



Economic and Social Council

Distr.: Limited
23 May 2012

Original: English

Economic and Social Commission for Asia and the Pacific

Sixty-eighth session

Bangkok, 17-23 May 2012

Agenda item 7 (b)

Policy issues for the Asia-Pacific region: Economic and Social Survey of Asia and the Pacific 2012

Draft report

Economic and Social Survey of Asia and the Pacific 2012

1. The Commission had before it the summary of the Economic and Social Survey of Asia and the Pacific 2012 (E/ESCAP/68/21) and the summary of the theme study for the sixty-eighth session (E/ESCAP/68/22).
2. Representatives of the following members and associate members made statements: Armenia; Australia; Bangladesh; Brunei Darussalam; Cambodia; China; Democratic People's Republic of Korea; Fiji; Hong Kong, China; India; Indonesia; Iran (Islamic Republic of); Japan; Kazakhstan; Lao People's Democratic Republic; Malaysia; Mongolia; Myanmar; Nepal; Pakistan; Papua New Guinea; Philippines; Republic of Korea; Russian Federation; Samoa; Singapore; Solomon Islands; Sri Lanka; Thailand; Tonga; Tuvalu; Vanuatu; and Viet Nam.
3. The Commission noted that, as analysed in the *Survey*, the global economic downturn was threatening the pace of economic progress in the region. In particular, a high dependence on exports to developed economies had made many countries in the region vulnerable to external shocks. The ongoing debt crisis in the euro zone and the weak recovery in the United States of America were thus posing serious challenges to many Asia-Pacific economies.
4. The Commission noted that despite the slowdown in 2011, the region as a whole continued to be an anchor of stability and that it played the leading role in driving the world's economic recovery. The region also continued to act as a growth pole for other developing regions. The Commission noted that the region's share of world gross domestic product (GDP) currently exceeded 30 per cent and that it could exceed 50 per cent by 2050.
5. The Commission observed that consumer prices were being driven by higher commodity prices, particularly for food and energy. Those increases posed serious challenges to the Asia-Pacific region and might

have an impact on the recovery of the global economy. The living conditions of the poor had been heavily affected due to the need to spend high shares of their income on food.

6. The Commission recognized that volatile capital flows posed another key challenge for the region. Further macroeconomic policy coordination was required to jointly tackle challenges stemming from higher commodity prices and greater volatility in capital flows to the region. The Commission noted with concern the impact of growing protectionism on flows of goods, capital, services, technologies and labour.

7. The Commission emphasized the need to assess and strengthen the resilience of economies in the region to external economic shocks. The Commission was informed that several countries had implemented accommodative monetary and fiscal policies to counteract the economic slowdown.

8. The Commission emphasized that prosperity should be shared by the whole of society by promoting policies that fostered growth with equity. The Commission recognized that the Asia-Pacific region remained home to almost two thirds of the world's poor, and that there were visible disparities between rural and urban areas, between different social and ethnic groups, and between regions within countries.

9. The Commission highlighted that higher income inequality combined with social inequality had undermined the benefits of growth. The region had also witnessed insufficient job creation in the formal sector, while youth unemployment and vulnerable employment remained alarmingly high, signalling that the linkage between GDP growth and employment growth should be strengthened.

10. The Commission called for achieving inclusive growth by creating appropriate opportunities and an enabling environment. Poverty reduction should be an integral element of human development. Social protection programmes could help combat income inequalities. Special attention should be given to the vulnerable sections of societies, such as persons with disabilities, senior citizens, ethnic minorities and people living in remote areas. The Commission noted the importance of establishing synergies between the public and private sectors in reducing poverty. The Commission emphasized that increasing the empowerment and the participation of women in economic activities was critical to reducing income and social inequalities. The Commission also noted challenges and opportunities for inclusive development that had arisen after internal conflicts.

11. The delegation of Japan informed the Commission of its willingness to share its experiences at the forthcoming regional review of the implementation of the Madrid International Plan of Action on Ageing. It highlighted the priority it placed on disability-related issues, as evidenced by both its co-sponsoring a draft resolution on a new Asian and Pacific decade of persons with disabilities which was before the Commission, and by contributing to the development of the strategic action framework for the new decade.

