



7 Updates on Subregional Cooperation Initiatives

The Asia and Pacific region is home to a wide variety of subregional cooperation initiatives, ranging from the Pacific Islands Forum in the east to the Central Asia Regional Economic Cooperation (CAREC) Program in the west. Generally, they all seek greater cooperation and economic integration in transport and trade, access to global value chains, markets, and tourism, along with economic corridor and shared resource development. The key is connectivity and easing border crossings for both people and cargo.

Nothing is more anathema to this than a highly infectious viral pandemic. The coronavirus disease (COVID-19) led to lockdowns, border closings, and strict limits on people's mobility. Yet, for many subregional initiatives, the crisis brought officials together to share information on the pandemic response, to determine how to safely reopen borders, trade, and tourism, among others.

This chapter examines three well-established initiatives and how they have progressed over the past year. And it describes two areas where cooperation offers heightened benefits in a post-pandemic “new normal,” whether pooling resources to provide vaccines or in accelerating adaptation to digital technology. The discussions highlight contributions of the

Asian Development Bank (ADB) in promoting subregional cooperation through inclusive, sustainable cross-border development.

Central and West Asia: Central Asia Regional Economic Cooperation Program⁶⁵

The CAREC Program includes Afghanistan, Azerbaijan, Georgia, Kazakhstan, the Kyrgyz Republic, Mongolia, Pakistan, the People's Republic of China (PRC), Tajikistan, Turkmenistan, and Uzbekistan. The CAREC 2030 strategy aims to create an open and inclusive regional cooperation platform to help connect people, policies, and projects for shared and sustainable development.⁶⁶ Building on 20 years of progress in transport, energy, and trade connectivity (Table 7.1), CAREC is expanding cooperation into new areas—including economic and financial stability, agriculture and water, and human development. The evolving COVID-19 pandemic poses significant challenges to the region. CAREC members more than ever need to work in unison to restore economic activity and renew progress toward the prosperity and the well-being of their citizens.

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⁶⁶ The CAREC 2030 Strategy focuses on five operational clusters: (i) economic and financial stability; (ii) trade, tourism, and economic corridors; (iii) infrastructure and economic connectivity; (iv) agriculture and water; and (v) human development.

Table 7.1: Selected Economic Indicators, 2019—CAREC

	Population (million)	Nominal GDP (\$ billion)	GDP Growth (2015 to 2019, average, %)	GDP per Capita (current prices, \$)	Trade Openness (total trade, % of GDP)
Afghanistan	38.0	19.6	2.4	514	39.1
Azerbaijan	10.0	47.3	0.4	4,706	70.5
China, People's Republic of	1,433.8	14,140.2	6.7	9,862	32.3
Georgia	4.0	17.7	4.4	4,439	72.5
Kazakhstan	18.6	179.3	2.9	9,667	53.6
Kyrgyz Republic	6.4	8.5	4.2	1,319	81.2
Mongolia	3.2	13.6	4.2	4,229	98.3
Pakistan	216.6	282.5	4.5	1,305	26.1
Tajikistan	9.3	8.1	7.0	870	62.6
Turkmenistan	5.9	44.4	6.3	7,465	30.2
Uzbekistan	33.0	57.9	5.8	1,756	62.6
CAREC	1,778.9	14,819.1	6.6	8,331	32.8

CAREC = Central Asia Regional Economic Cooperation, GDP = gross domestic product.

Notes: CAREC's average GDP growth rate is weighted using nominal GDP. Total trade refers to the sum of exports and imports.

Sources: ADB calculations using data from ADB (2020a); CEIC; International Monetary Fund. <http://data.imf.org/>; and World Bank. World Development Indicators. <http://databank.worldbank.org/> (all accessed June 2020).

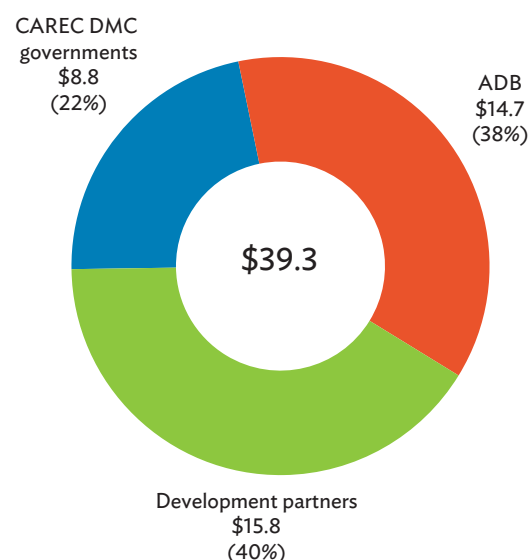
Overview

Investments in CAREC continued to grow strongly prior to the onset of COVID-19.

As of 30 September 2020, CAREC investments included 208 regional projects valued at \$39.3 billion, increased 6% from \$36.9 billion in 2018. Of the total, \$14.7 billion was financed by the Asian Development Bank (ADB), \$15.8 billion by other development partners, and \$8.8 billion by CAREC governments (Figure 7.1). Transport held the biggest share, with about 76%, or \$29.9 billion; energy accounted for 22%, or \$8.7 billion; with trade accounting for 2%, or \$0.6 billion (Figure 7.2).

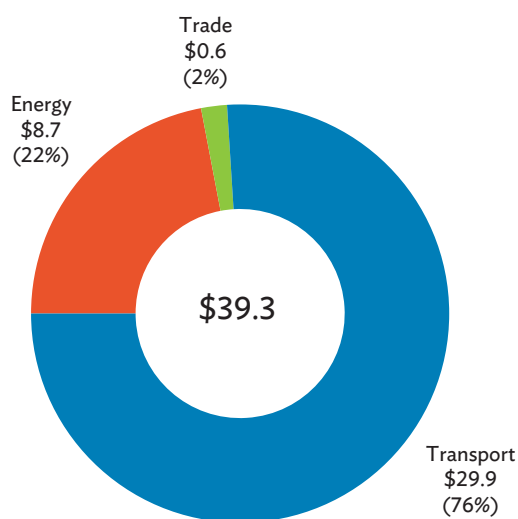
CAREC continues to actively respond to the COVID-19 pandemic.

The CAREC region has been seriously affected by the pandemic. Unprecedented disruptions caused by prolonged lockdowns, border closures, and suspended economic activity significantly lowered domestic output across countries, affected global and regional

Figure 7.1: CAREC Investments by Funding Source, as of 30 September 2020 (\$ billion)


ADB = Asian Development Bank, CAREC = Central Asia Regional Economic Cooperation, DMC = developing member country.

Source: ADB (2019b). CAREC Program Portfolio.

Figure 7.2: CAREC Investments by Sector, as of 30 September 2020 (\$ billion)

CAREC = Central Asia Regional Economic Cooperation.
Source: ADB (2019b). CAREC Program Portfolio.

supply chains, tourism, remittances, and financial flows, among others (Aleksanyan and Liepach 2020). Since the pandemic began, CAREC members have actively—and jointly—responded to the crisis. They report new cases daily, share experience in fighting COVID-19, and provide medical teams and relief equipment to those in need (such as from the PRC and Kazakhstan to other members). Central Asian leaders communicate proactively with each other to share pandemic information and discuss joint actions to keep borders open for the free flow of food, medical equipment, and humanitarian aid. CAREC countries are also working together to keep international railway freight traffic operating within and across the region following strict disinfection measures.

ADB has stepped up its budget support and emergency assistance through its Countercyclical Support Facility—specifically its COVID-19 Pandemic Response Option (CPRO)—to help CAREC countries mitigate the health, social, and economic impacts of the pandemic. As of 31 December 2020, a total of \$3.16 billion emergency and CPRO assistance in loans and grants were committed by ADB to support CAREC countries in response to COVID-19 (Table 7.2).

Table 7.2: ADB Support for CAREC Countries in Response to COVID-19 Loans and Grants Committed as of 31 December 2020

Country	Amount (\$ million)
Afghanistan	140.0
Georgia	306.5
Kazakhstan	1,080.6
Kyrgyz Republic	70.0
Mongolia	102.5
Pakistan	802.0
Tajikistan	52.5
Uzbekistan	603.0
Total	3,157.1

CAREC = Central Asia Regional Economic Cooperation, COVID-19 = coronavirus disease.

Source: ADB project database.

Performance and Progress over the Past Year

Implementation of CAREC 2030 continues amid COVID-19.

COVID-19 has significantly affected implementation of CAREC 2030 across all five operational clusters, resulting in the cancellation and/or delay of planned meetings and project-related field activities including CAREC's 20th anniversary celebration. Despite the challenges and difficulties, progress continues with support from CAREC countries and development partners, with most programs and activities undertaken virtually.

Economic and Financial Stability. Activities under this cluster continue to promote policy dialogue among CAREC countries to strengthen information sharing on economic and financial challenges facing the region and discuss policy options. On 28 October 2020, a CAREC High-Level Virtual Panel on Countercyclical Fiscal Measures for Recovery was jointly organized with the International Monetary Fund and the World Bank. The panel discussed fiscal policy measures for economic recovery for the CAREC countries in response to the COVID-19 pandemic. A CAREC High-Level Policy Dialogue on COVID-19 and Financial Stability Implications was held on 14 December 2020, which

discussed challenges to the economies and financial systems caused by the pandemic in CAREC countries and coordinated solutions at regional and global levels with regional cooperation platform playing a significant role. CAREC is continuing implementation of the regional technical assistance (TA) on “Developing a Disaster Risk Transfer Facility in the CAREC Region,” which aims at building countries’ physical and financial resilience to infectious disease outbreaks, such as COVID-19, and natural hazards.

Trade, Tourism, and Economic Corridors. The Regional Trade Group and Customs Cooperation Committee met virtually in September 2020 and highlighted the importance of keeping trade open and maintaining the momentum of regional cooperation under the CAREC Integrated Trade Agenda (CITA) 2030 (ADB 2018a). Azerbaijan and Uzbekistan have renewed negotiations for World Trade Organization (WTO) accession, while Turkmenistan gained observer status. Regional Improvement of Border Services projects in Mongolia, the Kyrgyz Republic, and Tajikistan continue to upgrade their border crossing points, and Tajikistan launched its national single window system. Uzbekistan acceded to the International Plant Protection Convention (IPPC) as part of its reforms to improve phytosanitary measures and became the first CAREC country to implement IPPC’s e-Phyto system. As part of post-pandemic economic recovery, CAREC countries welcomed the initiatives on expanding services trade and developing e-commerce following the recommendations of completed studies and series of webinars in May to September 2020. Capacity-building activities were organized at various levels such as the forum between CAREC and South Asia Subregional Economic Cooperation customs agencies in October 2019, tailor-made training for Kazakhstan’s hosting of the WTO’s 12th Ministerial Conference, and the food safety pilot project for Turkmenistan was launched in November 2019. A \$1.2 million ADB TA was approved in August 2020 to strengthen knowledge and capacities for the design and implementation of free trade agreements in CAREC.

