

Regional Cooperation and Integration for Enhancing Sustainable Development in East and North-East Asia

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<http://bit.ly/2qPal1q>

Achieving Sustainable
Development Goals
**in East and
North-East Asia**

Snapshot of East and North-East Asia

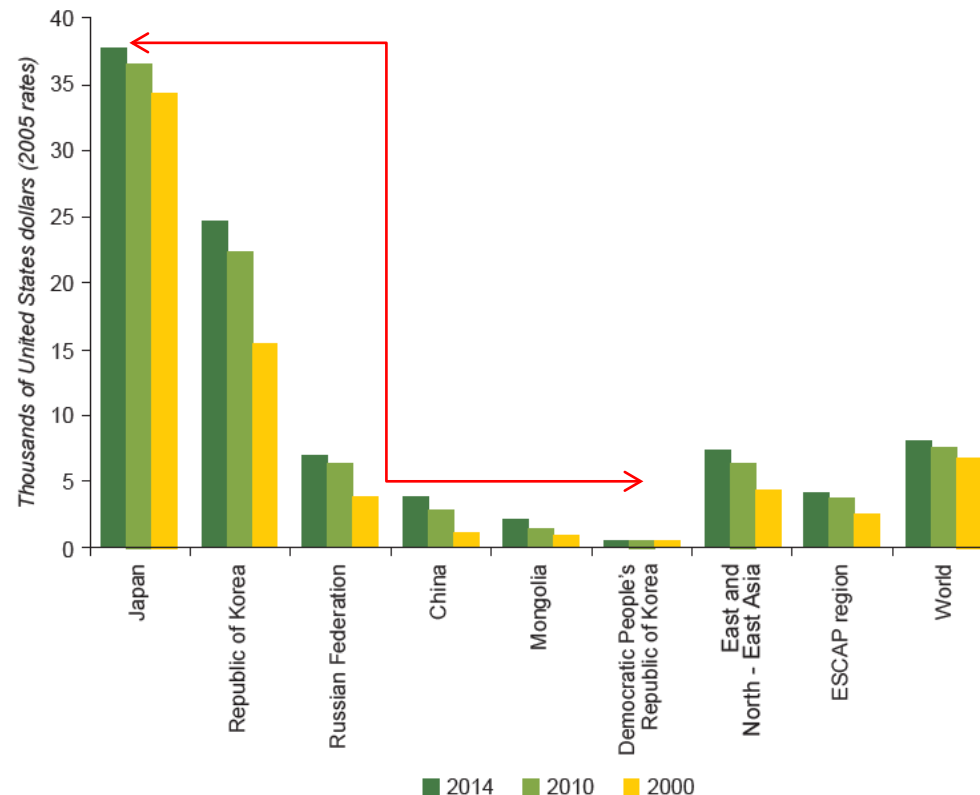
- Diverse in terms of political and economic systems, development stage, natural resource endowments
- Small number of countries but large economies
- Major source of environmental externalities
- Forerunner of ageing society in the region
- Key contributor to development cooperation
- Low level of institutionalized integration
- Greater sub-regional integration among some economies, than with the rest



Economic dimension

advanced economic development...