12. The Commission was informed that many member States had incorporated the Millennium Development Goals into their development plans. The Commission noted, however, that many countries, in particular

least developed countries, landlocked developing countries and small island developing States still faced challenges in making further progress towards achieving the Millennium Development Goals. Thus, the Commission urged the international community to give priority in addressing their special needs. The Commission requested the secretariat to continue assisting countries in accelerating their progress towards the achievement of the Millennium Development Goals.

13. The Commission emphasized that regional economic integration was key to maintaining dynamism, addressing common risks and vulnerabilities, and promoting inclusive and sustainable development in the region. The Commission commended the secretariat for its continued efforts to harness the power of regional integration for development and welcomed the proposals for greater regional integration as contained in the theme study, including the convening of an Asia-Pacific ministerial conference on regional economic integration in 2013.

14. The Commission noted that regional integration should not only enable countries to grow more rapidly but also reduce disparities among them. It also noted that, in order to avoid widening trade imbalances, regional economic integration policies must take into account differences in levels of development. The Commission called on development partners and multilateral agencies to play a more supportive role in assisting least developed countries to overcome unfavourable social and economic conditions.

15. The Commission recognized that trade and investment were important engines of economic growth and poverty reduction and played an important role in forging greater levels of regional economic integration. While recognizing that trade liberalization was best pursued under the rules-based multilateral trading system, the Commission noted that expanded regional trade and investment cooperation could reduce dependence on exports to developed Western economies. In that respect, the Commission observed that regional trade agreements could serve as building blocks for the multilateral trading system.

16. The Commission observed that wider regional trade cooperation should aim at a consolidation and harmonization of rules of existing trade arrangements and that such consolidation formed a good basis for deeper regional integration. One delegation requested the secretariat to conduct a feasibility study on a multilateral trade agreement for the Asia-Pacific region, while another called for the exploration of an East Asian free trade area. Still another delegation called for a South-Pacific-wide regional trade agreement which would be inclusive and sustainable.

17. Many countries held the view that subregional frameworks for cooperation provided the building blocks for broader and stronger integration at the regional level. Such frameworks fostered better resource management and resource sharing to deal with increasing resource constraints, helped countries manage common vulnerabilities to climate change and natural disasters, and fostered sustained economic growth. The Commission noted the *Master Plan on ASEAN Connectivity* and the South Asian Association for Regional Cooperation as examples of effective subregional cooperation frameworks. The Commission observed that establishing close ties with other regional and subregional organizations and institutions, including the Commonwealth of Independent States, the Shanghai Cooperation Organization, and the Eurasian Economic

Community, was important for sustainable and inclusive development in Asia and the Pacific. The delegation of India recognized the work of ESCAP in establishing the Subregional Office for South and South-West Asia and informed the Commission that its Government was committed to facilitating the work of the Office and contributing direct financial assistance.

18. The Commission called for greater trade facilitation to enhance regional connectivity and was informed of the initiatives that various member States had implemented in that area, including single window facilities.

19. The Commission was informed of the accession of Samoa to the World Trade Organization,¹ and the processes of accession of both the Russian Federation and Vanuatu.

20. The Commission noted the importance of regional financial cooperation in building sound macroeconomic foundations. Such cooperation could provide a buffer in the event of major financial shocks. The Commission emphasized the need for adequate trade financing for economic growth, and in that regard called for increased assistance from the World Trade Organization and regional development banks.

21. The Commission called on member countries to cooperate in providing appropriate aid for trade to build the supply-side capacities of countries with needs in that area and ensure that developing countries could participate in regional value chains. In that regard, the Commission recognized the role of entrepreneurship, research and development, innovation and technology transfer in boosting production and supply capacity-building and the need for technical assistance in that area.

22. The Commission recognized the importance of the private sector in generating growth. In particular, it noted the importance of small and medium-sized enterprises, which played a role in providing social safety nets, and called for active support to that sector.

23. The delegation of Myanmar informed the Commission of its political and economic reform programme and that marked progress had been made in promoting trade and investment. In order to maintain momentum and build supply-side capacities, the delegation requested technical assistance from the secretariat in areas such as small and medium-sized enterprise development and technology transfer.

