



Executive Summary

Regional Integration in Asia is about to enter a new phase. The Association of Southeast Asian Nations (ASEAN) – the oldest and most comprehensive integration framework in the region – is planning to launch the ASEAN community by the end of 2015. At the same time, many Asian countries are involved negotiations towards the Regional Comprehensive Economic Partnership (RCEP) and the Trans-Pacific Partnership (TPP).

This book, written by researchers at the Institute for Global Environmental Strategies (IGES) underscores that the benefits of these integration processes need to be lasting and shared. Regional integration pursued in a conventional way, mainly emphasising increased economic growth, could accelerate Asian countries' development along unsustainable trajectories, undermining the region's natural resource base and deepen inequalities. However, regional integration also offers opportunities for countries to collaborate and to jointly make development more inclusive, resilient and long-lasting. The authors are hopeful that Asian countries will be wise enough to reap these opportunities.

Shifting to Sustainability – The Role of Green Integration

Asia is developing rapidly but unsustainably. The region's explosive growth is harming its environment and undermining its natural resource base. Examples abound. Asia Pacific has emerged as the highest consumer of natural resources in the world and is currently responsible for some 45% of the global emissions of carbon dioxide. Southeast Asia holds only 5% of the world's forest but experienced 25% of global forest loss in the first decade of this century. In 2013, the Asian Development Bank warned that more than 75% of Asia-Pacific countries face an imminent water crisis and classified 80% of the region's rivers as not healthy. Without significant changes, continued strong population increase, combined with rapid economic growth and structural economic changes from subsistence and small-scale agriculture to resource extraction and industrial production, would further worsen the region's pressure on the environment.

The region's development is also unequal – it provides fewer benefits for those with the greatest needs. Over the last twenty years, in a number of major Asian countries, the income shares of the poorest 20% have fallen behind the income shares of the wealthiest 20%. While the lives of many poor have improved over the last few decades, there are still disturbingly high numbers of people living in chronic poverty, and high incidences of malnourishment and child mortality in several countries. In addition, soaring resource demand and environmental degradation are further compounding social issues. Many of the region's low-income households see their livelihoods threatened by the increasingly felt effects of climate change, many indigenous people and small-holder farmers have seen their land expropriated for resource extraction and infrastructure development, and many poor people across Asia drink polluted water and eat unsafe food.

Looking at this situation, it is easy to realise that there is a need for a change of direction towards a development that is environmentally sustainable, prioritises the needs of the

poor, and provides equal opportunities for all – both within the current generation and for the future. In this context, contrary to what is often the case, environmental protection needs to be understood as a prerequisite for human wellbeing, successful poverty alleviation, and lasting prosperity.

Countries in Asia are also becoming increasingly interdependent and are facing a number of issues that need to be dealt with jointly. The growing economic interdependence among countries can be seen in the expanding trade and foreign investments, and in the proliferation of regional value chains. The intraregional trade share of the ASEAN+6¹ countries increased from 35% in 1990 to 45% in 2012. However, the tightening linkages among countries can also be observed in relation to environmental issues that extend beyond national borders, such as transboundary air pollution, climate change, water use in international river basins, and trade in endangered species and hazardous waste. Issues like these are difficult or impossible for individual countries to effectively deal with; they require international cooperation.

This book introduces the concept of Green Integration and makes the case that countries in Asia should make sustainability the main objective of their integration efforts. It proposes that regional integration could support countries in their efforts to develop more sustainably. However, it finds that this potential is currently utilised only to a limited extent. While the region already hosts a large number of mechanisms for international cooperation and integration, the most influential initiatives are mainly focused on promoting more trade, investments and growth. In Asia's integration processes, environmental protection and social safeguarding are generally given far less attention. This fails to recognise the potential synergies, such as the ample opportunities to generate green jobs and the role of environmental protection in poverty alleviation. This priority setting is also short-sighted and not in the long-term interest of the region and its people.

