

Chapter 1

Greening Asia's Integration: An Urgent Challenge

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1. Regional integration and sustainable development

1.1 Current integration efforts: achievements, opportunities and challenges

Regional integration is attracting increasing attention in the Asia-Pacific region, especially East Asia. The Association of Southeast Asian Nations (ASEAN) is launching the ASEAN Community in December 2015, and the 10 participating countries are now gearing up for this new stage in their decades-long regional cooperation.¹ Other regional initiatives have also been launched recently—negotiations on the Trans-Pacific Partnership (TPP) agreement are ongoing, involving five Asian countries, and discussions on a new major economic partnership involving 16 nations in the Asia-Pacific region, the Regional Comprehensive Economic Partnership (RCEP), were launched in May 2013.

Current regional integration processes in the Asia-Pacific region mainly emphasise market liberalisation (regional economic integration) as a means to increase economic growth. For example, of the three pillars of the ASEAN Community, the only one with a concrete time schedule is 'economic' (ASEAN Economic Community: AEC), for which progress is monitored using a scorecard mechanism (ASEAN Secretariat 2009).² ASEAN real gross domestic product (GDP) almost tripled from 1990 to 2012 — equivalent to an average annual growth rate of 5% (U.S. Census Bureau 2013). The pace of this growth, which outstripped the world average (2.7%) over the same period, has to some extent been fuelled by trade and investment liberalisation through globalisation and regional economic integration (Urata 2013). It has also significantly reduced the number of those below the poverty line (1.25 USD/capita/day) from 40.2% in 1990 to 10.8% in 2011 (World Bank 2013).

However, there are concerns that this narrow focus on regional economic integration is blinkered, as issues of social welfare and the environment have been ignored. This in turn may lead to negative impacts in both these spheres. Trade and investment liberalisation, the major ingredient of regional economic integration, intensifies international competition and could trigger a 'race to the bottom' to attract investment and jobs, and may well also chip away at government regulations concerning environmental and social issues. The cause of this dilemma is not necessarily regional economic integration per se, but globalisation. Whatever the major cause, pursuit of competitiveness under internationally integrated and liberalised markets could result in lax environmental and social controls. It could also add risk to sustainable livelihoods and the environment

through increased pressures on natural resources, aggravated pollution and emissions, social marginalisation, human rights violations and degraded employment conditions (see Boxes 1.1 and 1.2).

Box 1.1 Rana Plaza building collapse in Bangladesh - 24 April 2013

The Rana Plaza was a nine-story commercial building in the Savar district of Greater Dhaka, Bangladesh and housed five garment factories from the floors 3-8 with over 3,500 workers. The building was licensed as a five-story building but four extra floors were added illegally using low-quality construction materials and without proper supporting walls. Further, it was built on weak foundations in a flood-prone former swamp area. One day prior to the accident workers on the third floor heard explosive sounds and cracks through the building were noticed. The industrial police visited the building that day and requested the building owners to close it and suspend all factory operations due to concerns over structural safety. A bank on the second floor immediately suspended all operations and sent the entire staff home, but the owners of the garment factories urged their workers to return to their jobs the next day. Many workers attested that they were threatened with loss of salary if they failed to work. The building then collapsed on the morning of 24 April, soon after factory operations started, killing 1,133 and seriously injuring many others. Large global retailers including Benetton, Walmart and PC Penney had outsourced part of their production to the factories in Rana Plaza (Islam 2014).

In fact several similar accidents had occurred in Bangladesh prior to the Rana Plaza catastrophe. In April 2005 the Spectrum-Sweater factory, a nine-story building in the same district, collapsed with the loss of 64 workers and 70 injured (Maquila Solidarity Network 2006). There are many similarities between the two “accidents” — both involved buildings erected on former swamps, illegal vertical extensions, and most critically, observation of cracks prior to the accidents. The International Labour Rights Forum has asserted that over 1,800 garment workers have been killed in factory fires and building collapses in Bangladesh since 2005, and that these accidents were caused by both increased global price competition and lack of governmental controls over safety standards (International Labour Rights Forum 2013). The garment industry in Bangladesh currently accounts for nearly 80% of national export earnings and has acted as a key driver in the country’s steady GDP growth over the last decade (ILO 2013).