GDP per capita in East and North-East Asian countries and other regions



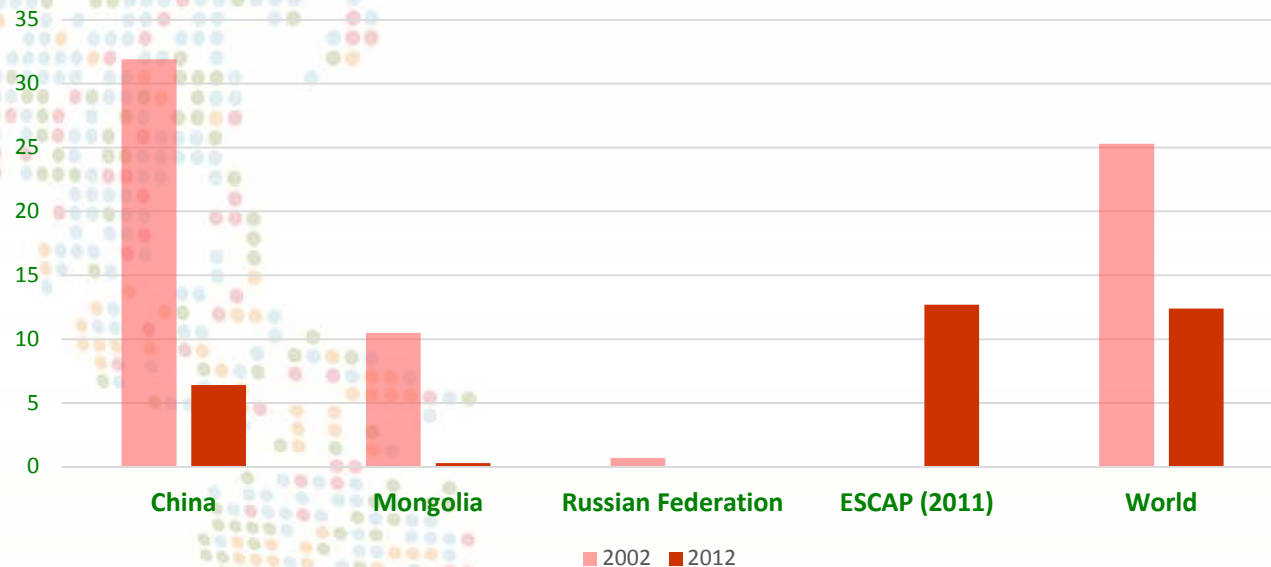
...with income disparity and remaining poverty

Economic dimension



Poverty reduction and safeguarding basic needs remain as a priority

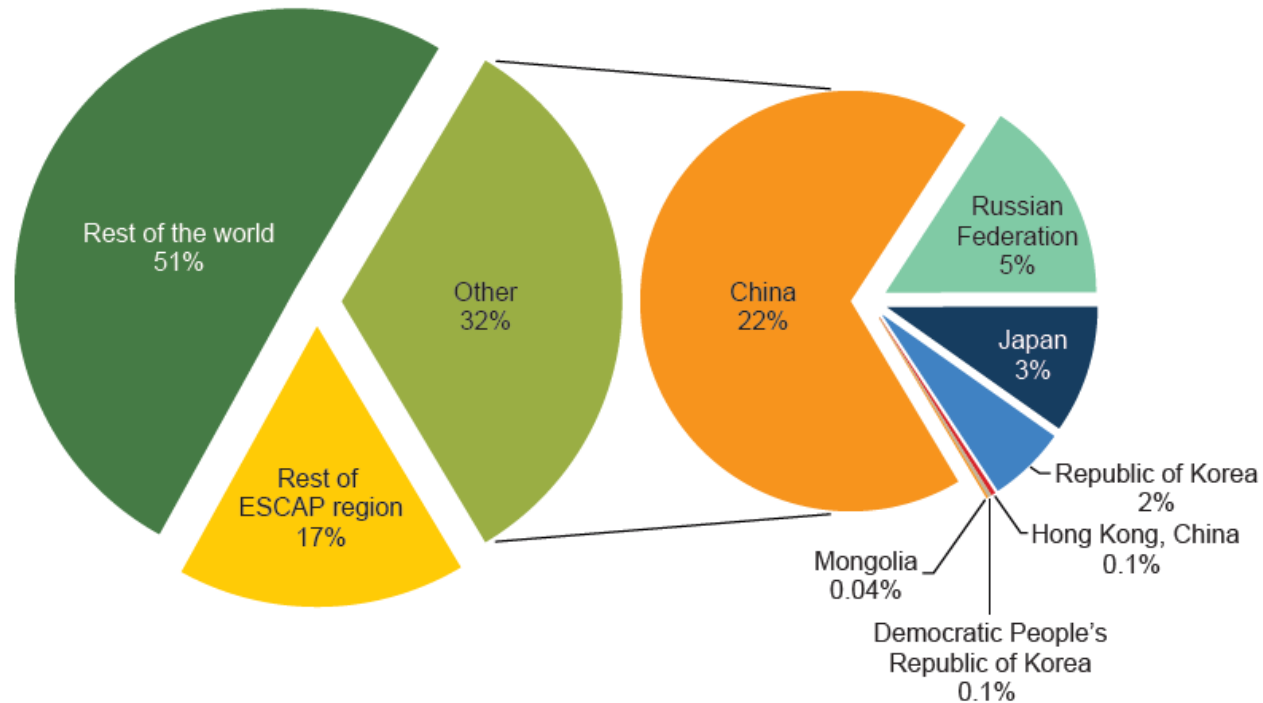
International poverty rate (\$1.90 a day)
% of total population