Around the globe, countries are competing ever more strongly to attract investor money and industrial production. This competition has made it increasingly difficult for individual countries to effectively protect their environment and the health of their labour force, to effectively collect taxes from corporations and to provide robust welfare systems. Many policy makers and politicians believe that stricter policies and better enforcement will scare away investors and drive much-needed job opportunities abroad. This belief, although not well-supported by evidence, can have a chilling effect on policies that would be in the public interest.

Dealing with this dilemma requires international cooperation, ideally at the global level. This book argues that also regional cooperation and integration have the potential to strengthen countries' efforts to improve environmental and social policies and regulations. Introducing such reforms in a coordinated manner across the region, while paying attention to specific circumstances in each country, can help reduce fears of losing competitiveness and associated resistance from stakeholders. In addition, regional integration with the objective of enabling a more sustainable development could also be a stepping-stone to stronger international agreements, especially since Asia is playing an increasingly important role in global policy processes.

Countries in Asia are currently ambivalent to regional integration. On the one hand, they are actively engaged in a large number of regional cooperation and integration processes and are keen to produce common strategies and declarations. On the other hand, they are generally reluctant to enter binding agreements and many of the regional activities have little impact at national and subnational levels. Despite this, the authors

expect that Asia will continue to deepen its regional integration in the decades ahead, to gradually strengthen its regional institutions and to harmonise more rules and standards. Such a development is already envisaged, for example in the ASEAN Charter. This deepening of Asia's integration will admittedly be a long-term process but the growing interdependencies among countries, and the aggravation of many of the associated challenges, make improved coordination at the international level almost unavoidable. The authors argue that countries in Asia should take proactive steps to make the most of the opportunities that exist at the regional level.

Steps to Greening Integration

The book presents studies in seven areas where regional integration intersects with sustainable development and where there is potential to strengthen synergies between the two. It includes chapters on forest conservation and timber trade, air pollution standards, technology transfer, capacity building for sustainable trade, management of e-waste trade, and water resource management in an international context. It also features a study of how ASEAN could effectively support its member countries in achieving the Sustainable Development Goals (SDGs). All chapters analyse the current challenges and provide recommendations on how regional integration could help addressing these more effectively. This section summarises some of the recommendations under three headings: (i) Make trade and investment work for sustainable development, (ii) Strengthen and repurpose regional institutions, and (iii) Build capacity at national and sub-national levels.

(i) Make trade and investment work for sustainable development

Trade liberalisation is at the vanguard of existing and emerging regional integration efforts. The book underscores the importance of ensuring that these processes contribute as much as possible to sustainable development. This involves two main tasks: (i) reaping the sustainability opportunities of increasing trade and investments – for example through facilitating trade in more sustainable products, and (ii) safeguarding against the sustainability risks associated with greater volumes of trade and investments. A general recommendation related with sustainability safeguarding is to take a precautionary approach to market liberalisation for countries with deficiencies in governance effectiveness and issues with transparency and accountability. Failure to do so could cause serious and irreparable harm.

These are examples of specific recommendations presented in chapters of the book:

- Make it mandatory to conduct Sustainability Impact Assessments of new or revised trade and investment agreements. This is still not regular practice in Asia and many countries may lack the capacity needed to anticipate the effects, including both benefits and risks, of market liberalisation. Pooling capacity and expertise regionally could prove beneficial.
- Facilitate trade in goods and services with high sustainability performance, for example by introducing preferential tariffs for environmental goods and services (EGS). Using the list of EGS developed by the Asia Pacific Economic Cooperation (APEC) could be a good start.
- Establish regional information tools such as labelling schemes for sustainably sourced materials and goods, and certification schemes for safe recycling.

- Ensure that trade agreements allow for, or even encourage, sustainable public purchasing. Trade rules that would prevent public bodies from using environmental and social criteria for its purchasing should be avoided.
- Make it mandatory for all major businesses to publish periodic reports on their environmental and social performance.
- Require banks and other financial institutions to establish and apply environmental and social criteria for lending.