A \$2 million ADB TA to support the formulation of CAREC Tourism Strategy 2030 has made substantial progress. Several milestone activities were undertaken to promote tourism development in CAREC and prepare a

CAREC tourism strategy leading to 2030. These include (i) a high-level dialogue on “Promoting Sustainable Tourism Development in the CAREC Region through Public–Private Partnerships” held during the 18th CAREC Ministerial Conference in November 2019; (ii) an inception workshop of the CAREC tourism expert group held in December 2019, which discussed the vision, objectives, and components of the strategy; and (iii) consultations with the CAREC countries held virtually in August–September 2020. The CAREC Tourism Strategy 2030, accompanied by a regional tourism investment framework 2021–2025, aims to promote sustainable, safe, and more inclusive tourism development in the CAREC region to support countries’ socioeconomic recovery, help restore jobs and livelihoods, and achieve sustainable growth going forward.

The pilot Almaty–Bishkek Economic Corridor (ABEC) made good progress. The ABEC Tourism Master Plan was adopted to guide tourism development, and a business plan for a regional tourism skilling center has been completed. The governments of Kazakhstan and the Kyrgyz Republic agreed to work together to improve border crossing points (BCPs), develop a modern agricultural wholesale market network, and develop joint health laboratories in the next 2–3 years. An ABEC video and website was launched in November 2019 for better dissemination of ABEC. An additional \$750,000 cofinancing was mobilized by ADB to continue supporting ABEC. The road map for the Shymkent–Tashkent–Khujand Economic Corridor (STKEC) development among Kazakhstan, Uzbekistan, and Tajikistan has been finalized and published. ADB has mobilized \$1 million additional financing to support the implementation of the STKEC road map. ADB is also implementing a TA project to support the Government of Pakistan on economic corridor planning to reap expanded regional cooperation and integration benefits.

Infrastructure and Economic Connectivity.

The CAREC Transport Sector Strategy 2030 is being implemented with ADB TA support including training and workshops for CAREC countries on key transport issues such as the railway sector assessment, road asset management systems, and performance-based contracting. Progress also continues in other transport

subsectors including the conduct of several key studies: (i) a scoping study on CAREC ports and logistics has been completed which identified opportunities and challenges in port and logistics cooperation; (ii) railway assessments for all CAREC countries are being conducted, which analyze key railway aspects and contribute to the development of potential CAREC railway projects; and (iii) a study of the COVID-19 impact on CAREC aviation which examined global trends, market recovery strategies, technological changes, and possible applications in CAREC countries has been completed. There were also increased consultations with CAREC countries to effectively implement cross-border transport agreements, improve corridor performance measuring and monitoring, strengthen road safety, road asset management, and cross-border trade facilitation.

The CAREC Energy Strategy 2030 is being implemented through a \$2.5 million in new ADB TA to support (i) the establishment of a new regional transmission cooperation association, (ii) promote market reforms, (iii) establish a financing vehicle for green energy projects, and (iv) develop a CAREC energy outlook and a women-in-energy program. CAREC's large regional energy and infrastructure projects have been on track including the flagship Turkmenistan–Uzbekistan–Tajikistan–Afghanistan–Pakistan Power Interconnection Framework and Central Asia–South Asia Electricity Transmission and Trade Project. The Uzbekistan–Afghanistan 500-kilovolt Power System Interconnection Project agreement—under the Afghanistan Energy Supply Improvement Investment Program—was signed on 20 October 2020, which will help strengthen the sustainability of Afghanistan's power sector, and promote cross-border trade in energy. Also, the first phase of the Turkmenistan–Afghanistan–Pakistan–India Natural Gas Pipeline project is planned to be launched in 2021. A regional flagship TA project for five Central Asian countries, which determined the financial savings through regional cooperation in integrating large volumes of renewable energy into the grid, was successfully completed in June 2020.

To mitigate the infrastructure gap in the CAREC region and jumpstart regional projects, the CAREC Secretariat is embarking on developing a CAREC

Regional Infrastructure Projects Enabling Facility. A TA project has been approved to help prepare the concept for examining its scope, eligibility criteria, structure, governance, and financing instruments and modalities; and identifying a potential project pipeline that could be supported by such a facility. The facility will ultimately support CAREC governments in preparation of regional projects and readiness, initial design, and application of appropriate financial solutions while promoting knowledge exchange and capacity development. This vehicle is expected to become an important tool in enhancing private sector participation and expanding project financing using innovative approaches.

Agriculture and Water. Progress has been made under this new cluster, with two new TA programs launched in 2020. The first TA supports international food safety standards in agricultural value chains, which aims to improve public health and agro-food trade facilitation in CAREC countries through enabling regulatory environment reforms, enhancing laboratory infrastructure and capacity, strengthening capacity in the value chain, and advancing network linkages and peer-to-peer institutional cooperation. The second TA supports the development of the CAREC water pillar, through analysis of economic aspects and sustainable financing of water resource management including cross-border water resource management through regional cooperation, with a focus on climate change and disaster risk management.

Human Development. Activities in the health sector were initiated, with a scoping study on CAREC health cooperation completed after a regional consultation workshop held virtually on 15 October 2020. The study proposes measures for regional health cooperation going forward, including (i) strengthening regional health security, (ii) supporting national health systems through regional cooperation, and (iii) improving health services for migrants, mobile populations, and border communities. To jumpstart the implementation of recommendations, a TA project has been approved that will help CAREC countries address public health threats, including from COVID-19, as well as support the formulation of a CAREC health strategy leading to 2030. A scoping study on strengthening cross-border

community collaboration in the CAREC region assessed how CAREC can promote closer economic and social cooperation and people-to-people contacts among border communities, and proposed directions and opportunities for scaling up cross-border community development initiatives in the region. To implement recommendations from an education scoping study in 2019, ADB is mobilizing financing for a regional TA to support CAREC higher education and technical and vocational education and training.

The **CAREC 2030 Results Framework** has been developed which includes concrete indicators, baseline data, data sources, and output levels that will ensure regular monitoring and evaluation of CAREC 2030 Strategy's goals and objectives.

Prospects

New CAREC gender and tourism strategies will promote inclusive development to mitigate the COVID-19 impact.

In the CAREC region, quarantines and mobility restrictions have greatly weakened economic activity. Domestic demand and production plummeted, plunging global economic activity slashed external demand, amid a collapse in global commodity prices. As a result, gross domestic product (GDP) growth in the CAREC region (excluding the PRC) is forecast to contract by 1.1% in 2020. Hardest hit are small and medium-sized enterprises (SMEs) in tourism, hospitality, education, and other services. In addition to existing gender disparities, the pandemic has also had a disproportionate effect on women due to increased unpaid care work and intensified home-based violence from lockdown measures; and acute vulnerabilities due to insecure labor markets and informal economy where women often work.

With trade, transport, and energy strategies being implemented, CAREC is advancing into areas that promote human development—particularly those supporting increased women's capacity to have equal access to economic opportunities in the region, and through regional tourism development. The CAREC

Gender Strategy 2030 was formulated to reduce gender disparities and to promote gender equality in the region. The strategy promotes gender mainstreaming across all five clusters of CAREC 2030 through four strategic pillars: (i) promote women's access to economic activities; (ii) contribute to women's social empowerment; (iii) support women's regional networks and policy reform for women's empowerment; and (iv) enhance women's access to information and communication technology (ICT). Virtual consultations on the CAREC gender strategy were held with CAREC countries in September–October 2020. The CAREC Tourism Strategy 2030 adopts a holistic approach to promote safe and sustainable tourism destinations in the region through five pillars: (i) connectivity and infrastructure, (ii) quality and standards, (iii) skills development, (iv) marketing and branding, and (v) market intelligence. The strategy also mainstreams six crosscutting themes including health, safety and security, digitalization, gender equality, environmental sustainability, private sector participation, and universal access to tourism services. Both new strategies were endorsed at the 19th CAREC Ministerial Conference held virtually on 7 December 2020.

Policy Challenges

CAREC needs to revive growth while containing and mitigating the impact of the COVID-19 pandemic.

Amid COVID-19 pandemic, prospects are uncertain with no significant relaxation on restrictions across the region. It is critical that CAREC countries maintain the right policy balance between restoring economic activities and protecting public health. Regional cooperation can help keep the hardest-hit sectors (such as trade, tourism, and health) functioning, while preparing for a full recovery during post-pandemic time.

In these challenging and uncertain times, maintaining trade flow is essential to save lives and livelihoods. CAREC countries can work together to reduce restrictions on trading medical equipment, food, and other products that help save lives and ensure

food security. Gradually easing restrictions offers opportunities for countries to reopen borders and restore travel and tourism by initially creating tourism “bubbles.” CAREC members can jointly develop a harmonized set of health and safety protocols for travel and tourism, through multisector collaboration among airlines, hotels, and other tourism services. The CAREC Tourism Strategy 2030 provides a timely platform to help reboot tourism in the region.

Ensuring a safe and healthy environment is a precondition for restoring economic activity across all sectors. Thus, cooperation on health issues is critical for mitigating public health risks as countries gradually reopen. The CAREC health scoping study calls for strengthening health cooperation to fight public health threats (such as COVID-19), secure regional health security, and build resilient health systems for the future. CAREC countries can step up regional health cooperation to provide a solid basis for economic revival through mitigating COVID-19 impacts and other regional health threats.

Southeast Asia: Greater Mekong Subregion Program⁶⁷

Cambodia, the PRC (Yunnan Province and Guangxi Zhuang Autonomous Region), the Lao People’s Democratic Republic (Lao PDR), Myanmar, Thailand, and Viet Nam comprise the Greater Mekong Subregion (GMS). ADB houses the GMS Program secretariat. In its 28 years of cooperation, the GMS has created an interconnected subregion that continues to improve economic growth amid enhanced connectivity and competitiveness. From the program’s launch in 1992 to 2020, 107 investment projects amounting to \$26.6 billion have been approved. Of this, ADB contributed \$12.2 billion, GMS governments \$6 billion, and other development partners/private sector \$8.3 billion. These projects have built, upgraded, or improved over 11,000 kilometers (km) of roads and

over 500 km of railways; installed over 2,600 km of power transmission and distribution lines; and added almost 3,000 megawatts (MW) of power generation to bring electricity to almost 150,000 households.