24. The Commission expressed appreciation to the secretariat for the work undertaken to promote transport connectivity across the region, in particular through activities related to the Asian Highway and Trans-Asian Railway. The Commission stressed that the efficiency of the networks would be enhanced through the development of intermodal transport, such as dry ports and logistics activities. In that respect, the Commission expressed support for the efforts of the secretariat towards the development of an intergovernmental agreement on dry ports and noted the offer of the Russian Federation to continue to support the transport subprogramme of ESCAP, including the development of such an agreement. In that connection, the Commission noted that India had nominated 34 dry ports of

¹ On 10 May 2012, Samoa had become the 155th member.

international importance for inclusion in the intergovernmental agreement on dry ports.

25. The Commission was informed of the efforts of member States to develop intercountry transport linkages in support of regional or subregional master plans. In that respect, it noted that Bangladesh was developing its transport infrastructure to facilitate transit through its territory, while the *Master Plan on ASEAN Connectivity* was providing a framework for Thailand to implement projects that would enhance connectivity with China, the Lao People's Democratic Republic, and Viet Nam, and noted that Indonesia was planning to invest \$400 billion towards the development of six growth corridors under a national master plan covering the period 2015 to 2025.

26. The Commission noted the invitation to all member States from the Government of the Islamic Republic of Iran to participate in the Ministerial Conference on Public-Private Partnerships for Infrastructure Development in Asia and the Pacific, which would be hosted in Tehran from 11 to 14 November 2012.

27. The Commission was informed that member States were working with development banks and donor agencies to finance improvements in the efficiency of transport. In that respect, it noted that financing was critical to support infrastructure development and remained a major challenge for many member countries. The Commission noted that there were many options to access financing for infrastructure development, including the private sector. In that regard, it acknowledged increased efforts by member States to implement public-private partnerships and initiatives taken to facilitate private sector involvement, including the necessary legislation. The Commission noted that public-private partnerships were a new finance mechanism for many member States and requested the secretariat to facilitate the sharing of experiences and expertise among countries. The Commission noted the recommendations of the ESCAP workshop on public-private partnerships for development held in January 2012 in Yangon, Myanmar which included addressing a broad range of constraints and barriers to the implementation of public-private partnerships and developing a policy framework to address specific areas relating to public-private partnerships.

28. The Commission noted that the forthcoming United Nations Conference on Sustainable Development (Rio+20 Conference) was an important global forum for placing the world on a more sustainable path. In that regard, several delegations noted the need to shift to a more resource-efficient, green economy and to attain a better quality of growth. It was also emphasized that development strategies needed to adequately address the social, economic and ecological dimensions of sustainable development.

29. The Commission noted the opportunity that the Rio+20 Conference offered to make progress on key social development issues, such as strengthening social protection systems and empowering women and youth. The Commission affirmed the need to strike a balance between the economic, social and environmental pillars of sustainable development. The Commission observed that inequality and vulnerability created persistent challenges in achieving sustainable development. Several delegations noted the positive effect of human resources development on sustainable development.

30. The Commission welcomed the appointment of the High-Level Panel on the post-2015 Development Agenda by the Secretary-General. It held the view that the Millennium Development Goals would continue to be relevant after 2015 and that extreme poverty and hunger would likely still need to be addressed. The Commission noted that the development agenda beyond 2015 would need to build upon the lessons learned and achievements of the Millennium Development Goals and the outcome of the Rio+20 Conference. Sustainable development goals should be developed as a continuation of the Millennium Development Goals in the period beyond 2015, reaffirming the people-centred objectives of the Millennium Development Goals and the need to continue efforts to eradicate poverty and address environmental challenges in a holistic manner.

31. Many delegations held the view that climate change, related natural disasters and necessary adaptation and mitigation were posing formidable challenges for developing countries, especially the least developed, and were undermining the achievement of the Millennium Development Goals, especially in the light of the increasing frequency and magnitude of natural disasters. One delegation underscored the need to include climate change as an issue to be considered in any discussion on regional integration. The Commission noted that the International Conference of Mountain Countries on Climate Change, which had been held in Kathmandu on 5 and 6 April 2012, had dealt with the increasing glacier meltdowns and the concomitantly increasing risks.