Environmental dimension

a third of global energy consumption...

Total primary energy supply, 2014



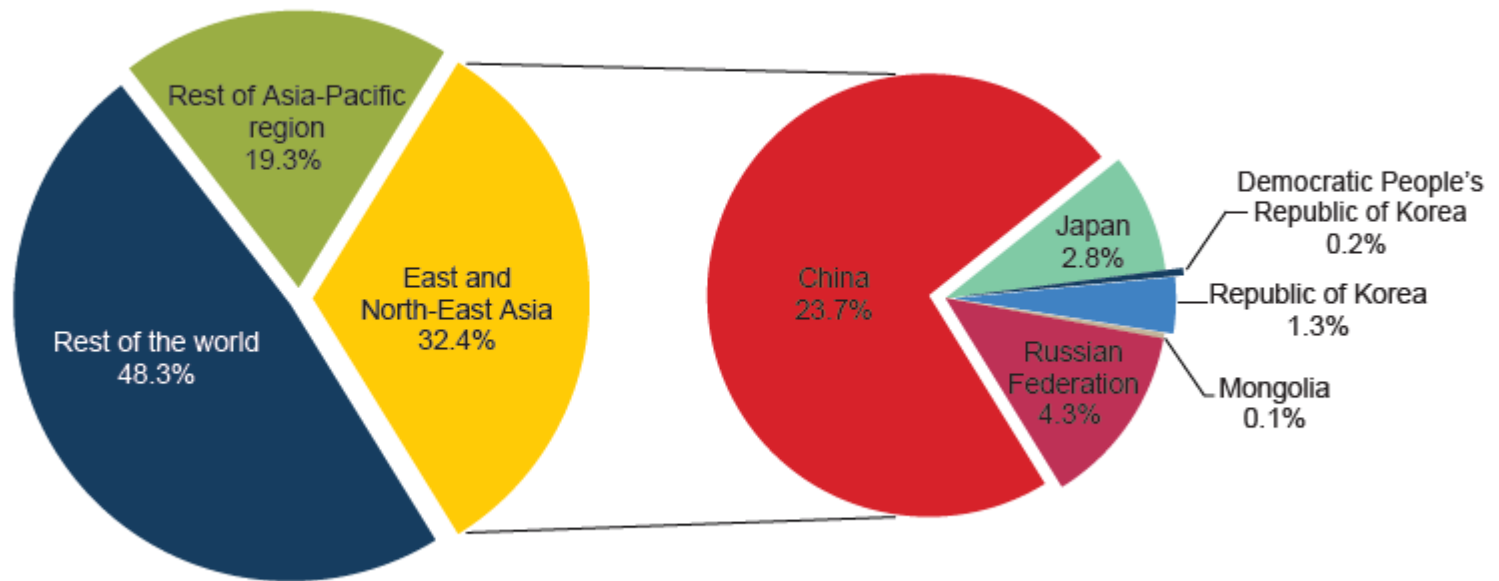
...resource-intensive economies



Environmental dimension

about 33% of global GHG emissions...

Figure 8. Share of greenhouse gas emissions, including land use changes (2013)



Source: CAIT Climate Data Explorer. Available from <http://cait.wri.org>.

