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Item 7 of the provisional agenda*

**Implementation of Commission resolutions 68/3, 70/1, 70/4
and 70/6 and consideration of draft resolutions and decisions
for submission to the Commission at its seventy-second session**

Implementation of Commission resolution 70/1

Note by the secretariat

Summary

The present document reports progress made in the implementation of Commission resolution 70/1 on implementation of the Bangkok Declaration on Regional Economic Cooperation and Integration in Asia and the Pacific.

1. The Committee is referred to Commission document E/ESCAP/71/4/Rev.1, which provides a summary of progress in the implementation of the Commission resolution 70/1: implementation of the Bangkok Declaration on Regional Economic Cooperation and Integration in Asia and the Pacific. In the resolution, the Commission requested the secretariat to assist members and associate members in setting up and supporting the four area-specific expert working groups as set in the Declaration.¹ In that regard, the Trade and Investment Division of the Economic and Social Commission for Asia and the Pacific (ESCAP) was tasked with supporting the establishment and operation of the Working Group on Formation of an Integrated Market in Asia and the Pacific. The present document furnishes an update on the above-mentioned progress report and provides further details with respect to the outcomes of the Working Group's meetings.

2. The Working Group was specifically mandated to take stock of the current regional efforts to achieve economic cooperation and integration, identify gaps in those efforts, recommend concrete actions to make progress towards an integrated market and submit recommendations to the preparatory meetings for the second Ministerial Conference on Regional Economic Cooperation and Integration in Asia and the Pacific, which are tentatively

* E/ESCAP/CTI(4)/L.1.

¹ E/ESCAP/Res/70/1, annex.

scheduled to be held towards the end of 2015 and in early 2016. Similar to the terms of reference for the other three working groups established for the purposes of implementing this resolution, it was envisaged that the Working Group would hold two meetings with participation of nominated national experts,² lead experts³ commissioned by the secretariat, and representatives of the secretariats of regional groupings. The first meeting of the Working Group on the Formation of an Integrated Market in the Asia and the Pacific was held in December 2014 and the second was held three months later in March 2015. The secretariat prepared an approach paper, focusing on the status of intraregional trade, trade facilitation, investment and mobility of people to facilitate the deliberations of the Working Group.

3. Based on the deliberations during the two meetings, and the adopted minutes from those meetings as well as ad hoc online consultations organized by the secretariat, the lead experts prepared a draft report that was shared with the national experts that attended the meetings in an early version during June 2015 and then in a slightly revised version at the end of July 2015. The Working Group's report provides a background analysis of integration in the region, assessments of the gaps with respect to the scope adopted in the integration agenda, actionable recommendations and mapping of concrete action plans for implementing the recommendations. The scope of market integration covered in the report includes the markets for goods, services, labour and investments.

4. Recommendations that the Working Group agreed on after the deliberations are detailed in the report under six areas, as follows:

(a) **Goods market integration.** Narrowing the gap in goods market integration should be aimed at reducing trade costs, particularly the non-tariff barriers that need to be systematically dismantled. Based on the report, this objective could be pursued through ESCAP-led initiatives on enhancing trade facilitation measures and paperless trade, the implementation of the World Trade Organization (WTO) Agreement on Trade Facilitation, harmonized rules of origin for least developed countries (promoted in WTO) under duty-free and quota-free trade (DFQF), and the adoption of an overarching trade liberalization framework as proposed in *Growing Together: Economic Integration for an Inclusive and Sustainable Asia-Pacific Century*, the ESCAP theme study 2012.⁴

(b) **Services market integration.** Narrowing the gaps in services market integration should be undertaken through the binding of the existing levels of services liberalization applied autonomously by the member States, as well as by strengthening domestic regulations and exploring ways to expand regional regulatory coordination and coherence. Particular attention

² See annex for the list of national experts.

³ Lead experts commissioned by the secretariat were Mr. Florian Alburo, Professor, University of the Philippines and President, Center for the Advancement of Trade Integration and Facilitation, Quezon City, Philippines, and Mr. Saman Kelegama, Executive Director, Institute of Policy Studies of Sri Lanka, Colombo.

⁴ This proposal refers to a new Asia-Pacific Trade Agreement. It was envisaged that this agreement, unencumbered by prior commitments, would include the desirable features, including a comprehensive scope based on negative lists, trade facilitation, investment and economic cooperation. Most importantly, it would include special and differential treatment and support for poorer countries to enable them to take advantage of the opportunities that become available to them. For more details, see ESCAP, *Growing Together: Economic Integration for an Inclusive and Sustainable Asia-Pacific Century*, Theme study 2012, ST/ESCAP/2629.

needs to be given to measures for cross-border cooperation for promoting tourism through various mechanisms, such as e-visas, visas on arrival and student and business visas, and liberalization of air services for better connectivity. Similar to goods trade, some countries in the Asia-Pacific region need special and differential treatment in services trade in order to bring them into the mainstream of liberalization in the context of their particular development environments.

