

**Expert Group Meeting on Regional Indicators for Monitoring  
Regional Cooperation and Integration in East and North-East Asia**

**18-19 July 2013, Incheon, Republic of Korea**

**Context**

East and North-East Asia (ENEA) is the economic powerhouse of the Asia-Pacific region. The six subregional economies (China, Democratic People's Republic of Korea, Japan, Mongolia, Republic of Korea, and Russian Federation) account for around 30% of global merchandise exports and 25% of imports. The sub-region rests at the centre of policy and technology innovations that allowed it to leapfrog progress in economic and social development. While Europe struggles to solve the sovereign debt crisis and the U.S. recovery remains anemic, Northeast Asian economies performed broadly well in the first half of 2012, with estimated real GDP growth of 4.2%. However, the sub-region also faces important social and environmental challenges in its quest to continue progressing in terms of economic growth and social development. These include the instability of financial markets, ageing, domestic and cross-border environmental pollution, the spread of infectious diseases like SARS, and disaster relief.

With the slowdown of economic growth in major trading partners, the sub-region is facing an increasingly challenging external environment. This reinforces the need to accomplish a shift in the development model, moving from the reliance on external demand that has prevailed in the recent past to a situation where internal consumption dynamics act as the main driver for growth. Regional integration can be part of the solution, as it may enlarge the market of reference, reduce risks associated with dependence on a limited number of developed country markets and foster harmonious and sustainable development.

Nonetheless, various studies have shown that actual intra-subregional trade is lower than what it potentially could be. In terms of trade connectivity, the subregion is possibly better integrated with the global economy than individual economies are with each other. For example, Mongolia, the only landlocked country in East and North-East Asia, faces particularly high trade costs. Intermodal transit transport in the subregion suffers from long waiting time for clearances and inspections as well as repeated unloading/loading for inspections at different ports and border crossings. Energy security and achieving sustainable use of energy resources are additional challenges that required renewed and more effective intra-regional cooperation, with the involvement of business and government alike.

On the same vein, despite one of highest savings rates in the world and huge foreign exchange reserves, ENEA economies still depend on financial mobilization from non-regional institutions due to the relative underdevelopment of their financial markets. No major ENEA company is cross-listed outside its home country (although a large Russian company, RusAl, listed on the Hong Kong Stock Exchange in 2010) and corporate

boards are surprisingly thin in terms of sub-regional directors. While the sub-region plays an important role in the internationalization of higher education, the majority of ENEA students abroad are in the North Atlantic and not within the region.<sup>1</sup>

Against this backdrop, it is encouraging that China, Japan, and Korea in May 2010 agreed to establish Trilateral Cooperative Secretariat in Seoul to address both top-down and bottom-up regional cooperation issues. A significant milestone was registered in May 2012 with the signing of the Trilateral Investment Agreement to facilitate intra-regional cross-border investment. Most importantly, at the annual Beijing summit in 2012 the leaders of the three economies agreed to launch official negotiations for a trilateral FTA within the year. Numerous ministerial and central bank meetings are now regularly organized and dynamic benefits have also been recognized by generating common standards for production technology, distribution, and logistic cross-border connectivity. In parallel, each NEA economy has stepped up cooperation and dialogue with Mongolia and the Russian Federation, facilitated by the latter's WTO membership, the creation of the Ministry for Development of Russian Far East and the hosting of the 2012 APEC Summit in Vladivostok.

There is also evidence that an ENEA economic and social space is emerging, beyond and above pure trade linkages and the development of inter-governmental frameworks. Examples include research and patenting collaboration, the convergence of urban cultures and tourism flows. Cultural exchanges are flourishing, as witnessed by the popularity of Korean soap operas and pop groups across all sectors of Chinese and Japanese society. Seoul and Tokyo have also significantly relaxed visa conditions for Chinese travelers, a gesture that has benefited their respective tourist industries. Between 1999 and 2007, the number of Chinese students at universities in Japan rose by 215% and that of South Koreans studying in China by 390%.

### **Rationale**

In abstract terms, "regionalisation" refers to the increasing mobility of goods, services, factors of production and people within a regional space. It can be seen as an intermediary point in a continuum stretching from the national economy to globalisation. There are different methods for monitoring and analysing regional integration processes in a systematic way and there is no single source of data and analysis.

The ESCAP East and North-East Asia Office (ESCAP-ENEA) is tasked to promote an inclusive and sustainable economic and social development in the subregion through strengthened regional cooperation and integration. ESCAP-ENEA is well-placed to assess the current stage of ENEA functional integration based on economic and financial variables, but also on education and other people-to-people exchanges, and to look at cross-border environmental impacts. In addition, the existing literature on sub-regional cooperation and integration is predominantly concerned with trade flows and pays relatively little attention to other types of exchanges.

Employing a multi-disciplinary approach and a common and accessible set of both quantitative and qualitative tools, this activity seeks to measure the magnitude and intensity of regional integration in ENEA. The ultimate goal is to provide input to decision-makers as they work toward next stages of formal integration.

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<sup>1</sup> In Japan in 2008, there were 72,766 university students from China (98,235 in the United States, 47,035 in the United Kingdom) and 18,862 from Korea (75,065 in the United States).

### **Products and Impact**

ESCAP-ENEA will closely with UN entities and other partner institutions/ organizations including the Trilateral Cooperation Secretariat to develop a common analytical template on specific cooperation and integration subjects (trade, investment, finance, migration, transport, tourism, environment etc), trends in intra-area flows and interactions, and major policy implications.

Contributing experts are being contacted to write issue-specific papers, prioritizing the contribution of ENEA-based scholars. ESCAP-ENEA staff will contribute to the research, in collaboration with experts.

Based on the expert's papers (which we can publish separately in our website as a Working Paper Series), a synthesis report containing a data-driven and in-depth analysis of sectoral integration in ENEA.

Once the synthesis report is finalized, it will be launched by ESCAP-ENEA in late 2013 (tentatively November 2013) at a high-level roundtable on subregional integration.

Follow-up work may include regular update on the quantitative trends, monitoring of policy developments.

### **Expert Group Meeting**

The main objective of this meeting is to finalize the outline of the above study and discuss methodologies for measuring the magnitude and intensity of regional integration in East and North-East Asia in different areas including intraregional trade, foreign direct investment, migration, energy, maritime resources, air pollution and cultural exchanges.

Date: 18-19 July 2013

Venue: I-Tower, Incheon, Republic of Korea

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