...and vulnerable to extreme weather conditions

Environmental dimension



Priorities in the subregion:

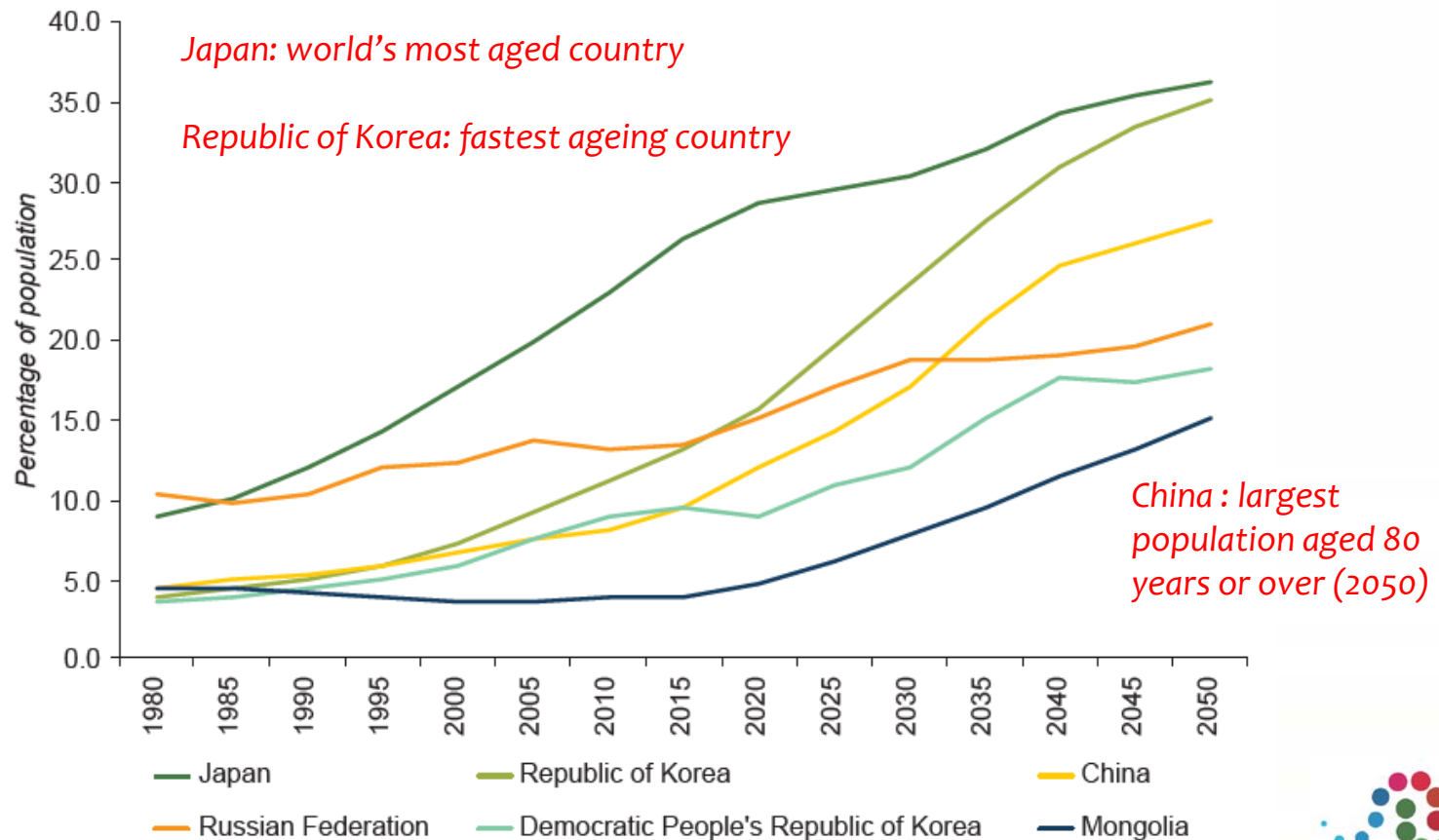
- Enhancing energy efficiency
- Addressing climate change
- Resilience to disasters
- Resource efficiency and resource security
- Ecological innovation for growth



Social dimension

*diverse progress in social development...
rapid demographic shift*

Population ageing estimates in East and North-East Asian countries



Social dimension



Ensure healthy lives and promote well-being for all at all ages

A priority for the subregion is to integrate **population ageing** into national development priorities.