Box 1.2 Unsustainable oil palm plantations

Another example of the current unsustainable development paradigm is the rapidly expanding area of oil palm plantations, which has caused significant social and environmental problems. Global demand for palm oil is on the rise and was forecast to be the world’s most produced, consumed and internationally traded edible oil by 2012 (Marti 2008). The growing demand for biodiesel, driven by climate and energy security concerns, has further accelerated demand (Obidzinski et al. 2012). Indonesia and Malaysia — the two key palm-oil producers — account for 84% of global production and annual sales of USD 11 billion (Augustyn 2007). In Indonesia, mostly Sumatra and Kalimantan, 0.4 million hectares (ha) of oil palm plantations were established annually between 1997 and 2006, and experts predict a further 20 million ha of oil palm plantations will be created between 2010 and 2020 (Obidzinski et al. 2012).

Rapid expansion of oil palm plantations in Indonesia has caused serious environmental and social problems and has been identified as one of the major drivers of rainforest destruction (Marti 2008). Indonesian lowland rainforests represent key biodiversity hotspots, and the impacts of deforestation caused by oil palm plantations on biodiversity are huge — an estimated one third of the Kalimantan orangutan population was lost to large forest fires in 1997, where about 8,000 orangutans either burned to death on the spot or trying to escape the blaze (Augustyn 2007). Clearing forests for oil palm plantations was identified as the largest cause of the 1997 fires, which then also precipitated the Southeast Asian haze crisis that affected around 70 million people in six Southeast Asian countries (Marti 2008), and may even have affected global climate.

Dynamic economic growth, under an environment of severe global competition, has often been fuelled through bypassing occupational health and safety in order to satisfy the need to cut costs and win foreign investors and multinationals. After the Rana Plaza disaster in 2013 (Box 1.1) many criticised the negligence of the government as well as foreign investors for not taking appropriate safety measures, but it was countered that taking such measures would have resulted in failure to attract foreign direct investment (FDI) and consequently failure to provide jobs to many young people (The Guardian 2013).

It is also becoming increasingly clear that in most countries this growth-oriented and export-led development pattern has not only placed enormous pressures on the region's ecosystems and natural resource base but also created large and growing income disparities (Asian Development Bank 2013; United Nations Environment Programme 2012). Asia is also becoming increasingly dependent on imports of natural resources—meaning that its economy is having a stronger negative impact on the environment in the regions it imports from (Giljum et al. 2010). With increasing populations, rapid urbanisation and expectations for continued strong economic growth it is clear that a new development model is needed for Asia—one that respects ecological limits and provides for shared wellbeing and improved equity.

Despite signs of international recognition that a new approach is needed—as witnessed by the new global development agenda and set of Sustainable Development Goals (SDGs)—more needs to be done by national governments in the areas of social and environmental sustainability; in short, it's the model of development that needs overhauling.

Doing this will, however, inevitably involve challenges. With increasingly integrated international markets, individual countries, in particular developing ones, face difficult choices: they can try to increase jobs by lowering standards and production costs via exploiting environmental and social externalities, or run the risk of lowered investor appeal and fewer jobs by adopting stronger labour and environmental protection regulations. Stocking the fire is the competitive vulnerability any one country senses if it unilaterally adopts stronger social and environmental measures. This means concerted and coordinated efforts of all countries concerned are needed to overcome this dilemma.

1.2 Importance of regional integration in implementing coordinated efforts

Against this backdrop this book highlights the importance of regional integration as a means of coordinating efforts and to make it easier for countries to formulate and implement more balanced and sustainable models for development.

