

# Imperatives of Regional Economic Integration in Asia in the Context of Developmental Asymmetries: Some Policy Suggestions

*Ram Upendra Das*

Research and Information System for the  
Developing Countries (RIS), India



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# Introduction

- The Context
- Exploring Development Gaps and Growth Asymmetries in EAS
  - Growth Asymmetries and Implications for Complementarities
- Growth Convergence and Regional Integration: Conceptual Basis
- Capturing Growth Divergence / Convergence in Asia
  - Framework and Results
- Rationale for Development Cooperation
- Narrowing Development Gaps in Asia: Some Policy Suggestions

# The Context

- Growth in Number of RTAs
  - Economics of their own
  - RTAs help bridging development gaps among members
- Asian Context
  - Objective: To enable lesser developed countries in taking advantage of market access opportunities in the global market
- Lack of a Pan-Asian Formal Regional Economic Integration Agreements
- Structure of the Paper

# Exploring Development Gaps and Growth Asymmetries in EAS

## ● Dimensions of Development Gaps in EAS

- P.C.Y.
- Social infrastructure: health, education, human development
- Poverty levels
- Physical Infrastructure
- Structure of economies

## ● Growth rates

## ● Growth Asymmetries and Implications for Complementarities

- Variation in GDP per capita

# Growth Convergence and Regional Integration: Conceptual Basis

- Inter-country disparities and within-country disparities
- Inter-country growth convergence
  - Conceptual and empirical literature
    - Role of Regional Integration
      - Contribution of the present paper
        - Microeconomic logic for macroeconomic outcomes

# Capturing Growth Divergence / Convergence in Asia

## ● Estimation Framework

### ■ Conditional Beta-convergence

- Across regional groupings and over different time-periods
- Panel data estimation with intra-regional trade as additional variable
- New tests of stationarity in panel data
- Regions: EU-15, NAFTA, Mercosur, ASEAN, SADC and EAS

# Preliminary Results

- Significant with expected signs
  - Initial real GDP per capita, trade openness, government consumption, inflation, FDI, intra-regional exports (EU, NAFTA, and ASEAN).
- Significant but unexpected signs
  - Trade openness (SADC), FDI (Mercosur, SADC, EAS), intra-regional exports (SADC and EAS)
- Overall, evidence of divergence in SADC and EAS.
  - Possible explanation: SADC (lack of implementation of the Agreements) and EAS (lack of formal agreements for regional integration).

# Rationale for Development Cooperation

- Replicability
- Partnership approach in sharing development experiences than donor-recipient relationship
- Appropriate skills
- Appropriate technology
- Appropriate scale
- Geo-climatic conditions
- Cost-effectiveness
- Capacity-building
- Successful examples of China and India, among others, in development and business assistance

# Narrowing Development Gaps in Asia: Some Policy Suggestions

- S&DT in Trade Liberalisation
- Asian Development Funds
  - ARDF
  - ARIF
  - ATDF
- EAS Mechanism for Mobilizing Foreign Exchange Reserves for Infrastructure Development

A 3D grid of spheres on a blue background. The spheres are arranged in a regular, repeating pattern that recedes into the distance, creating a sense of depth. The spheres are light blue and connected by thin, light blue lines. The background is a solid, medium blue color.

Thank You