(c) **Capital and investment market integration.** In the pursuit of capital and investment market integration, a recommended approach is to develop an investment framework that facilitates intraregional investments with the objective to encourage business-to-business contacts, perhaps under the auspices of ESCAP, and expand and broaden the Asia-Pacific Foreign Direct Investment (FDI) Network. A related recommendation calls for active cooperation among investment-promoting agencies in the region and adopting best practices for encouraging and promoting outward investments especially in countries of Asia and the Pacific.

(d) **Labour market integration.** Currently, there are no regional or even global frameworks pertaining to the integration of labour markets. The Working Group recommends that a forum be established to address migration issues in Asia and the Pacific. This forum would serve as a platform for regional discussions and analyses and seeking collaborative solutions to issues such as skill mismatch.

(e) **Countries with special needs.** A common dimension among the recommendations is the need for special and differential treatment for certain countries and economies as they implement measures aimed at narrowing gaps in various markets. As noted, the diverse environments among countries of Asia and the Pacific call for recognition of various levels and phases of implementation without necessarily diluting the essence of the measures and the overall goal of market integration.

At the same time, however, it is important to emphasize that despite having special and differential treatment, countries with special needs should not delay implementing their own reforms needed to benefit from the regional integration.

(f) **Cross-cutting issues.** Physical connectivity is a key aspect of the recommendations directed at narrowing the gaps in the markets for goods, services, capital and labour. This involves hard and soft infrastructure and associated financial support and can be enhanced through the establishment of a regional integration fund to provide targeted adjustment support to economies as they adopt the measures recommended, address concerns of shared vulnerabilities of the region as it becomes more integrated, and assist with risk mitigation and insurance arising from enhanced participation in global and regional value chains. The fund can also assist and support subregional and regional integration efforts, while at the same time be used towards building capacities for impact analysis and policy formulation.

5. As part of Commission resolution 70/1, the Executive Secretary was requested “to convene in 2015 the intergovernmental open-ended preparatory meetings for the second Ministerial Conference on Regional Economic Cooperation and Integration in Asia and the Pacific”. A preparatory meeting is tentatively scheduled to be held in Bangkok from 9 to 11 December 2015, and the second Ministerial Conference is scheduled to be held in February 2016. The secretariat is preparing an additional report on the prospects of regional economic cooperation and integration in the region.

Annex

List of participants of the two meetings of the Working Group

Mr. Habibullah Asadullah, Trade Advisor, Ministry of Commerce and Industries, Kabul

Ms. Hasmik Sargsyan, Chief Expert, International Economic Cooperation Department, Ministry of Economy, Yerevan

Mr. Monoj Kumar Roy, Additional Secretary (FTA), Ministry of Commerce, Dhaka

Mr. Chhime Tshering, Chief, Trade Negotiation Division, Department of Trade, Ministry of Economic Affairs, Thimpu

Mr. Tan Yuvaroath, Director, Department of Notifications and Legal Compliance (WTO Affairs), Ministry of Commerce, Phnom Penh

Mr. Chen Zhen, Exim Bank, China

Ms. Che Mazni Che Wook, Director, Free Trade Agreements – policy and negotiations, Ministry of International Trade and Industry, Kuala Lumpur

Mr. Jean Bertrand Azapmo, National Trade Adviser, Department of Resources and Development, Pohnpei, Federated States of Micronesia

Mr. Enkbold Vorshilov, International Think Tank for Landlocked Developing Countries, Ulaanbaatar

Mr. Swarnim Wagle, Member, National Planning Commission, Kathmandu

Mr. Ali Bat Khan, Chief, International Trade and Finance, Ministry of Planning and Development, Islamabad

Ms. Ramonette B. Serafica, Senior Research Fellow, Philippine Institute for Development Studies, Manila

Mr. Winichai Chaemchaeng, Executive Director, International Institute for Asia-Pacific Studies, Bangkok University, Bangkok

Mr. Thai Son, Director, Office of the National Committee for International Economic Cooperation, Hanoi

Observers

Ms. Veniana Rarasea Qalo, Trade Policy Advisor, Pacific Islands Forum Secretariat, Fiji

Mr. Sumith Nakandala, Secretary General, Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation

Ms. Julia Tijaja, Assistant Director/Senior Economist, ASEAN Integration Monitoring Office, ASEAN Economic Community Department, Jakarta