The term ‘regional integration’ itself warrants explanation. For example, Mori (2013) proposes four stages (initiative, cooperation, regime and institution), while Yamamoto (2013) offers seven stages (see also chapter 3 for more discussion on the definition). Regional integration in this book is taken to mean the process of increasing the level of interaction among states within a particular region—such interaction taking on various forms. Regional integration includes, for example, both regional *cooperation*, where states maintain full policy autonomy, and a deeper form of integration, in which legally-binding regional mechanisms with corresponding supranational regional authorities are established (Yamamoto 2013). The latter is termed “deep regional integration” in this book to distinguish between regional integration with and without legally binding regional agreements, which is relevant to the Asia-Pacific context as a number of co-existing and partly overlapping regional integration processes are mainly focused on regional cooperation *without* legally binding mechanisms.³ This definition places emphasis on the actions and efforts of states but does not preclude the roles of other actors, such as local governments, the private sector and civil society in regional integration processes.

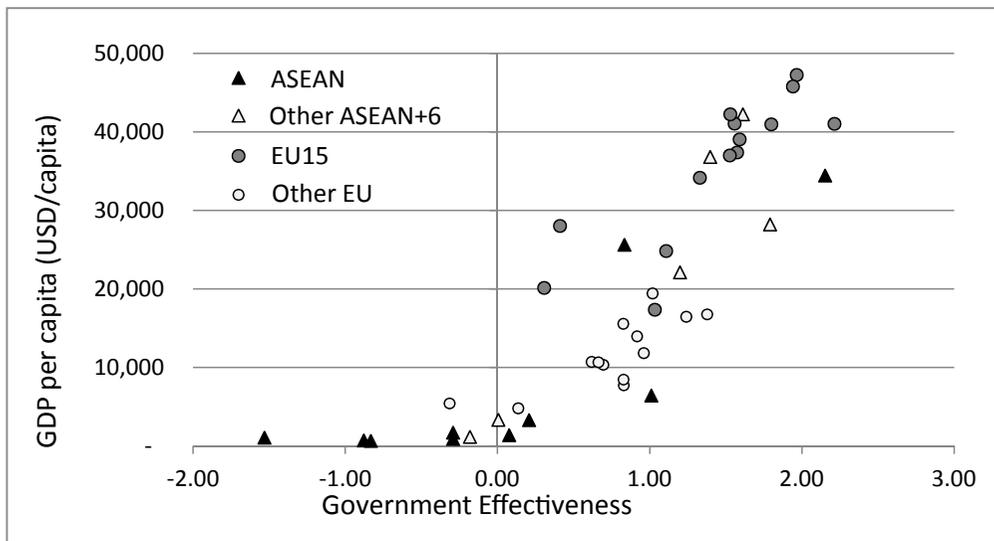
This book argues that regional integration can complement and reinforce efforts to promote more equitable and sustainable development models at global and national levels. The problems discussed in the previous section relate to increased international competition and should ideally be dealt with globally through coordination mechanisms such as the World Trade Organization (WTO). However, WTO negotiations on the Doha Development Agenda have basically been stalled since 2001, illustrating the difficulty of building consensus at the global level (e.g., International Monetary Fund 2011). Such context has enabled further liberalisation of trade and investments to flourish at the regional level, including in the Asia Pacific. This shift to the regional level is arguably a second-best but more feasible option for market liberalisation, and also for establishing mechanisms for addressing adverse impacts of increased trade and economic activity. However, in the current context, where strong global agreements seem more or less out of reach, operating at the regional level might lead to progress. Furthermore, if regional integration can show that it works (delivers results)—as the sum of coordinated efforts of the countries involved—this would serve as a concrete building block for globally coordinated mechanisms in the future.

Regionally coordinated actions can take different forms—identification of common problems, information exchange, setting of common standards, and so on. It is useful to distinguish between actions that require legally binding agreements on the one hand and actions that can be taken on a non-legally binding basis on the other. This distinction is important because implementation of the former is likely to be more effective with deep regional integration, defined as the existence of supranational regional institutions with policy authority. When regional coordinated actions are based solely on non-binding pledges there is a greater risk of countries ignoring these agreements, but establishing regional institutions with authority requires all parties to partially relinquish national sovereignty, something that is politically controversial, challenging in practice, and time consuming.