(ii) Strengthen and repurpose regional institutions

Several chapters of the book identify a need for strengthened and more capable institutions equipped with adequate resources, appropriate staff and broader mandates that allow them to play a more proactive role in agenda-setting, coordination, and monitoring and evaluation. Furthermore, regional institutions need to have environmental protection and social progress made part of their objectives and mainstreamed into their work programmes. In addition, strengthening the region's institutional architecture calls for a consolidation of existing bodies in order to reduce duplication and fragmentation. Finally, the book stresses that the region should make more efforts to take ownership of its institutions, gradually becoming less dependent on donors initiatives. Partnerships between regional institutions, with detailed knowledge on the specific conditions in Asia, and global organisations with high levels of technical expertise and knowledge of other world regions, could be models with significant potential.

The book identifies a number of roles to be played by regional institutions and where a strengthening of capacities and mandates is needed, including the following:

- Monitoring and evaluation of key sustainable development indicators, including improved environmental monitoring systems and better surveys on social conditions. Strengthened capacity for data analysis would also be beneficial.
- Regional research programmes on sustainability issues and intensified knowledge brokerage to facilitate exchange between decision-makers and the research community.
- Funding mechanisms, such as targeted funds for sustainable business models and technologies, and a regional fund to support achievement of the Sustainable Development Goals.
- Capacity building and practice-sharing on a regional basis, especially to strengthen countries' capacity for enforcement of laws and regulations.
- Leadership in initiating negotiations on new regional agreements and common standards.

(iii) Build capacity at national and sub-national levels

Limited capacity at country level, especially of governments and public institutions but also of other actors, is a major obstacle to Green Integration. These capacity constraints need to be addressed as a matter of urgency, although it will take time to ensure that appropriate capacity is in place across the region. The book identifies four broad areas where governmental and public institution capacity needs to be bolstered:

- To effectively engage key stakeholders at national and sub-national levels, to formulate and implement appropriate policies, and to monitor and evaluate policy outcomes.
- To mainstream environmental protection into all major policy areas.
- To work in an integrated fashion with planning and policy-making across traditional policy areas and economic sectors.
- To actively participate in regional and global policy processes, thereby realising the potential benefits of these processes more effectively.

Where is regional integration in Asia heading? Invitation to dialogue

This book makes the case for Green Integration and provides ideas on how it could be pursued, but it does not offer definitive answers. Its chief goal is to stimulate the discussion on regional integration and sustainable development in Asia. It raises questions about what kind of development model is underpinned by the current regional integration processes, and how such processes could help realising a future of shared human wellbeing and harmonious coexistence with nature.

The themes mentioned above will gain more relevance in Asia with the launch of the ASEAN Economic Community in the end of 2015 and in the light of TPP, RCEP and other initiatives. At the same time, governments are negotiating a set of global Sustainable Development Goals, expected to guide global development in the period 2016-2030. This offers an opportunity for countries to ponder on the direction in which they are headed, to formulate new objectives and to undertake reforms of policies and institutions.

While all these processes may seem technical and mainly a concern for specialists and government officials, they will affect everyone in the region. Everyone needs to know what governments negotiate and commit to on their behalf. There is a need for increased transparency of these processes, for more active news media that scrutinises those in power and informs the public, and for more participatory decision-making. In conclusion, there is a need for broader democratic deliberation on what regional integration should deliver. The authors of this book hope to have contributed to this discussion and are looking forward to the continued conversation on how regional integration can truly benefit people and the environment, both today and in the future.

Notes

1. The ASEAN+6 Member Countries include: Australia, Brunei Darussalam, Cambodia, China, India, Indonesia, Japan, Lao PDR, Malaysia, Myanmar, New Zealand, Philippines, Republic of Korea, Singapore, Thailand, and Viet Nam.