Overview

GMS economies are expected to contract amid the COVID-19 pandemic.

The GMS Program supports subregional projects in agriculture, energy, the environment, health, tourism, transport connectivity, transport and trade facilitation, and urban development. In 2019 and prior to the 2020 pandemic, the subregion’s aggregate growth rate rose from 6% (2014–2018) to 6.2% (2015–2019), led by strong growth in Cambodia; Viet Nam; and Yunnan Province, PRC. Thailand’s growth continued to improve from a low of 1% in 2014. However, with the COVID-19 pandemic, the GMS economies are expected to contract, in particular tourism-driven segments in Thailand and Cambodia. ADB has provided countercyclical budget support to Cambodia, Myanmar, and Thailand. In addition to responding to the COVID-19 pandemic, GMS countries are working together on subregional health cooperation, strengthening various aspects of regional health security and border areas.

Prior to the pandemic, regional interconnectedness had been strengthening continuously, particularly in intraregional trade and tourism. By 2019, intraregional trade had grown to \$552 billion, or 10% of the subregion’s total trade (up from 5.7% in 2009). However, excluding the PRC, intraregional trade for GMS countries was only 1.5% of the total, underscoring the critical importance of the PRC to intraregional trade growth. Trade with GMS partners was particularly significant for Cambodia (43% of total trade), the Lao PDR (88%), and Myanmar (50%). While trade remains a significant driver of growth across most of

⁶⁷ Contributed by the GMS Secretariat, Southeast Asia Department, ADB.

the subregion—as shown by the high degree of trade openness (trade as a percentage of GDP)—trade’s share of GDP is dropping slightly. However, foreign direct investment (FDI) is beginning to contribute more to GDP, with its percentage of GDP increasing slightly across much of the GMS, especially in Cambodia and Viet Nam (Table 7.3). In addition, the subregion is becoming increasingly interconnected through tourism. By 2018, intra-GMS tourism accounted for nearly 23% of overall GMS tourism.

Performance and Progress over the Past Year

A long-term strategic framework to 2030 is being developed for the GMS Program.

In 2019, the GMS Program continued to implement the Ha Noi Action Plan (2018–2022)—endorsed by GMS leaders in March 2018—which outlines the strategic directions and operational priorities for subregional integration. The plan operates under the Regional

Investment Framework 2022 (RIF 2022), a medium-term pipeline of priority GMS projects supported by national governments, the private sector, development partners, and ADB. The RIF 2022: Third Progress Report and Update for 2020—endorsed by GMS ministers in November 2020—described progress made on 210 investment and TA projects, with a pipeline valued at \$78.3 billion. By November 2020, 71% of the pipeline projects had identified financing, with 16% of projects completed, 42% ongoing, and 42% of projects yet to start.

Under the direction from the GMS leaders and in response to the evolving global environment, work began in early 2019 and continued through the COVID-19 pandemic on a new long-term strategic framework for the GMS Program up to 2030. The secretariat is leading this work, with inputs from GMS members, development partners, the private sector, and subregional think tanks. The GMS Strategic Framework 2030 will be considered by GMS ministers at the 24th GMS Ministerial Meeting, and then by GMS leaders at the 7th GMS Leaders’ Summit in March 2021.

Table 7.3: Selected Economic Indicators, 2019—Greater Mekong Subregion

	Nominal GDP (\$ billion)	GDP Growth (2015 to 2019, average, %) and Trend	GDP per Capita (current prices, \$)	Trade Openness (total trade, % of GDP)	% Change in FDI (2015 to 2019) ^a	FDI Openness (total FDI Inflows, % of GDP) ^a
Cambodia	27	7.1 ↓	1,621	141	47.9	13.7
Guangxi Zhuang Autonomous Region, PRC	308	7.1 ↓	6,210	22	−64.9	0.1
Yunnan Province, PRC	337	8.8 •	6,933	10	0.0	0.3
Lao PDR	19	6.5 ↓	2,668	69	41.1	6.9
Myanmar	66	6.4 ↓	1,221	54	−30.1	3.5
Thailand	544	3.4 ↑	7,807	84	118.1	1.1
Viet Nam	262	6.8 ↑	2,715	198	27.9	6.2
GMS	1,562	6.1 •	4,568	75	28.7	2.0

FDI = foreign direct investment, GDP = gross domestic product, GMS = Greater Mekong Subregion, Lao PDR = Lao People’s Democratic Republic, PRC = People’s Republic of China.

Notes: Average GDP growth rate for GMS is weighted using nominal GDP. Total trade refers to the sum of exports and imports.

^a 2017 for Yunnan, PRC and 2018 data for the Lao PDR.

Sources: CEIC; Greater Mekong Subregion (GMS). GMS Statistics Database. www.greatermekong/statistics; International Monetary Fund. World Economic Outlook April 2020 Database. <https://www.imf.org/external/pubs/ft/weo/2020/01/weodata/index.aspx>; and United Nations Conference on Trade and Development. World Investment Report 2019. https://unctad.org/Sections/dite_dir/docs/WIR2019/WIR19_tab01.xlsx (all accessed August 2020).

The GMS Program has shown significant progress and benefits to its members.

The GMS Program's performance has further strengthened the competitiveness, connectivity, and community within the GMS itself and, increasingly, creates new links to other subregions.

Cross-Border Transport Connectivity and Economic Corridor Development. Further strengthening regional connectivity infrastructure continued to be a priority. An extensive medium-term pipeline of transport projects are in various stages of development under RIF 2022. According to the RIF 2022 2nd Progress Report and Update, transport projects had an estimated value of \$77 billion, or 83% of the RIF pipeline total. Several of these were recently completed—such as the Road and Border Crossing Infrastructure at Mae Sot–Myawaddy, linking Myanmar and Thailand; the Coastal Terminal Development Project of Laem Chabang Port in Thailand; and the Bus and Truck Drivers Training and Testing Center in Cambodia.

With the shift to multimodal transport under the GMS Transport Sector Strategy 2030, the Greater Mekong Railway Association (GMRA) continued to work on the feasibility and investment requirements of nine priority GMS railway links. The GMRA is also working on a Framework Agreement on Cross-Border Railway Transport Connectivity that covers the software side of railway connectivity in the subregion. A new ADB TA will support the strengthening of the GMRA; prepare a plan to develop a modern GMS railway network; update the GMS railway strategy; and update and refine rail demand projections. Some GMS countries (Viet Nam) are also preparing logistics studies and development plans along with projects that establish logistics complexes (Cambodia) that support transport efficiency.

A study was completed identifying ways to cooperate and transform a key sub-corridor of the North–South Economic Corridor between the PRC and Myanmar—NSEC-5 (Kunming–Muse–Mandalay–Yangon–Thilawa)—into a full-fledged economic corridor that increases investment, employment, and incomes within and around the sub-corridor in an inclusive and

sustainable manner. The study results were presented at the 11th Economic Corridors Forum in October 2020.

The GMS Subregional Transport Forum has also been focusing more on the softer but important aspects of transport development, and initiated studies on road asset management and road safety, for example.

Transport and Trade Facilitation. In 2019, and prior to the 2020 COVID-19 outbreak, cross-border trade and transport facilitation under the Early Harvest implementation of the GMS Cross-Border Transport Facilitation Agreement were progressing well. Officials were trained, transport operators briefed, administrative circulars distributed, GMS transport permits and temporary admission documents (TADs) issued, and national registers compiled and exchanged with other members. Supporting documents such as permits, TADs, training and outreach materials, and implementation guides were prepared and published online. In 2019, the Joint Committee of the GMS Cross-Border Transport Facilitation Agreement agreed to extend cooperation in several key areas to continue advancing the transport facilitation agenda. These include (i) expanding the permitted cross-border route network and border crossing points; (ii) circulating and sharing national registers of permits and TADs; (iii) regularly monitoring cross-border trade agreement implementation; (iv) sharing transport and trade facilitation data; (v) developing country handbooks that identify key host-country traffic rules and specifying permissible routes and places for passenger (dis)embarkation and cargo (un)loading; and (vi) facilitating foreign operators' access to national customs transit systems.

To ease increased barriers to transport and trade due to the COVID-19 pandemic, GMS countries continued to coordinate and exchange information on the status of border crossing points and the new measures applied in respective countries. The National Transportation Facilitation Committee—which leads the implementation of the GMS Cross-Border Transport Facilitation Agreement—met on 22 June 2020 to help GMS countries better coordinate and cooperate to ensure the safe movement of goods and passengers across GMS borders. Some of the agreed immediate

to medium-term recovery measures include (i) an information platform to facilitate interagency and cross-border information exchange between officials; (ii) a portal to keep businesses and the public informed on border crossing issues; and (iii) accelerating the publication of country handbooks agreed on in 2019, specifying host country traffic rules (for example, maximum permissible weights and dimensions, speed limits, vehicle markings, and third party insurance providers, among others), and specifying the permissible routes and places for passenger (dis)embarkation and cargo (un)loading.

Energy. Power trade has entered Stage 2 (country-to-country power trade) as cooperation remains a priority of the Regional Power Trade Coordination Committee (RPTCC). The working groups for (i) planning and operation (formerly, performance standards and grid codes); and (ii) regulatory issues focus on enhancing and deepening Stage 2 of GMS power trade. GMS members continue to work on power grid interconnection, power trade with neighboring countries, and the future development of the power sector. The Nam Ngiep 1 Hydropower Project in the Lao PDR, funded by private sector investments, began operations in September 2019 with an installed capacity of 272 MW—with some sold to the Electricity Generating Authority of Thailand as well as to *Electricité du Laos*. Also in September 2019, the Lao PDR, Malaysia, and Thailand agreed to expand a trilateral power deal, under which the Lao PDR will sell electricity to Malaysia via Thailand's grid—raising capacity from 100 MW to 300 MW. Cambodia also signed a power purchase agreement with the Lao PDR in September 2019, with 195 MW of electricity transmitted to Cambodia beginning in January 2020.

As power trade continues to grow, revitalizing the Regional Power Coordination Center is crucial to maximize the potential for future GMS power trade. Work needs to accelerate for the regional body to coordinate the application of grid codes, performance standards, and regional regulatory functions.