A rare example of deep regional integration is the European Union (EU), which has a supranational legal system in which the treaties and laws adopted have primacy over the equivalent laws of the member countries (Wallace et al. 2005).⁴ This supranational nature of the EU enables it to implement harmonised policies and measures to safeguard the environment and social welfare with binding commitments from each member country. For example, in 2007 EU set the 20-20-20 target corresponding to the year 2020 (20% reduction in EU greenhouse gas emissions from 1990 levels, rise in share of EU energy consumption produced from renewable resources to 20%, and a 20% improvement in

energy efficiency), and adopted the 2020 climate and energy package in the following year as binding legislation to achieve the target (European Commission 2012). This target is likely to be considerably more stringent than what most European countries would have committed to through purely voluntary efforts. Naturally, it is not the supranational nature of the EU in itself that makes this possible, as there also has to be leadership on sustainability issues and a consensus to use the regional integration framework for 'raising the bar' of ambition rather than protecting the status quo and opting for the least common denominator.

The situation in the Asia-Pacific region is, however, quite different from that in Europe. Regional integration in Asia-Pacific has so far made little progress towards deep integration (Urata 2013). ASEAN has played a leading role in various regional integration processes in the Asia-Pacific region and the main characteristic of ASEAN integration is its emphasis on dialogue and peaceful conflict resolution, with mutual respect of national sovereignty rather than formal institution-building (Yamamoto 2013). This 'soft' integration strategy appears to be the way forward in the process of involving countries with highly disparate backgrounds, political cultures and national interests. A broad comparison of EU and East Asia (ASEAN+6) shows that East Asia is much more diverse than EU in key aspects of economic development, governance structure, effectiveness of governance and religion (e.g., Capannelli et al. 2009).⁵ Figure 1.1 gives a comparison of East Asia and EU diversity in terms of economic development (per capita GDP) and effectiveness of governance.



Source: Governance Effectiveness: The Worldwide Governance Indicators database (www.govindicators.org),⁶ GDP per capita: U.S. Census Bureau, International Database.⁷

Figure 1.1 Member country diversity: East Asia and the EU

The differences between the EU and the ASEAN in terms of diversity are obvious and this has implications for what kind of regional integration is feasible. The core members of the EU (i.e., EU15) are all developed countries with per capita GDPs exceeding USD 17,000 and with relatively high government effectiveness, while the main player of East Asian

integration (i.e., ASEAN) consists of countries that differ hugely in both these aspects. Narrowing the gaps in developmental status and governance capacity among member countries are likely to be enabling conditions for deepening regional integration in East Asia. Since this will take long time, integration efforts in the region are expected to continue to rely mainly on the softer measures.

2. Green integration in Asia

The ongoing regional integration, mainly economic integration to boost economic growth, will at best maintain the current development pattern, which is neither environmentally sustainable nor socially inclusive. It is thus an urgent challenge for the Asia Pacific region to redirect the course of development and to establish a new development model that can provide for shared wellbeing and improved equity without exceeding ecological limits.

The main objective of this book is to promote mainstreaming of social and environmental sustainability objectives in regional integration processes, including both regional initiatives to further liberalise trade and investments and other cooperative efforts on a regional basis. It introduces the concept of 'green integration', which is understood to mean a regional process that facilitates and underpins a reformulation of the current development model. The call for rebalancing regional integration in Asia, from a *de facto* strong focus on economic integration to broader sustainability objectives is fully in line with the findings of a recent study by the Asian Development Bank Institute (ADBI), which concluded that "creation of a borderless economic community must to go hand-in-hand with setting up a region-wide regulatory regime that protects the environment" (ADBI 2012).