32. The Commission underscored the need for (a) a steady flow of funding for adaptation and mitigation, (b) access to affordable, low carbon and clean technologies, and (c) increased trade opportunities. Several delegations held the view that enhanced regional integration would make that possible, and two delegations highlighted South-South technology development and transfer as successful practices.

33. Several delegations noted the central role of the energy sector in fostering closer regional integration. It was noted that regional energy connectivity could act as a buffer against energy shortages and as an opportunity for increased intraregional trade and shared prosperity. The role of transport links, especially railways, in improving energy trade opportunities was also highlighted.

34. The delegation of Kazakhstan noted that water resources were of strategic importance for the region and took the view that ESCAP could play a catalytic role in implementing General Assembly resolution 65/154, in which the Assembly had declared 2013 the International Year of Water Cooperation.

35. A number of delegations emphasized the inter-linkage of food, water and energy security. In that regard, the Commission took the view that any policies regarding one must take the others into account, and that regional and global cooperation should be strengthened to cope with those issues. The Commission noted the need to better manage water and land resources in order to strike a balance between the provision of food, feed and bio-fuel on the one hand and sustainable development on the other. The Commission also noted the key step in eradicating poverty would be to improve access to basic services, such as energy, water and sanitation.

36. The Commission noted success stories and good practices related to environmental issues. The topics covered were: (a) green development; (b) a resource-conserving and environmentally friendly society; (c) increasing the share of non-fossil fuels in the national energy mix; (d) improving energy efficiency and measures to reduce CO₂ emissions; and (e) reforming subsidies to reduce fossil fuel use and waste and improve resource efficiency and poverty reduction efforts; (f) electricity trade and exchange; (g) integrated energy and water planning; (h) addressing climate change impacts with green development plans.

37. The Commission also noted that the Singapore Cooperation Programme (SCP) had provided capacity development support in the areas of environment and urban planning to developing countries in the region, and had established a partnership with the secretariat for similar development support to Myanmar in 2012. In that regard, many countries underlined the need for continuous capacity development assistance from the secretariat in order to formulate sound natural resources management policies as well as green growth/green economy policies.

38. The Commission noted that technology, particularly information and communications technology (ICT), had emerged as an enabler of innovation and a driver of knowledge-led growth in the region with the potential to accelerate the implementation of the Millennium Development Goals.

39. The Commission noted that the digital divide and connectivity gaps were of particular concern for least developed countries and Pacific small island developing States and that those two problems would require regulatory reforms aimed at promoting competition and public-private partnerships for the development of infrastructure and in order to attain universal access. While noting that various initiatives were under way, in particular the various contributions that member States were making to the *Master Plan on ASEAN Connectivity*, the Commission requested the secretariat to increase its focus on both intra- and interregional ICT connectivity issues.

40. The Commission was informed that the key challenges facing the region included the increasing frequency and magnitude of natural disasters. In that connection, the Commission noted that recent large-scale disasters in the region, such as the 2004 Indian Ocean tsunami, the 2008 Sichuan earthquake, and the 2011 earthquakes in New Zealand and Japan, highlighted the importance of disaster management and prevention work. The Commission also noted that disasters caused by natural events, including frequent but low-intensity disasters, hampered socioeconomic development and created severe disruptions to trade, investment and value chains.

41. The Commission observed that many developing countries, particularly least developed countries, landlocked developing countries and small island developing States, were highly vulnerable to and disproportionately affected by disasters and were faced with the risk of a reversal of their hard-won development gains as resources were diverted to rehabilitation. The Commission noted that countries needed to improve their capacity to respond and their resilience to disasters. In that regard, one delegation stressed the importance of intergovernmental processes and cooperation in connection with prevention, preparedness and post-disaster reconstruction.

42. The Commission observed that member States were engaging in South-South cooperation related to disaster prevention and disaster risk reduction and management. It noted with satisfaction that some member States had supported other developing countries in their efforts to reduce vulnerability to disasters and to build capacity in disaster risk management, and had provided disaster relief and aid to countries struck by disasters. Noting the disruptions that had occurred in regional and global supply chains as a result of the earthquake and tsunami in Japan and the floods in South-East Asia, the Commission held the view that regional economic integration and growth could not be attained if shared vulnerabilities and risks were not addressed.