Tourism. In 2019, GMS recorded nearly 80 million international tourist arrivals. They contributed \$101 billion in tourism receipts (15.9% of the economy) and sustained over 18 million jobs in the subregion. Tourism contributed significant shares to the national economies of Thailand (20% of GDP), Cambodia (12% of GDP), Viet Nam (12%), and the Lao PDR (9%). Overland intraregional tourism arrivals reached 83% of total arrivals in the Lao PDR, 59% in Myanmar, 31% in Cambodia, and 14% of arrivals in Thailand. Following the spread of COVID-19 and the subsequent ban on international arrivals and restrictions on domestic movement, tourism fell significantly in the first quarter of 2020 before stopping completely in the second quarter. In the third quarter, economies began to promote domestic tourism to support the sector. However, in Thailand and Cambodia where 71% and 77%, respectively, of tourism spending in 2019 was from international tourism,⁶⁸ the tourism economy continues to struggle.

During the initial COVID-19 response and mitigation phase, the Mekong Tourism Coordinating Office and the Tourism Working Group website, <https://www.mekongtourism.org/>, served as an information platform and portal, connecting travelers with vital, rapidly changing information. It also provided a resource for tourism operators on various government relief and support efforts. A clear source of information on the status and safety of travel will continue to be needed as public confidence returns to resume travel. The Tourism Working Group also works with destination management organizations and tourism suppliers to adapt and strengthen electronic supply chains between producers and end users, and create social media and tourism marketing initiatives to promote a return to tourism.

Urban and Border Area Development. GMS countries have increased their focus on urban development investments for planning smart and livable cities, and on urban development for riverine and coastal cities and towns—as these related to healthy regional oceans and waterways.

⁶⁸ World Travel and Tourism Council. <https://wtcc.org/> (accessed June 2020).

The GMS Urban Development Working Group discussed the ADB Ocean Financing Initiative (under The Action Plan for Healthy Oceans and Sustainable Blue Economies) as well as the ASEAN Smart City Initiative. Suggestions for possible projects in GMS countries to be supported by ADB's urban sector investments or the oceans action plan include solid waste management for cities along the Mekong River and Irrawaddy basin; improving transportation infrastructure links between towns and regions; managing urban growth through public-private partnerships or by deploying new technologies; creating more integrated urban planning and solid waste and wastewater management; and integrating coastal zone planning and coastal adaptation planning to address rapid erosion issues and increase resilience of coastal cities. Under the ASEAN Smart City Initiative, the Urban Development Working Group recommended implementing smart city pilots in selected cities, with the first batch starting in 2020.

Healthy Oceans and ASEAN Smart Cities components are expected to be incorporated into future GMS urban sector investments, including a Livable Cities Investment Project in Cambodia in 2021, which will focus on enhancing urban planning, building community resilience, and providing infrastructure to improve livability in Cambodia's secondary cities such as Battambang, Bavet, Kampot, and Poipet.

Health and Other Human Resources Development.

The GMS Health Cooperation Strategy 2019–2023 was endorsed by GMS countries in 2019 and is accompanied by a strategic results framework to monitor and evaluate its implementation and effectiveness. Furthermore, the GMS Health Cooperation Working Group is preparing a regional action plan to operationalize the strategy and support its three pillars: (i) strengthening national health systems to address transnational health threats and health security as a regional public good; (ii) respond to the health challenges and health impacts as a result of connectivity and mobility; and (iii) health workforce development.

The GMS Regional Health Security Project in Cambodia, the Lao PDR, Myanmar, and Viet Nam is progressing as it strengthens public health security mechanisms by

improving regional and cross-border communicable disease control services; disease surveillance and outbreak response; hospital infection prevention and control; and laboratory quality and biosafety. The region is also preparing a GMS Healthy Border Special Economic Zones Project for Cambodia, the Lao PDR, and Myanmar to strengthen health care for migrant workers in border areas, develop knowledge partnerships between Thailand and its GMS neighbors, and develop a regional communicable disease control center for regional monitoring and surveillance of outbreaks.

Ongoing GMS health projects and the Working Group on Health Cooperation enabled the GMS Program to respond immediately to COVID-19. As early as February 2020, \$2 million in additional financing was approved to support capacity for epidemic response—including investigation, surveillance, prevention, and control—by adding funds to the ongoing technical assistance project, Strengthening Regional Health Cooperation in the GMS. In the same month, the Working Group on Health Cooperation convened a virtual meeting to explore areas of national and regional financial and technical support. So far, as a result of these early actions, nearly \$60 million has been mobilized through GMS Health Cooperation in Cambodia, the Lao PDR, Myanmar, and Viet Nam. The support includes additional financing of \$20 million in the Lao PDR and \$30 million in Myanmar under the GMS Health Security Project; and ongoing project funds direct for procuring \$860,000 for thermal scanners, personnel protective equipment, real-time polymerase chain reaction machines, and infrared thermometers for the Lao PDR; \$270,000 for thermal scanners for border screening in Cambodia; \$6.6 million for thermal scanners, personnel protective equipment, laboratory equipment, and intensive care unit respiratory ventilators in Myanmar; and \$500,000 to support emergency response activities in Viet Nam provinces.

As part of the continuing support over the medium- and long-term, pipeline projects such as the GMS Healthy Border Special Economic Zones project are being adjusted to address COVID-19 needs as well as build pandemic resiliency. The technical assistance for Strengthening Regional Health Cooperation in the GMS is also funding “One Health” assessments to strengthen

prevention in areas where animal and human health interconnect, such as healthy livestock.

Agriculture. Regional technical assistance on the GMS Sustainable Agriculture and Food Security Program (2020–2025) was approved in December 2019 to support the Strategy for Promoting Safe and Environment-Friendly Agro-Based Value Chains and Siem Reap Action Plan for 2018–2022. The program focuses on (i) green agribusiness supply chains and agribusiness financing; (ii) crop and livestock safety and quality; and (iii) climate-adaptive agriculture in the context of the water–food–energy nexus.

The GMS Climate-Friendly Agribusiness Value Chains Sector Project is underway in Cambodia, the Lao PDR, and Myanmar to harmonize safety and quality standards for agricultural products and strengthen institutional and technical capacity for safety and quality testing. The project will also support rural livelihoods and job creation through rehabilitating and upgrading infrastructure, all instrumental in post-COVID-19 recovery efforts. The GMS Cross-Border Livestock Health and Value Chains Improvement Project is being prepared to help Cambodia, the Lao PDR, and Myanmar better prepare for and prevent future outbreaks of transboundary animal disease, zoonoses, and antimicrobial resistance, as well as improve livestock value chains and COVID-19 responses.

Further, discussions on the COVID-19 response are underway, including (i) GMS response and recovery efforts in agriculture and food security, (ii) digital technologies for greening pandemic-responsive agribusiness supply chains, and (iii) livestock health management.

Environment. A regional technical assistance on the GMS Climate Change and Environmental Sustainability Program was approved in December 2019 to help implement the GMS Core Environment Program Strategic Framework for 2018–2022. The program will focus on (i) climate and disaster resilience, and low

carbon transitions; (ii) climate-smart landscapes and environmental sustainability, including pollution control and waste management; and (iii) green technologies and climate and disaster risk financing instruments.

There are ongoing discussions with GMS countries on (i) COVID-19 response and recovery efforts and impacts on environmental sustainability, (ii) opportunities for making COVID-19 recovery efforts green and climate-resilient, (iii) biodiversity conservation and wildlife management in the wake of COVID-19, and (iv) sustainable waste management of COVID-19 related waste.

A technical assistance program for Thailand, Climate Change Adaptation in Agriculture for Enhanced Recovery and Sustainability of Highlands, began in early 2020, and aims to reduce vulnerability of highland communities and ecosystems to cope with climate change impacts. The project will focus on (i) assessing climate change vulnerability of highland agriculture; (ii) prioritizing gender-responsive, climate-smart agriculture practices; (iii) enhancing agricultural product quality, value addition, and market linkages; and (iv) strengthening the capacity of local governments and communities to address climate change.

Prospects

A GMS medium-term COVID-19 recovery plan is in the works.

While GMS members have done well in containing the spread of COVID-19 both nationally and regionally, economic growth has been disrupted and is expected to contract given the significant drop in demand for goods and services worldwide and the cessation of international tourist arrivals across the GMS. More than 8 million people have lost jobs with a further 8 million people pushed below the poverty line.⁶⁹

⁶⁹ These estimates are made by ADB from March to June 2020 from various briefing materials and are indicative only. They do not include data from Guangxi Zhuang Autonomous Region and Yunnan Province.

Although COVID-19 has drastically affected the GMS economy, it also highlighted the value of having established regional cooperation mechanisms to respond quickly to emerging needs, like regional health cooperation and trade facilitation. Regional tourism cooperation also provides support to sustain tourism and foster dialogue on effective mechanisms for reopening the sector, first to domestic travel, then to regional or bubble tourism in the medium term, before returning to global travel and tourism. Other regional dialogues on the environment and agriculture offer guidance and options on a “green recovery,” methods to sustain livelihoods through regional agriculture value chains, and building safe and resilient cross-border livestock trade.

In the medium term, these will be guided by the GMS COVID-19 Response and Recovery Plan 2021–2023, to be presented to the GMS leaders for endorsement in March 2021. GMS members are now developing national medium-term recovery plans (2021–2023) aimed at rebuilding their local economies, the regional economy, and their engagement in the global economy. The GMS is a unique association well-suited to collaborating with other GMS members to address the regional cooperation and integration constraints on this medium-term recovery plan.

In the long term, the GMS is working on developing a long-term strategy to guide countries through 2030. GMS 2030 will be presented for GMS leader adoption at the GMS Summit in early 2021.

Policy Challenge

Subregional cooperation and coordination will be critical in responding to COVID-19.

COVID-19 response plans require multisector coordination to ensure economies and borders can reopen safely, that people’s health and the environment are safeguarded, and that vulnerable communities are protected and included in recovery efforts. In particular,

the working groups on transport and trade facilitation, tourism, agriculture and health will need to work closely and coordinate activities. Cooperation and coordination across countries will also be critical, particularly in areas where policies and regulations must harmonize with immediate neighbors and the GMS more broadly. The GMS Secretariat and working group secretariats will be coordination points when requested.

East Asia: Support for Regional Cooperation and Integration Initiatives under the CAREC and GMS Subregional Programs and Knowledge-Sharing Activities⁷⁰

The PRC and Mongolia are both active members of the CAREC Program, and ADB, through its East Asia Department (EARD), are committed to supporting regional cooperation and expanding knowledge- and experience-sharing opportunities within and across subregional platforms. In particular, EARD leads the implementation and monitoring of the CITA 2030 and its 3-year Rolling Strategic Action Plan for the 11 CAREC members. EARD also facilitates and supports participation of the PRC in the GMS Program, with specific focus on the North–South Economic Corridor, and the Northern Economic Corridor connecting the PRC with the Lao PDR, Myanmar, Thailand, and Viet Nam.

