI**  
Telephone: (63-2) 632-6239  
Email: [smadhur@adb.org](mailto:smadhur@adb.org)

Asian Development Bank  
Office of Regional Economic Integration (OREI)  
6 ADB Avenue, Mandaluyong City  
1550 Metro Manila, Philippines  
Telephone: (632) 632-4444