The high level of diversity throughout Asia necessitates a flexible step-by-step approach to greening the region's integration processes. Figure 1.2 illustrates such an approach to green integration and, in comparison, the undesirable business-as-usual scenario. There are two main tracks for greening Asia's integration: (1) mainstreaming of sustainability objectives and safeguards into the economic integration processes that are currently taking the centre stage, and (2) separate regional initiatives promoting sustainable development. In the short run, given the established political culture in the region and diversity, such separate initiatives would most likely only be feasible on a non-legally binding basis. However, the ASEAN Agreement on Transboundary Haze Pollution, which was ratified by all the region's member states in 2014, shows that for specific issues countries are actually willing to enter legally binding agreements. Whether or not the haze agreement indicates a collective willingness to more strongly coordinated efforts in general is unclear; however, in the longer-term perspective the authors believe that countries in the region will edge towards stronger regional coordination mechanisms, including legally binding agreements. In the short term, intensified cooperation on a non-legally binding basis is expected to help create enabling conditions for deeper integration in the future.

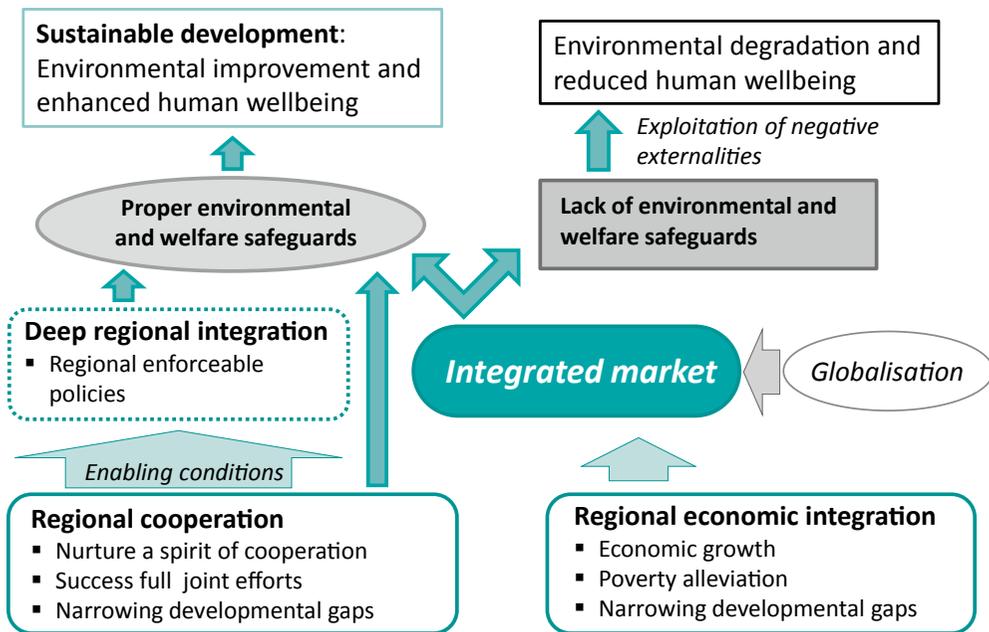


Figure 1.2 Green integration versus business as usual

Once governments realise the need to change the conventional development model and have the will to make their development pathways more sustainable, regional integration processes could boost such governmental efforts. However, green integration, which can play such a role, requires a step-by-step and multi-track approach. Initially, efforts need to focus on: (i) mainstreaming sustainability objectives into regional economic integration processes and establishing effective sustainability safeguards to minimise adverse effects of increasing cross-border trade and investments, and (ii) strengthening and streamlining the existing regional cooperation mechanisms for environmental and social issues in order to enhance their efficacy.

Successful implementation of green integration requires countries in the region to trust each other, something that needs to be nurtured over the long term. Initially it may be wise to focus joint initiatives on relatively uncontroversial issues in order to foster a cooperative spirit, build confidence in the benefits and efficacy of regional cooperation, and strengthen the capacity of member countries to effectively engage in regional cooperation and to implement agreed-upon policies domestically. Regional cooperation along these lines is also likely to contribute to narrowing the development gaps among the countries in the region, something that would improve the long-term prospects for deep regional integration with some degree of delegation of authority to regional entities.