Overview

East Asia embarked on coordinated investments in the PRC and Mongolia to fully realize the potential benefits of increased physical connectivity and policy coordination between the two countries as part of broader regional economic corridor development. Among these are parallel projects to develop a cross-border economic cooperation zone that will link

⁷⁰ Contributed by the Regional Cooperation and Integration (RCI) team of ADB’s East Asia Department.

the Erenhot pilot zone in the PRC's Inner Mongolia Autonomous Region (IMAR) and Mongolia's Zamyn-Uud free zone. These investments are part of a wider framework of regional cooperation and trade facilitation projects traversing CAREC corridor 4B.

Enhancing knowledge- and experience-sharing for regional cooperation remains a high priority for East Asia, involving collaboration with the CAREC Institute and under the Regional Knowledge Sharing Initiative (RKS), among others. Trade facilitation, upgrading sanitary and phytosanitary measures, and regional cooperation have become more important than ever for the PRC, Mongolia, and their trading partners—not only to expand and diversify trade but to ensure food safety and improve resilience to ongoing and future transboundary health threats.

Performance and Progress over the Past Year

ADB continues to support projects in Mongolia and the PRC related to CAREC and the GMS.

In June 2019, the PRC and Mongolia signed a bilateral agreement to develop an economic cooperation zone under the framework of their bilateral strategic partnership and regional cooperation initiatives. ADB support includes a \$30 million concessional loan for Mongolia's Developing the Economic Cooperation Zone Project, which was approved in June 2020 (ADB 2020c).⁷¹ The project will develop the physical infrastructure and operationalize the Zamyn-Uud free zone, promote sustainability, and support seamless transit to and from the PRC's Erenhot zone in IMAR.

The Inner Mongolia Sustainable Cross-Border Development Investment Program for the PRC—a \$420 million multitranches financing facility (approved in October 2020)—will install smart ports with one-stop inspection systems to improve customs clearance between the two zones and establish a regional cooperation

mechanism for better coordination between the PRC and Mongolia zones.⁷² Estimated at \$196.3 million, tranche 1 will also upgrade key infrastructure and services in border areas; promote the use of high-level technology for ecological restoration within the cooperation zone; create income-generating opportunities by establishing inclusive agricultural value chains and improving access to finance for SMEs; and improve border infrastructure in the Mandula port.

ADB also approved \$27 million in additional financing for Mongolia's Regional Improvement of Border Services Project in 2019 to upgrade border crossing points in Bichigt, bordering the PRC in the east; and Borshoo, which borders the Russian Federation in the west (2019a). This will replicate the development initiatives of the ongoing project, which is already upgrading facilities and equipment at the crossing points in Altanbulag and Sukhbaatar, located in the northern part of Mongolia, and enhancing the Customs Automated Information System toward creating a single window. Construction works start in 2020 to upgrade laboratories, quarantine and inspection facilities under Mongolia's \$15 million Regional Upgrades of Sanitary and Phytosanitary Measures for Trade Project, approved in 2016.

The PRC's Guangxi Regional Cooperation and Integration Promotion Investment Program Tranche 2—approved in 2018 for \$180 million—continued to strengthen SMEs, develop cross-border e-commerce platforms, and upgrade infrastructure and services for border economic zones (ADB 2018b). The Yunnan Lincang Border Economic Cooperation Zone Development Project—approved in 2018 for \$250 million—became effective in July 2019 and is making robust headway toward building trade and logistics capacity, and developing border zones. A new TA for policy research and capacity building in the PRC's Yunnan and Guizhou provinces will promote sustainable trade and investment facilitation and economic linkages between the two provinces and the GMS, by integrating environment, social, and governance principles; and introducing innovations in mobilizing green finance.

⁷¹ See ADB. Projects. Mongolia: Developing the Economic Cooperation Zone Project. <https://www.adb.org/projects/51410-001/main>.

⁷² See ADB. Projects. China, People's Republic of: Inner Mongolia Sustainable Cross-Border Development Investment Program. <https://www.adb.org/projects/51192-001/main>.

ADB drives coordination with knowledge-sharing platforms.

ADB continues to work closely with the development partners including the CAREC Institute to undertake research and capacity-building initiatives supporting the CITA 2030. Building on a regional workshop on environmental readiness for e-commerce (December 2018 in Shanghai, PRC), a technical study initiated by ADB and the CAREC Institute in 2019 evaluated CAREC countries' legislative and regulatory frameworks (CAREC Institute 2020). In May 2020, a virtual workshop organized by ADB, the CAREC Institute, ADB Institute, and the Asia-Pacific Finance and Development Institute, explored policy options and discussed examples from other countries in developing e-commerce. In September 2020, a CAREC webinar on e-commerce and paperless trade underscored the need to align domestic legislations with international standards and the role of cross-border connectivity and improved customs services for e-commerce development. The next phase of the research will focus on e-commerce infrastructure—including e-payments, logistics, and information and communication technology for business-to-business and business-to-consumer transactions. ADB and the CAREC Institute are also jointly assessing phytosanitary certification systems in CAREC countries to determine the feasibility of an electronic certification system to support harmonization within the region and will deliver training modules for improving border services and capacity building on free trade agreements from 2020 to 2021.

In 2019, ADB and the CAREC Institute initiated a 5-year collaborative partnership for implementation and dissemination of the CAREC corridor performance measurement and monitoring (CPMM) mechanism. It will also design and deliver an enhanced set of CPMM products, including annual reports, midyear updates, country-specific analysis, and policy briefs. The partnership will leverage the CAREC Institute's growing network of research and knowledge institutions to expand the current CPMM methodology and outputs, optimize data collection and validation, and more effectively promote the use of CPMM data and analysis in policy-related decision-making and independent research.

Since 2012, the PRC's Ministry of Finance and ADB have been jointly implementing the RCSI program to facilitate exchange of development-related knowledge among ADB's developing members. RCSI and its partners organized, among others, the 14th ASEAN–China Forum on Social Development and Poverty Reduction; the 5th CAREC Think Tank Forum; the Special Economic Zones as Catalysts for Economic Corridors, Value Chains and Production Networks Training for ASEAN and PRC Officials; and the 2020 North-East Asia Development Forum, which fostered analytical discussions on policies and practices of development cooperation, and identified potential areas of collaboration among northeast Asian countries in global public goods, including health, disaster preparedness, and response. Despite the ongoing pandemic, the RCSI program continued to deliver timely and relevant lecture and webinar series on international development and on the PRC's experience in COVID-19.

Prospects

ADB supports cross-border investment in regional cooperation and integration (RCI).

ADB continues to support PRC investments in RCI through the preparation of tranche 2 (\$118.4 million) of the Inner Mongolia Sustainable Cross-Border Development Investment Program for approval in 2022, which will expand economic opportunities and better living conditions along IMAR–Mongolia border areas. Tranche 2 will provide climate-resilient infrastructure and services, improve targeted ecological areas through forestation and desert restoration, as well as promote green SME business development services.

Furthermore, the Guangxi RCI Promotion Investment Program will prepare its third and final tranche—\$140 million for 2021 approval—which anticipates expanding RCI benefits along border areas of the Guangxi Zhuang Autonomous Region and northern Viet Nam. Subprojects are expected to develop cold-chain logistics systems, update industrial park facilities in the border economic zone, and enhance road networks at border crossings. Tranche 3 will also explore and develop sustainable regional tourism opportunities.

Policy Challenges

Enhancing resilience to transboundary health risks will sustain economic growth and promote integration with global and regional economies.

ADB mobilized a comprehensive pandemic response, including \$100 million in countercyclical budget support to Mongolia, support for the procurement of emergency medical equipment, and technical assistance for the region's pandemic response.

The unprecedented disruption caused by the COVID-19 pandemic and increasing global trade tensions significantly reduced the subregion's exports during 2020–2021 and resulted in economic slowdown. Facilitating international trade therefore remains crucial to the post-pandemic economic recovery of the PRC and Mongolia. This will require policies that make cross-border movement of goods and people safer and more efficient. Worldwide travel restrictions, border closures, and stricter border controls have highlighted the importance of strengthening resilience against transboundary health risks and future pandemics. Effective resilience will require cooperation and collaboration among border agencies, such as customs, inspection, immigration, and health agencies under a “One Health” approach. Transparency, data-sharing, use of technology and stronger systems among these agencies can help coordinate risk management and improve traceability of people and goods crossing borders.

Greater resilience will further enhance the region's participation in global agriculture value chains. The seamless movement of agricultural products (including animal and meat products) will help diversify trade while at the same time ensure food security in the PRC, Mongolia, and beyond. Robust policies will help countries intensify cooperation in modernizing sanitary and phytosanitary measures to address food safety, transboundary plant pests and animal diseases, and risks to human health. Compliance with international instruments and initiatives—such as those of the

WTO, World Customs Organization, World Health Organization, and the World Organisation for Animal Health—and creating synergies with regional initiatives such as the CAREC program and partnerships with neighboring countries will help achieve harmonized, responsive, and relevant policy reform.

ADB's pipeline projects for approval in 2021 include a \$200 million loan to strengthen health security for the PRC. It covers capacity building to enhance cross-border information-sharing for timely response to outbreaks and establish a regional platform for technical forums and continuing education. A proposed \$30 million project for Mongolia will strengthen integrated early warning systems and disaster preparedness to facilitate regional pandemic monitoring and surveillance. These will be complemented by technical assistance for knowledge-sharing on digital actions for sustainable and resilient food systems and managing the risk of food insecurity during and after the COVID-19 crisis.

South Asia: South Asia Subregional Economic Cooperation⁷³

The ADB-supported South Asia Subregional Economic Cooperation (SASEC) program had a landmark year in 2019. Five RCI projects—with cumulative ADB assistance of \$1,205 million—were committed during the year, significantly more than the three projects committed in 2018 with \$350 million in ADB assistance. The 2019 SASEC projects included two transport connectivity projects (in Nepal and Sri Lanka) with \$495 million in ADB financing to improve key international trade corridors and improve freight logistics. The others were a rail project (Bangladesh) with \$400 million in ADB financing, a trade facilitation project with ADB financing of \$10 million (Maldives), and a power transmission project with \$300 million in ADB financing (Bangladesh). As of the end of 2019, 60 ADB-financed projects worth \$13.77 billion had been committed, of which ADB had extended \$7.81 billion in loan/grant assistance. SASEC

⁷³ Contributed by Ronald Antonio Q. Butiong, Chief of Regional Cooperation and Integration Thematic Group, Sustainable Development and Climate Change Department (formerly director, Regional Cooperation and Operations Coordination Division [SARC] of ADB's South Asia Department); Dongxiang Li, lead regional cooperation specialist, SARC; Aileen Pangilinan, senior regional cooperation officer, SARC; Jesusito Tranquilino, ADB consultant, SARC; and Leticia de Leon, ADB consultant, SARC.

members—Bangladesh, Bhutan, India, Maldives, Myanmar, Nepal, and Sri Lanka—have earnestly pursued SASEC Vision flagship initiatives in energy and revamped the SASEC Operational Plan (SASEC OP) 2016–2025 to prioritize narrowing gaps in the subregion’s transport and energy networks.