43. The representative of Japan, while expressing gratitude for the warm assistance extended by the international community following the great east Japan earthquake and tsunami, informed the Commission that Japan would take steps to share its experience and lessons learned on the various preventive and risk reduction measures which mitigated damage. Japan would take a leading role in mainstreaming disaster risk reduction and establishing a resilient society and work in cooperation with ESCAP.

44. In emphasizing the importance of capacity-building and social inclusion for sustainable development, the delegation of Japan expressed appreciation for the role of the Statistical Institute for Asia and the Pacific for its training in statistics and pointed to the need for collecting and using data disaggregated by social groups for government policy planning. The delegation of Myanmar expressed appreciation for the role of ESCAP in statistical capacity-building in the country and its assistance with the population census to be conducted in 2014. Delegations stressed that gaps in comprehensive statistics remained a challenge for policy formulation and continue impeding the design of effective policies. One delegation also informed the Commission that its country had adopted a national strategy for the development of statistics to improve data collection, analysis, and dissemination.

45. The Commission noted that small island developing States continued to face environmental and economic shocks, due to the challenges of isolation, size and small population, resulting in higher production, transport and service delivery cost. It requested the secretariat to work with regional organizations and development partners to improve transport infrastructure in the Pacific, particularly in shipping and aviation. The Commission also noted that Pacific island developing States were prone to natural disasters. Those natural disasters place a great deal of strain on fiscal resources of those countries, which also had an impact on their development gains as resources were diverted to rehabilitation work.

46. The Pacific small island developing States highlighted that the term “green economy” was understood in the context of safeguarding the valuable and dwindling resources of the “blue ocean”. For many of the Pacific small island developing States, the path to a green economy required achieving green growth, which would ensure the preservation of valuable biodiversity of global significance. The Coral Triangle Initiative on Coral Reefs, Fisheries and Food Security was cited as an important platform for helping place Pacific island countries on a path to sustainable development.

47. The Commission recognized the importance of inter-island shipping to the economies of Pacific island developing countries. In that respect, it

noted the efforts of one member State in developing domestic and international wharf facilities with assistance from Japan, the Asian Development Bank and other donors. One delegation requested the secretariat to increase its efforts to assist island developing countries with regard to inter-island shipping.

48. The Commission noted the evolving special case of small island developing States and, in that regard, recognized the need for concrete steps to be taken at the Rio+20 Conference to support them in their efforts to combat the effects of climate change. One country appealed to developed countries to fulfil numerous pledges to mitigate the impacts of climate change and sea level rise, and to advance the sustainable development agenda to achieve meaningful results at the Rio+20 Conference and beyond.

49. The Commission called for greater market access through zero duties and quotas for products from least developed countries. The Commission took the view that trade-related foreign direct investment to least developed countries could address the skills gap in those countries.

50. The Commission was informed by one least developed country of its efforts towards graduation from the least developed country category. However, the Commission noted that the recurrence of global economic and financial crises seriously threatened that country's efforts and continued to undermine the development gains made thus far. Another least developed country expressed concern that the United Nations had identified it as a possible candidate for graduation based in part on the Economic Vulnerability Index criterion, which, in that country's view, should not be made mandatory for graduation as the country was highly vulnerable to external shocks.

51. The Commission recognized that countries in the region were at different levels in terms of economic and institutional advancement and human and social development. It noted, in that regard, that the integration process in the region should not only enable each member to grow more rapidly, but also reduce disparity among its members. It took the view that assistance from economically developed countries and multilateral funding agencies should play a more supportive role to enable low-income countries, especially fragile and vulnerable countries, to overcome unfavourable socio-economic conditions.

52. The Commission commended the high analytical quality of the comprehensive documentation prepared by the secretariat pertaining to the challenges facing the region as contained in the *Economic and Social Survey of Asia and the Pacific 2012*² and the 2012 theme study, *Growing Together: Economic Integration for an Inclusive and Sustainable Asia-Pacific Century*.³

² United Nations publication 2012, Sales No. E.12.II.F.9.

³ ST/ESCAP/2629.