3. The aim of this book

The current regional integration processes in the Asia-Pacific are primarily focused on economic integration, with only limited attention to environmental and social issues. A number of regional initiatives addressing environmental and social issues exist

but they are generally weak and insufficiently funded, and not strongly linked to the economic integration efforts (Elliott 2003; Horiuchi et al. 2013). This book argues that the current mode of regional integration squanders the chance for each country to shift its development pathway to one that is more robust and inclusive. In this context, the chapters of the book address the following two key questions:

- How can regional integration enable better coordinated and stronger efforts in pursuit of sustainable development?
- How can social and environmental sustainability objectives be effectively mainstreamed into existing and emerging regional integration schemes in the Asia-Pacific?

These are indeed big questions, answers for which cannot be simply offered on a plate; however, the issues they deal with are real and urgent. This book therefore aims at kick-starting discussion on what kind of regional integration could help; it strongly asserts that we must move away from the short-term, national-interest stance and embrace the bigger picture, the goal of which is sustainability.

The book presents the results of a number of studies undertaken recently by the Institute for Global Environmental Strategies (IGES) related to regional cooperation and integration in Asia and the Pacific, with particular focus on East Asia including both Northeast Asia and Southeast Asia.⁸ This focus is motivated by the fact that countries in East Asia are currently most actively engaged in regional integration processes. As an environmental institute the research it conducts naturally focuses on the environmental dimension of sustainable development, but always with due consideration to national contexts, both in terms of development and legitimate aspirations for a better life.

The remainder of the book is organised as follows:

Chapter 2 reviews the current situation and trends in Asia regarding sustainable development with a special emphasis on the environment. It highlights a number of key trends that together portray what a business-as-usual scenario for Asia's development could look like. It provides a rationale for why the region's development needs to change. Chapter 3 briefly reviews linkages between trade and investment liberalisation, environmental and social impacts and regional cooperation and integration. It takes stock of Asian integration efforts to date and shows how current patterns of cooperation and integration fail to deliver sustainability.

Chapters 4 to 10 present cases illustrating how green integration could be infused in the short to medium term. Chapter 4 discusses the implications of the upcoming Sustainable Development Goals for the ASEAN Community and provides recommendations on how ASEAN could support member countries in implementing this new global agenda. Chapter 5 analyses regional economic integration in the wood-based products sector and provides ideas on how to conserve forest values. Chapter 6 deals with waste management and resource circulation issues, with a focus on e-waste. It illustrates the benefits of regional cooperation in establishing a recycling certification system. Chapter 7 deals with air pollution and regional economic integration, and argues that stricter standards would be both beneficial and feasible. Chapter 8 illustrates the need for an integrated approach to the water-energy-food nexus in order to promote green development for both upstream and downstream countries of international river basins. Chapter 9 highlights the importance of low carbon technology transfer to promote sustainable development and illustrates the opportunities provided by regional integration. Chapter 10 discusses

the role of capacity building in making regional economic integration greener. To end, Chapter 11 synthesises the major findings of previous chapters and provides overall policy recommendations towards green integration.

Notes

1. ASEAN currently consists of the following 10 countries: Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Viet Nam.
2. The remaining pillars are ASEAN Political-Security Community (APSC) and the ASEAN Socio-Cultural Community (ASCC).
3. Here, 'deeper integration' should not be construed as always being the better or the more effective; in some cases effective measures require deep regional integration but in others regional cooperation or even national efforts may be more relevant.
4. The members of EU must accept the *Acquis Communautaire*, which is the accumulated body of EU treaties, law and obligations from 1958 to date (Grabbe 2002). The European Court of Justice has ruled out the principle of the primacy of the *Acquis Communautaire* over national law of member countries (Grabbe 2002). It must be noted that the principle of subsidiarity assures the member states of EU their right to legislate wherever the national intervention can act more effectively than the intervention at the EU level (Barton 2014).
5. ASEAN +6 consists of 10 ASEAN member countries and Australia, China, India, Japan, New Zealand and Republic of Korea.
6. This indicator reflects perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies (The World Governance Indicator database).
7. Luxembourg (EU15) has very high GDP per capita (86,000 USD), excluded from this figure. Governance Effectiveness of Luxembourg is 1.66.
8. In this book, East Asia basically refers to ASEAN+3 (ASEAN, China, Japan, and Republic of Korea), but in some cases also refers to ASEAN+6.

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