Overview

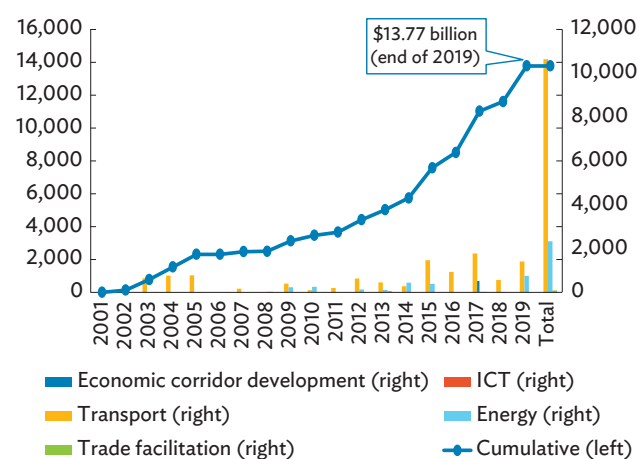
In 2019, SASEC focused on expanding the scope of multimodal connectivity to include maritime and inland water transport.

Bangladesh, Bhutan, India, and Nepal established SASEC in 2001 to strengthen subregional economic cooperation and address development challenges—such as persistent poverty and expanding demographics (Table 7.4). Maldives and Sri Lanka joined in 2014, followed by Myanmar in 2017, increasing opportunities to enhance cross-border connectivity, intraregional trade, and RCI. ADB is lead financier, secretariat, and development partner, financing investments and technical assistance.

By the end of 2019, 60 ADB-financed projects (\$13.77 billion) had been committed (Figure 7.3), with an additional \$128.15 million in 97 technical assistance grants.

Investments in infrastructure connectivity accounted for the largest share (39 projects, \$10.64 billion), with power generation, transmission, and cross-border electricity trade second (13 projects, \$2.33 billion). Investments in economic corridor development, trade facilitation, and ICT development amounted to \$798.46 million (Figure 7.4). ADB financed over \$7.81 billion in investments (\$5.34 billion from ordinary capital resources and \$2.48 billion in concessional finance), while SASEC members and cofinanciers contributed over \$5.96 billion (Figure 7.5).

Figure 7.3: SASEC Investment, Cumulative by Sector and Volume, 2001–2019 (\$ million)



ICT = information and communication technology, SASEC = South Asia Subregional Economic Cooperation.

Source: ADB (2019c). SASEC Project Portfolio 2019.

Table 7.4: Selected Economic Indicators, 2019—SASEC

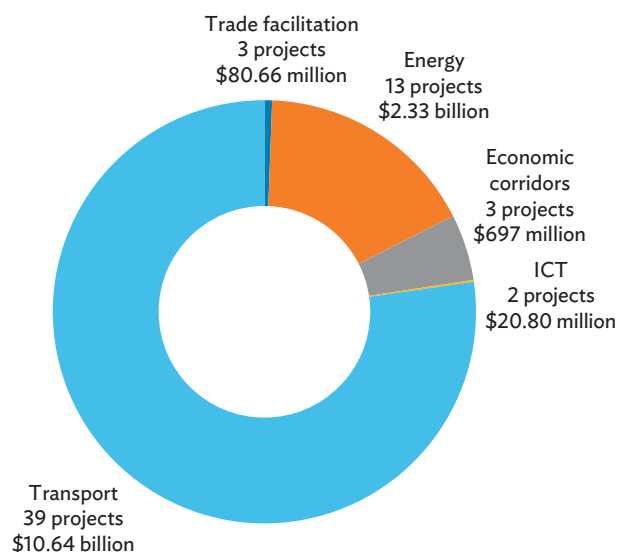
	Population (million)	Nominal GDP (\$ billion)	GDP Growth (%, 2015–2019, average)	GDP per Capita (current prices, \$)	Trade Openness (total trade, % of GDP)
Bangladesh	163.0	302.5	7.4	1,855.5	30.2
Bhutan	0.8	2.5	5.6	3,276.1	129.2
India	1,366.4	2,868.9	6.7	2,099.6	28.1
Maldives	0.5	5.8	5.8	10,856.0	52.8
Myanmar	54.0	68.6	6.3	1,270.1	53.5
Nepal	28.6	30.7	5.2	1,072.8	45.5
Sri Lanka	21.8	84.0	3.7	3,852.5	38.8
SASEC	1,635.2	3,363.0	6.7	2,056.6	29.3

GDP = gross domestic product, IMF = International Monetary Fund, SASEC = South Asia Subregional Economic Cooperation.

Notes: Average GDP growth rate for Myanmar covers 2017 onward. SASEC average GDP growth rate is weighted using nominal GDP, based on IMF staff estimates. Total trade refers to the sum of exports and imports.

Sources: ADB (2020a, 2020b); International Monetary Fund (IMF). Direction of Trade Statistics. <https://www.imf.org>; IMF. World Economic Outlook October 2020 Database. <https://www.imf.org/en/Publications/WEO/weo-database/2020/October>; and World Bank. Data. Population Total. <https://data.worldbank.org/indicator/SP.POP.TOTL> (all accessed November 2020).

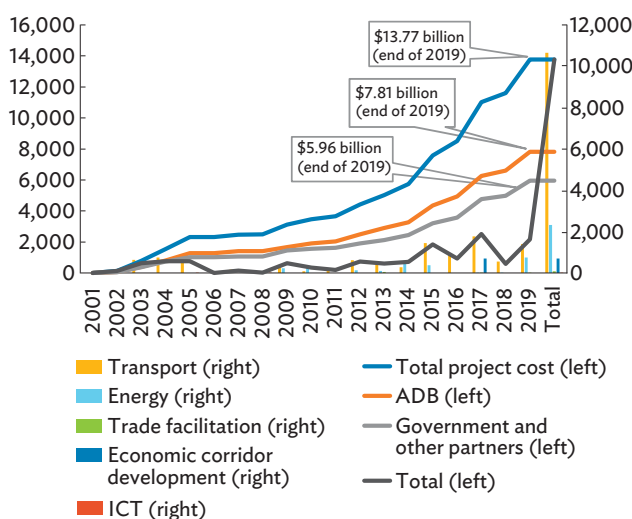
Figure 7.4: SASEC Projects by Sector, as of 2019



ICT = information and communication technology, SASEC = South Asia Subregional Economic Cooperation.

Source: ADB (2019c). SASEC Project Portfolio 2019.

Figure 7.5: SASEC Investment by Sector, Volume, and Financier 2001–2019 (\$ million)



ICT = information and communication technology, SASEC = South Asia Subregional Economic Cooperation.

Source: ADB (2019c). SASEC Project Portfolio 2019.

Refocusing SASEC’s operational priorities under the SASEC OP 2016–2025 (ADB 2016b) will enhance multimodal transport networks, especially in linking road and rail corridors with seaports. This will also improve land and maritime-based trade facilitation and logistics, expand the scope of regional energy trade and clean energy efforts, and reinforce value chains in economic corridors. The SASEC Vision adopted in New Delhi in 2017 (ADB 2017) is now guiding the SASEC OP in leveraging resource-based industries, expanding regional value chains, and strengthening gateways and hubs to accelerate economic growth across the subregion. Energy cooperation has been expanded to include oil and gas, both covered by SASEC Vision flagship initiatives.

Performance and Progress over the Past Year

The SASEC Nodal Officials and Working Groups meeting (NOM-WG) held in Seoul, Republic of Korea in March 2019 adopted a streamlined SASEC OP 2016–2025, which prioritizes projects based on their preparedness and role in filling gaps in transport and energy networks. The SASEC OP pipeline was trimmed to 111 projects (over 200 earlier) with required financing of \$58.7 billion (\$121.5 billion earlier).

Transport. Completing sections of the identified multimodal transport networks (linking main industrial centers with key nodes) continued. Nepal’s SASEC Mugling–Pokhara Highway Improvement Phase I Project (\$254.0 million) feeds into SASEC corridors 1 and 4 to provide Nepal greater access to international markets. Sri Lanka’s SASEC Port Access Elevated Highway Project (\$702.9 million) is an elevated toll highway linking Colombo’s city center and port with SASEC Corridor 6, enhancing last-mile port connectivity and providing better logistics services for freight operations. The Bangladesh SASEC Chittagong (Chattogram)–Cox’s Bazar Railway Project, Phase 1 (\$450.0 million), part of the Trans-Asia Railway network, will boost rail service between major Bangladeshi ports and Bhutan, Nepal, and India’s northeastern region.

The Seoul NOM-WG agreed to advance maritime cooperation and endorsed regional technical assistance on developing port community systems and addressing legal and regulatory issues, among others.

Trade Facilitation. SASEC assistance has continued to simplify trade processes, promote border agency automation, develop “through transport” agreements, build trade-related infrastructure, and provide capacity building. ADB support for Maldives’ National Single Window project (\$12.0 million) is designed to improve efficiency of the country’s border control procedures. ADB approved \$1.5 million in technical assistance to prepare the Bangladesh SASEC Integrated Trade Facilitation Sector Development Program (\$200.0 million included in ADB’s 2021 pipeline) to improve the country’s border infrastructure and trade facilitation environment. ADB assistance supports the SASEC customs subgroup and its national and subregional projects on exchanging trade documents, automating transit, and promoting customs best practices and international standards.

Energy. The Indian government issued revised guidelines on cross-border electricity trade (CBET) in March 2019, expanding coverage to applicable tripartite agreements, along with transmission planning, connectivity, operation, pricing, and access issues, among others.⁷⁴ Nepal also recently issued its Transmission System Development Plan, specifying the main trunk lines of India–Nepal connections based on the generation and load estimates to 2040.⁷⁵ ADB continues to support hydropower projects in Bhutan and transmission projects in Bangladesh and Nepal. Bangladesh’s Dhaka and Western Zone Transmission Grid Expansion (\$750 million) will enable dispatch of power imports from India, via the Bheramara substation, to consumers in the western zone of the country. The meeting of the SASEC Cross-Border Power Trade Working Group (SPT-WG) in November 2019 reviewed the draft of the proposed intergovernmental SASEC Regional Power Trade Framework Agreement (RPTFA) to provide a broad framework for enhanced cooperation in power trade and interconnections. The SASEC Regional Gas and Petroleum Working Group (RGP-WG),

established in September 2018, is reviewing prospects for enhancing SASEC’s gas and fuel supply chain.