Development Assistance – a priority

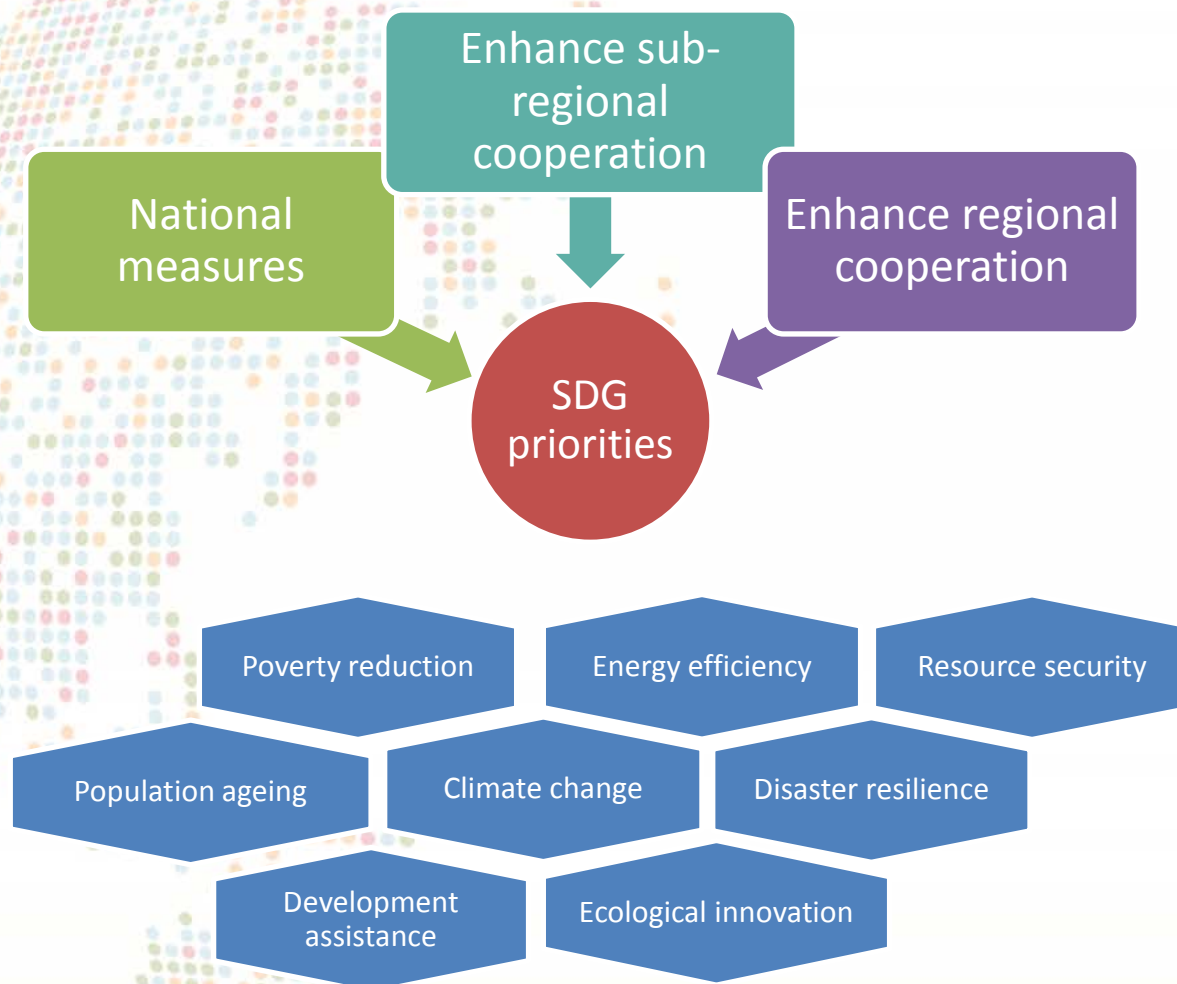


Strengthen the means of implementation and revitalize the global partnership for sustainable development

