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**ADDRESSING THREATS TO DEVELOPMENT: KEY CHALLENGES TO
INCLUSIVE AND SUSTAINABLE ECONOMIC AND SOCIAL
DEVELOPMENT IN THE ASIA-PACIFIC REGION**

(Agenda item 9)

Draft report

Policy statement by the Executive Secretary

1. The Executive Secretary observed that the ESCAP region faced some of the greatest threats to development seen in our time: climate change, extreme food and fuel price volatility in 2008, the worst financial and economic crises since the Great Depression—all of which could roll back development gains and precipitate a human tragedy in many parts of the ESCAP region. The time was ripe to use the collective strengths of the Asia-Pacific region to prevent that emergency from arising.

2. The Executive Secretary took stock of the challenges facing the region and addressed the policy responses which could make a difference. She stated that what had started as a financial crisis in the West had become an economic crisis in the East. The Asia-Pacific region had initially shown remarkable resilience to the crisis due to post-1997 financial reforms. However, that resilience was under severe pressure, with declines in investment and consumption in the global market and predictions that global trade would shrink by 9 per cent in 2009. In the *Economic and Social Survey of Asia and the Pacific 2009* it was estimated that growth of developing members would fall from 5.8 per cent in 2008 to 3 per cent in 2009. The developed economies were projected to contract by 3 per cent during the same period. As many as 23 million people, particularly women employed in the manufacturing sector, could lose their jobs, with rising income insecurity affecting the achievement of the Millennium Development Goals in Asia and the Pacific.

3. As for issues of food and fuel security, the Executive Secretary noted that, despite its enormous capacity to produce food, the region was home to the largest number of food-insecure people in the world. In the 2009 theme study, entitled *Sustainable Agriculture and Food Security in Asia and the Pacific*, the secretariat had identified 25 countries that were considered food insecurity hot spots and pointed out that the region accounted for more than 64 per cent of the world's undernourished

adults and children. Those numbers underlined the fact that the region was one of great disparities.

4. The Executive Secretary highlighted the fact that, while poverty was the primary cause of food insecurity in the region, protectionist trade policies could drive up food prices, making it difficult for the poor to access food. Declines in farm revenue and increased costs of production forced small-scale farmers out of business. Increasingly the young in rural areas migrated, leaving the old behind as agriculture ceased to be a viable option. Furthermore, least developed countries and many landlocked developing countries, together with small island developing States, were almost totally dependent on imported oil and gas. That dependency complicated their ability to recover from the current economic crisis.

5. The Executive Secretary underlined the fact that, in Asia and the Pacific, climate change was no longer a distant threat; it was a reality. For many of the Pacific and small island States, it was a question of survival or extinction. The Asia-Pacific region was responsible for 34 per cent of greenhouse gas emissions; it was also home to 7 of the 15 major global greenhouse gas-emitting countries and it accounted for 80 per cent of the disaster-related casualties that had occurred globally in the last decade.

6. The convergence and scale of the challenges described by the Executive Secretary reflected the profound need to respond with systemic changes and deeper reforms. The Bali Outcome Document and the subsequent analysis of the *Economic and Social Survey of Asia and the Pacific 2009* advocated that economic recovery should be based upon a more inclusive and sustainable development paradigm, for which fiscal stimulus packages and policy reforms provided an excellent opportunity. The commitment by the G-20 of \$300 billion in aid provided support funds. Partnerships, including with Governments, business and civil society, would also provide additional resources and know-how.

7. The Executive Secretary outlined three policy responses that would guide the way forward.

(a) *Increasing economic growth through regional trade and integration:* The Asia-Pacific region was more economically integrated with the rest of the world than with itself, with intraregional trade among developing countries accounting for only 37 per cent of exports in the ESCAP region, in comparison with the North American Free Trade Agreement area at 51 per cent and the European Union at 68 per cent. There were enormous opportunities for growth in South-South trade and investment but existing trade barriers, both tariff and non-tariff, needed to be removed. Accelerated implementation of the numerous regional economic partnership agreements would also promote further trade and investment. An early conclusion of the Doha Round, in accordance with its development mandate, would also be essential. Trade would also be improved through increased investments in sustainable transportation and ICT connectivity. Closing the ICT divide and strengthening the Asian Highway and Trans-Asian Railway networks were vital components of regional trade and integration;

(b) *Strengthening the foundation for social protection:* Building the foundations for better social security in the region would also mitigate the impact of current and future crises. In a region where lifespans were increasing and 30 per cent of the elderly received support, pensions would play an important role. Furthermore, only 20 per cent of the population had access to health care. Access to health-care insurance was therefore critical. Social protection systems not only created the foundations for more inclusive and harmonious societies, they also made good

economic sense. By increasing income security, the spending power of middle- and lower-income people would be freed up, thus increasing domestic demand and macroeconomic stability;

(c) *Promoting sustainability:* Action on climate change was currently needed with a new sense of urgency and a responsibility not only to protect today's economy but also to prepare for the economy of the future. The discussion of the economic impact or cost of climate change had mainly been of the potential threat. Yet there was a need to examine the challenge as an opportunity for new growth, for innovation and for a modern economy based upon Green Growth, energy efficiency and the increased use of renewable energy. To achieve that, partnerships between the public and private sectors as well as civil society were needed to bring about a paradigm shift, not only in policies but also in behaviour.

8. In concluding, the Executive Secretary stated that ESCAP was a strategic regional player that could effectively support the member States in shaping a more balanced and inclusive approach to sustainable development. As the regional secretariat, and as chair of the United Nations Regional Coordination Mechanism, the secretariat stood ready to facilitate the coordination of the development policy responses outlined. Their successful implementation would pave the way for a more economically, socially and ecologically balanced and inclusive Asia-Pacific region where people could live free from want, from fear and from discrimination.