Prospects

After the launch of the SASEC Vision in 2017, there has been growing consensus among members on the need for regular SASEC finance ministers meetings (FMMs) to demonstrate greater commitment to the SASEC program. Upgrading the program’s oversight reflects members’ desire to accelerate regional integration through faster implementation of projects and initiatives.

Enhancing the SASEC’s institutional arrangements will expedite implementation of priority initiatives of the SASEC OP and Vision.

At the SASEC 2019 NOM-WG in Seoul, India suggested, and SASEC countries agreed to, convening regular meetings of SASEC finance ministers (the first to be held in India). This would add impetus to new initiatives and commitments to action in partnership with the private sector and development partners. The SASEC FMM can add the political commitment needed to implement the required policy change and resource allocation. A proposed 3-year Action Plan for SASEC Initiatives, to be presented at the First SASEC FMM, will outline the concrete actions to be taken on high-priority projects and new initiatives during 2021–2023.

Policy Challenges

SASEC cooperation must adjust to the “new normal” brought about by the COVID-19 pandemic.

The COVID-19 pandemic, which closed borders and disrupted businesses, has slowed economic growth and increased unemployment in SASEC countries. Its effects will be long-lasting. Poverty reduction could be set back without

⁷⁴ Government of India, Central Electricity Regulatory Commission. <http://www.cercind.gov.in/2019/regulation/CBTE-Regulations2019.pdf> (accessed July 2020).

⁷⁵ Nepal in Data. <https://nepalindata.com/resource/transmission-system-development-plan-nepal/> (accessed July 2020).

appropriate mitigation measures. Fortunately, instead of resorting to isolationist pressures, the countries of South Asia have banded closer together using existing (and new) platforms. A virtual South Asian Association for Regional Cooperation (SAARC) Summit was held on 15 March 2020 to explore ways to jointly combat the disease, resulting in the launch of a COVID-19 emergency fund, with an initial contribution of \$10 million from India. As of July 2020, it has \$21.6 million contributed by all SAARC members. The summit was followed by virtual meetings of senior health professionals, trade officials, and health ministers in March and April, which considered various ways to collectively combat the pandemic, including adopting a telemedicine framework, joint diagnostic and therapeutic research, and applying pragmatic solutions to promote trade.

SASEC members have also outlined their approach to economic revival and recovery post-pandemic. It comprises stimulus packages and public investment to promote trade and expand credit, among other measures. In the “new normal,” public spending on transport, energy, and trade facilitation will continue as important SASEC areas, but may be affected by shifts in each member’s national economic strategy. Strengthening SASEC’s cooperation mechanisms will revolve around addressing these needs. Virtual SASEC platforms may be increasingly utilized to oversee projects and determine actions to advance new priorities and initiatives. In transport and trade facilitation, for instance, smart approaches (like automation) and common protocols may be used to minimize disruptions in supply chains for essential goods and enhance the overall resiliency of trading systems.

The Pacific: Crossing “the Last Mile”⁷⁶

The Systems Strengthening for Effective Coverage of New Vaccines in the Pacific project will use pooled procurement and pooled resources to help introduce critical vaccines, improve health management, and promote community awareness about vaccination in Samoa, Tonga, Tuvalu, and Vanuatu. Their small

population sizes constrain purchasing power and implementing capacity, and remote locations lead to higher transport costs. The project represents a significant step in safeguarding public health through regional action. It also promotes regional knowledge transfer as the four countries will meet periodically and have access to a pool of experts that will work across countries and throughout the project duration.

Overview

A regional approach will be key to broadening immunization coverage in the Pacific.

Geographic remoteness and limited resources constrain Pacific health systems to effectively deliver comprehensive health services to the population. Individually, these countries lack the purchasing power and capacity to procure adequate supplies of critical vaccines for human papillomavirus (HPV), pneumococcal conjugate (PCV), and rotavirus, as well as the equipment and training needed to store and administer these properly.

ADB has approved a project to address this gap by pooling procurement and capacity building to provide these vaccines to four Pacific developing member countries. It will also strengthen health management and reporting, collaborating with local organizations to build awareness about vaccination and promote better health-seeking behavior at the community level.

The Case for Ensuring Regional Health Security

Long-standing health issues and growing threats.

The Pacific comprises mostly small island countries scattered over vast stretches of ocean. High levels of migration within borders and abroad leave these

⁷⁶ Contributed by Cara Tinio, associate economics officer; Rommel Rabanal, public sector economist; Inez Mikkelsen-Lopez, health specialist; and Ki-Fung Lam, young professional of ADB’s Pacific Department. In this section, Pacific economies include the Cook Islands, the Federated States of Micronesia, Fiji, Kiribati, the Marshall Islands, Nauru, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu.

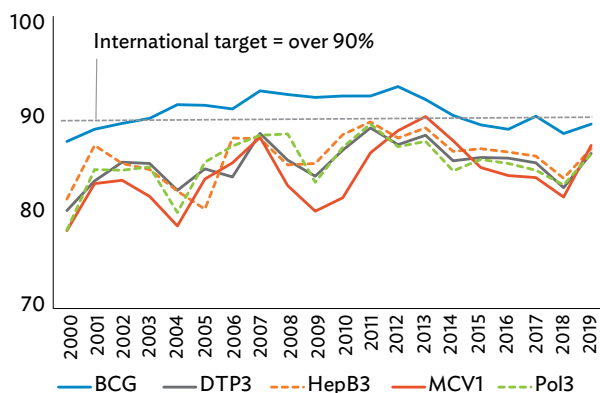
countries highly vulnerable to regional health threats, including communicable diseases.

Routine immunization coverage (for tuberculosis, hepatitis B, polio, measles-rubella, and tetanus) in the Pacific is mostly lower than the international threshold target of over 90% (Figure 7.6). A marked overall decline occurred over recent years, prior to the region's late 2019 measles outbreak (which spurred vaccination drives). Samoa, with over 5,600 cases and 80 deaths, was particularly hard hit (BBC News 2019). Most fatalities were infants and young children.

Worldwide, pneumonia and diarrhea are the two main causes of death among children under age 5, accounting for 12% and 8% of under-5 child deaths, respectively (UNICEF 2019). In Tonga, the incidence of pneumococcal disease—which can lead to blood poisoning and meningitis as well as pneumonia—was reported at 113 per 100,000 children under 2 years old. Of these cases, 25.0% resulted in death, much higher than the 8.7% global fatality rate (ADB 2018c).

Cervical cancer, caused mainly by HPV, is occurring more frequently in the Pacific and has become the second leading cause of death among women in most

Figure 7.6: Routine Immunization Coverage
(% of children, 2000–2018)



Notes: This figure shows average coverage in ADB's Pacific developing member countries. Vaccines included are BCG (for tuberculosis), DTP3 (for diphtheria, pertussis/whooping cough, and tetanus), HepB3 (for hepatitis B), MCV1 (for measles), and Pol3 (for polio). The BCG, HepB3, MCV1, and Pol3 vaccines are administered to 1-year-old children, while the DTP3 vaccine is administered to those aged between 12–23 months.

Source: United Nations International Children's Fund. Vaccine and Immunization Statistics. Immunization coverage by antigen (country, regional and global trends) <https://data.unicef.org/topic/child-health/immunization> (accessed July 2020).

countries in the region (ADB 2018c). About 1,257 new cases and up to 706 deaths are reported each year (ADB 2018d).

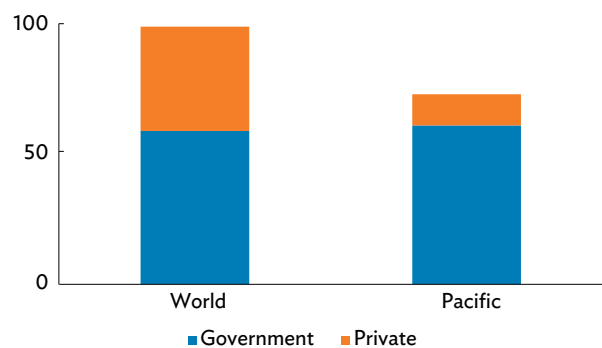
The Pacific's exposure to disease is exacerbated by vulnerability to natural hazards and the adverse impact of climate change. Damage caused by climatic events, and the subsequent strain on limited resources and logistical chains, can increase risk of disease (IFRC 2020). Outbreaks of dengue fever in the Marshall Islands and in countries affected by Tropical Cyclone Harold (Fiji, Solomon Islands, Tonga, Vanuatu), as well as risks from COVID-19, further highlight the need to bolster health-care systems that could easily become overwhelmed if preventive measures are not taken and disease spreads unchecked.

Barriers to adequate health-care coverage.

Many Pacific governments subsidize and deliver health services; where services are not free, any user fees charged are generally low relative to global benchmarks (Figure 7.7).

However, available facilities may be inadequate and difficult to access; especially for patients who must travel from remote outer islands to the nearest major urban center—or even abroad—to seek treatment.

Figure 7.7: Composition of Domestic Health Expenditure
(% of current expenditure, average for 2000–2017)



Notes: Data for the Pacific cover ADB developing member countries except for the Cook Islands and Niue. Government expenditure excludes those funded through external sources, such as direct foreign transfers and foreign transfers distributed by government.

Source: World Bank. Health Nutrition and Population Statistics July 2020. <https://databank.worldbank.org/source/health-nutrition-and-population-statistics> (accessed July 2020).

Further, in most Pacific countries, health workers lack the training to diagnose and treat common childhood diseases, including pneumonia and diarrhea, resulting in unnecessary referrals to district and tertiary centers, at additional costs for families. Screening and treatment for cervical cancer have been especially challenging due to resource, logistical, and follow-up constraints. In addition, many governments face shrinking fiscal resources. Development partners continue to provide critical support in key areas of health care such as human resources, vaccines, and specialist services.