- East and North-East Asia is a major source of ODA, technical cooperation, south-south cooperation in Asia-Pacific
- SDG implementation requires unprecedented scale of resources mobilization of all possible resources



SDG Priorities and Recommendations





Unlocking the Potential for
East and North-East Asian
**Regional Economic
Cooperation and
Integration**

Growing momentum for regional cooperation and integration

- Asia Pacific Ministerial Conference on Regional Economic Cooperation and Integration in 2013.
 - The **Bangkok Declaration** endorsed at Phase I of the 70th Session in 2014.
- Key message of **Bangkok Declaration**: *Asia-Pacific's old and new challenges.... can be better addressed through regional cooperation and integration.*
- Following areas identified as priorities:
 - integrated markets
 - seamless connectivity
 - financial cooperation
 - addressing shared vulnerabilities

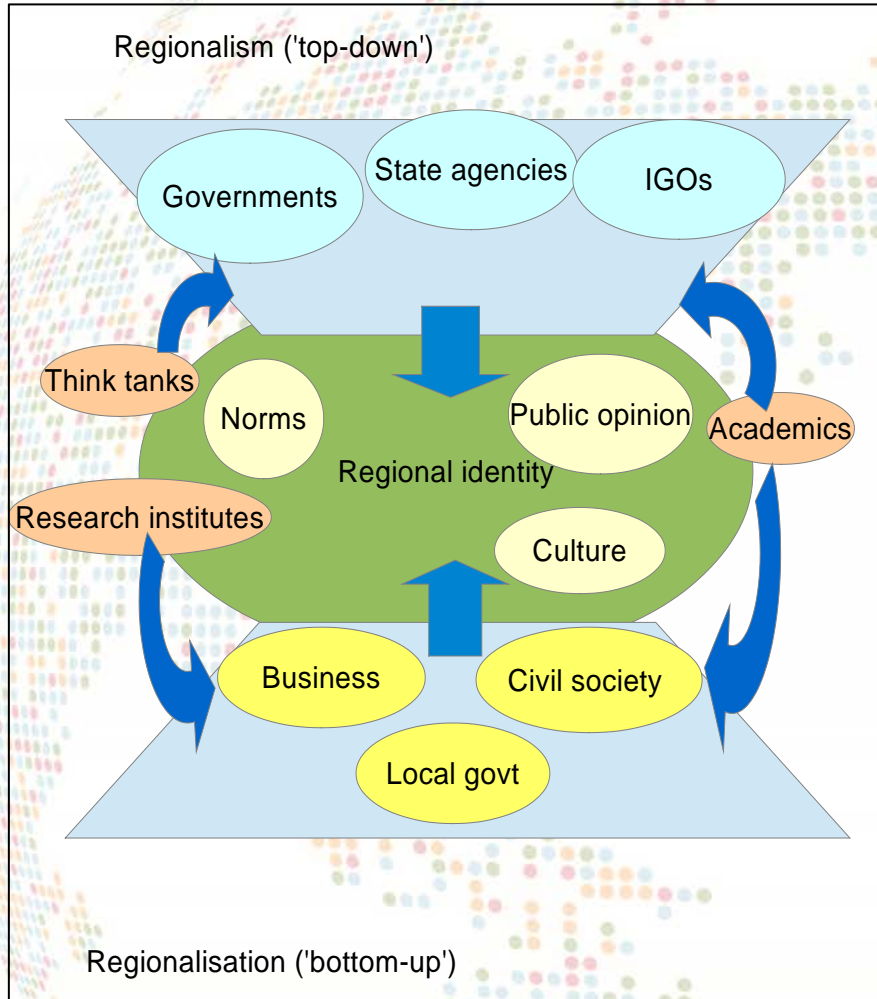


Why Regional Integration is Important in ENEA

- Advanced technology, abundant labour/ other natural endowments and financial resources put ENEA in a leadership position to drive economic cooperation for Asia Pacific region as a whole
- Despite growing economic and social linkages, progress on regional cooperation and integration has been slow – unexploited opportunities to benefit from the subregion's economic complementarities



Approach for regional cooperation and integration in ENEA



- Regionalisation progressed through trade and investment and supported by technical agreements
- In this regard, ENEA integration has been more bottom-up than top-down (driven by non-political sectors)
- In light of political sensitivities, necessary to deepen cooperation in areas closely aligned to common national interests
- Concurrently, need greater political will and leadership



Areas of functional cooperation and integration

- **Integrated Markets** (trade, FDI, movement of people)
- **Seamless Connectivity** (transport, energy)
- **Financial Cooperation** (for market integration, reducing risks and bridging infrastructure gaps)
- **Addressing Shared Vulnerabilities** (environment, disaster risk)



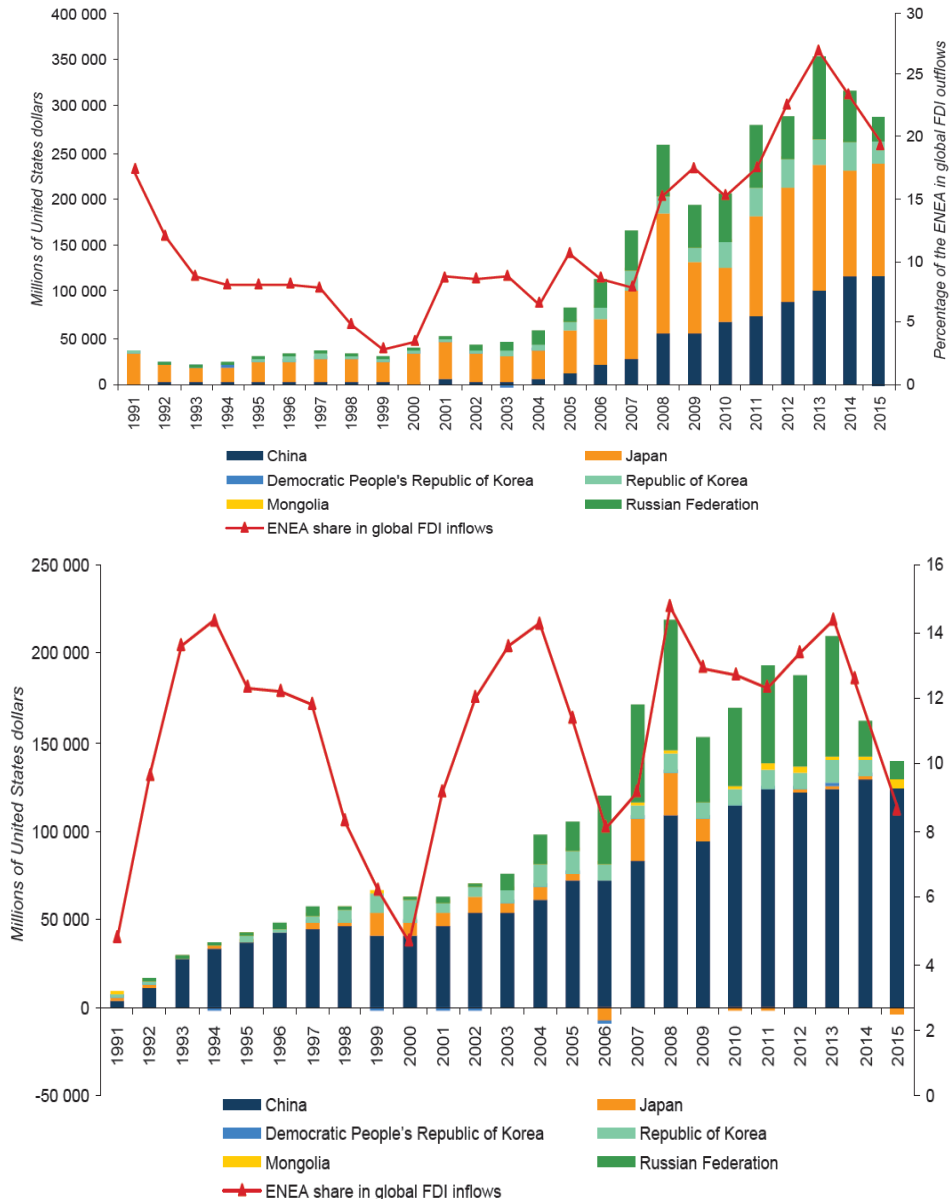
Moving towards market integration: Trade