Most national immunization programs in the Pacific procure vaccines through the Vaccine Independence Initiative (VII) under the United Nations Children’s Fund. However, the VII has mainly focused on coverage for traditional vaccines. New vaccines such as HPV, PCV, and rotavirus vaccines are much more expensive than traditional ones, and small island Pacific countries lack the individual purchasing power and capacity to procure and administer them. Among ADB’s developing member countries in the region, only four have introduced these vaccines: Fiji, and the three North Pacific countries (the Federated States of Micronesia, the Marshall Islands, and Palau) who receive grant support under their Compacts of Free Association with the United States (ADB 2018d). Most Pacific countries are ineligible for immunization financing mechanisms for low-income countries, such as the subsidized prices offered by the Vaccine Alliance (ADB 2018d).

Further, significant investments are required to upgrade cold-chain equipment and supply-chain management for the safe delivery, storage, and management of vaccine stocks, training of vaccinators and related health workers to administer and monitor at routine and outreach immunization, and strengthening risk communication on the benefits of immunization through community engagement and minimize vaccine hesitancy. The wide dispersal of islands within a Pacific country also adds significant costs and logistical challenges to take these vaccines through “the last mile” to remote communities.

A Regional Approach to Strengthening Health-Care Systems

Given these specific and severe constraints, a regional health support mechanism is essential. Pooled resources and collective action will make it easier to purchase supplies and make the necessary investments to broaden vaccine coverage, as well as help Pacific countries build the capacity to provide primary health care and channel local resources toward more sustainable, cost-effective measures. Pacific leaders recognize that cooperation and collective action is key to fighting cervical cancer, identified as a regional development priority (ADB 2018d; Pacific Islands Forum 2016).

In November 2018, ADB approved a Systems Strengthening for Effective Coverage of New Vaccines in the Pacific Project. Over the next 5 years, it will support public health in Samoa, Tonga, Tuvalu, and Vanuatu in several ways:

- **Strengthen vaccine procurement in the region** by funding the purchase, through the VII, of the HPV, PCV, and rotavirus vaccines, and related cold-chain equipment and supplies. The project will work with at least 90% of health facilities in planning the rollout of these vaccines to selected priority communities, using vaccine forecasting to ensure adequate supplies nationwide even in times of emergency. It will also build the capacity of these facilities for more effective planning and procurement of health-related commodities.
- **Strengthen local health systems** by providing support to (i) update immunization and cold-chain policies, guidelines, and training materials; (ii) train health workers to administer vaccines, as well as manage supply chains and conduct preventive maintenance, among others, to help ensure adequate vaccine stocks are available nationwide; (iii) build health staff capacity in evidence-based planning and bottom-up budgeting; (iv) report and integrate sex-disaggregated immunization data in the broader health information system; and (v) conduct nationwide surveys on immunization coverage and other related matters to assess the quality and equity of vaccine management.

- **Improve community awareness about vaccinations** by assisting ministries of health—in partnership with other stakeholders such as civil society and church groups—to heighten public awareness on the efficacy of vaccinations (vaccine acceptance).

Toward More Responsive Health Systems in the Pacific

The project is in the early stages of implementation, but represents a significant step in safeguarding public health through regional action. Pooling procurement through the VII will allow Pacific countries to benefit from establishing a regional buffer stock of vaccines across Samoa, Tonga, Tuvalu, and Vanuatu in case of health emergencies, such as an outbreak. These countries will also benefit from bulk purchasing prices, quality products, and technical expertise toward broadening vaccine coverage, particularly those critically important to women and children under 5 years.

Further, the regional approach will help lower project implementation costs while enhancing the efficiency, sustainability, and accessibility to immunization and primary health services across multiple countries. Improving primary care over the course of the project should help countries better respond to emergencies such as COVID-19. Engaging local stakeholders will also help spread important information on disease prevention and treatment, and promote better health-seeking behavior in communities.

The project directors in the four beneficiary countries have come together annually to discuss the project design features and implementation, and more regular meetings are anticipated as the project activities are stepped up. Under the project, the four countries share a pool of experts in health financing, gender, monitoring and evaluation, procurement, and public health. Besides providing project implementation support to the individual ministries, these experts will also enable sharing of knowledge across countries throughout project duration.

Unlocking the Potential of Digital Platform Economies

Digital platforms can be strong catalysts for economic value, as they significantly lower the cost of acquiring and using information, thereby lowering transaction and production costs. They are seen as an important means for stronger growth, and their ability to minimize human physical contact makes them a valuable tool in ensuring markets continue working during a pandemic.

During the COVID-19 pandemic, ICT plays an increasingly critical role in keeping people and services connected despite the unprecedented lockdowns and virtual suspension of social and economic activities. It allows activities to go online (such as schooling, shopping, virtual meetings, and socializing) and could make the option of “working and learning from home” standard. Digital technology also helps countries respond to the pandemic more effectively by enabling e-medicine (online consultations and diagnostics) and e-tracing (patients and their contacts) along with other services (such as hospital automation). Social and business videochat applications and collaborative platforms are proving increasingly indispensable during the pandemic, and will likely become essential venues in a post-pandemic era. For example, ICT drives e-commerce, which boosts efficiency, enhances market access for businesses and consumers, and generates substantial spillover effects.

A Digital Future for Central Asia

CAREC countries are pursuing national digital strategies and modernizing infrastructure to boost international and local connectivity. Network coverage is wide with costs lower than the world average. Although internet use varies widely, e-commerce is gaining momentum through international digital platforms.

CAREC 2030 promotes integration of ICT use across all CAREC operational clusters to raise the quality and

efficiency of public services and support private sector growth. CAREC members, despite uneven levels of integrated ICT solutions, are on average sufficiently prepared to increasingly use improved ICT to mitigate the COVID-19 impact and promote national and regional economic recovery. Challenges remain, however, including outmoded laws on e-transactions and customs rules, preference for cash payments, insufficient e-banking services, and inadequate delivery systems. CAREC countries still need to bridge the digital divide, to fully harness ICT potential in the region. ICT investment and knowledge services are needed to address the key challenges of inadequate internet connectivity and limited access to the latest technologies, and a shortage of support programs to promote digital technology initiatives.

ADB is providing a \$1 million TA to help CAREC countries apply digital technologies with strengthened ICT capacities; and better prepare for a new normal—continuously containing the COVID-19 virus while supporting economic revival. The TA supports the digital transformation and start-up ecosystem development in the region.

- Digital transformation of the CAREC Program will be supported through (i) assessing current integration of digital technologies and ICT in member countries and through CAREC clusters, and (ii) developing a CAREC Digital Strategy 2030. New digital mechanisms, tools, and needed equipment will be provided to facilitate virtual dialogue and enable remote collaboration and information exchange among CAREC countries. Virtual training activities, workshops, and seminars will be used to strengthen the required skill set to effectively apply ICT. These efforts will feed into the development of the CAREC Digital Strategy 2030 setting out a vision and a plan toward 2030.
- The start-up ecosystem will be supported through knowledge-sharing and capacity-building activities. A regional platform will be established to harness innovative ideas and digital solutions by encouraging participation in collaborative projects that address

the problems posed by the pandemic. Strengthening partnerships between private and public initiatives including government officials, financial institutions, start-ups, incubators, accelerators, and universities, and increasing access to global centers of innovation and start-up excellence—particularly from Japan, Malaysia, the PRC, the Republic of Korea, Singapore, European countries, the United Arab Emirates, and the United States—will accelerate knowledge transfer.

Banking on ICT for GMS Trade Facilitation and Border Opening

As intraregional trade and overland tourism—as well as intraregional labor migration—continue to be major drivers of the GMS economy, the use of digital platforms (such as e-customs clearance and digital contracting technology) will offer a safe way for GMS countries to reopen their land borders. Due to the virus outbreak, travel restrictions, border closures, and mobility restrictions will increase trade costs for industries linked to global supply chains by 1%–2% (Park et al. 2020). Digital platforms can help mitigate these increased costs. For example, in trade facilitation, ADB has been supporting a feasibility study in Cambodia to assess the use of an ICT-based cargo tracking system that allows automated surveillance systems to monitor cargo movement. This cargo tracking system—along with an information platform that allows interagency and cross-border information exchange between officials and electronic customs clearance—can ease the trade of goods across the subregion.

Similarly, as the COVID-19 infection rate remains low and well contained across the subregion, GMS countries could use a digital contact tracking and tracing platform to allow the freer movement of people across GMS borders. With 23% of GMS tourism arrivals from intraregional tourism, and overland arrivals reaching as high as 83% of total tourism in the Lao PDR and 59% in Myanmar, GMS economies could benefit greatly by safely opening land border crossings.

The E-Readiness of East Asia

Of the world's 70 largest digital platforms, the PRC accounts for 22% (by market capitalization). They include companies such as Alibaba, Tencent, JD.com, and Baidu. Government policy, private sector participation, and a large ICT manufacturing base have created the world's largest telecommunications and e-commerce market—and one of the most advanced intelligent connectivity systems. Although not at the same stage as the PRC, Mongolia also has a liberalized and competitive telecommunications market, a developed backbone network, and is improving connectivity with the PRC. Businesses use existing platforms and cloud-hosted software and data services to cater to more than 65% of online shoppers (Delger et al. 2020). The PRC and Mongolia are advancing their efforts in enhancing their regulatory frameworks on e-commerce. The PRC has enacted its Electronic Signature Law and E-Commerce Law in 2019 and is a signatory to the United Nations (UN) Framework Agreement on Facilitation of Cross-Border Paperless Trade in Asia and the Pacific. Meanwhile, the Parliament of Mongolia has on 15 May 2020 passed the legislation to accede to the UN Convention on the Use of Electronic Communications in International Contracts.

SASEC Program to Harness Benefits and Address Challenges of Digital Platforms

E-commerce is expected to become a key driver of growth in South Asia, potentially enhancing competition and productivity, and encouraging production and export diversification (World Bank 2020). Its online trade potential can help integrate the region into international value chains and strengthen commercial linkages between countries. However, while e-commerce has grown, it pales relative to other regions. Online sales, as a proportion of total retail sales, is below 2% in India and Bangladesh, compared with 15% in the PRC and 14% globally.

South Asia, with a large proportion of young people highly receptive to digital technology, could greatly expand e-commerce.⁷⁷ SASEC countries face many barriers to e-commerce, including poor logistics and trade processes, restrictive digital regulations and inadequate ICT infrastructure. Cross-country coordination to lower these barriers is being addressed under SASEC's trade facilitation platform. Its efforts to automate and streamline border trade processes will go a long way to enhance digital service platforms. The SASEC platform can also help synchronize government efforts to address related issues such as digital inclusion, cybersecurity, copyright violations, and tax capture, among others.

⁷⁷ The World Bank (2020) noted that removing regulatory and logistical challenges to e-commerce would increase SME exports, employment, and productivity by as much as 20%–30%.

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