- Non-tariff costs still relatively high in ENEA

			ASEAN-4	ENEA	North and Central Asia	SAARC-4	EU-3
ASEAN-4	2000-2005	Tariff	10	14	66	37	9
		Non-tariff	68	151	393	123	106
	2006-2011	Tariff	6	6	52	31	12
		Non-tariff	79	183	437	125	108
ENEA	2000-2005	Tariff	14	17	52	31	16
		Non-tariff	151	93	206	159	106
	2006-2011	Tariff	6	12	24	27	10
		Non-tariff	183	97	210	200	107
North and Central Asia	2000-2005	Tariff	66	52	-1	92	13
		Non-tariff	393	206	186	302	190
	2006-2011	Tariff	52	24	0	41	11
		Non-tariff	437	210	162	329	180
SAARC-4	2000-2005	Tariff	37	31	92	43	21
		Non-tariff	123	159	302	101	110
	2006-2011	Tariff	31	27	41	27	15
		Non-tariff	125	200	329	110	117
EU-3	2000-2005	Tariff	9	16	13	21	1
		Non-tariff	106	106	190	110	45
	2006-2011	Tariff	12	10	11	15	0
		Non-tariff	108	107	180	117	45

Moving towards market integration: FDI

East and North-East Asia outflows of foreign direct investment, value and global share, 1991-2015



- Subregion among the leading destination and source of FDI in the world (21% of outflows and 8.4% of inflows in 2015)
- Intra-subregional FDI flows still very low (on average only 7% of inflows and outflows between 2008-2014)



Moving towards market integration:

Movement of People

- Demographic change (ageing and shrinking workforce), rebalancing towards service sector growth highlights importance and potential for intra-subregional migration
- Increasing trend to ease migration policies to facilitate movement of people in the subregion

Intrasubregional migrants in the East and North-East Asia, mid-2015

Origin	Number of intrasubregional migrants	Percentage share of country of origin
Total for ENEA	2 322 291	
China	1 497 190	64
Democratic People's Republic of Korea	1 185	0
Japan	32 342	1
Mongolia	39 551	2
Republic of Korea	719 994	31
Russian Federation	22 029	1

Source: ESCAP, based on United Nations, Department of Economic and Social Affairs, Trends in International Migrant Stock: Migrants by Destination and Origin (Table 16. Total migrant stock at mid-year by origin and by major area, region, country or area of destination). POP/DB/Stock/Rev.2015. December 2015. CD-ROM.

Moving towards market integration:

Recommendations

- **Trade:** Implement cross border paperless trade and fast-track multilateral free trade agreements rather than bilateral agreements
- **FDI:** create a regional investment framework and promote new investment areas to strengthen linkages
- **Movement of people:** Maintain a coordinated and consistent policy



Developing Seamless Connectivity: **Energy**



- Potential benefits of energy cooperation and trade extremely high (large supply/ demand coexist in the subregion)
- Asian super grid proposal is making promising progress but needs stronger political support



Developing Seamless Connectivity: **Transport**

- Growing interest in promoting cross-border transport connectivity in recent years (China's Belt and Road Initiative, Mongolia's Steppe Road and Russian Federation's Eurasia Economic Union)
- Plans to link China, Mongolia and Russian Federation as one of the six economic corridors under BRI
- Main challenges in “soft” connectivity issues including harmonizing and simplifying cross-border transport procedures and regulations



Developing Seamless Connectivity: Recommendations

- **Energy:** Create a multi-stakeholder platform on energy connectivity in the subregion
- **Transport:** Step up efforts on “soft” connectivity issues to support the subregion’s “hard” infrastructure initiatives



Enhancing financial cooperation:

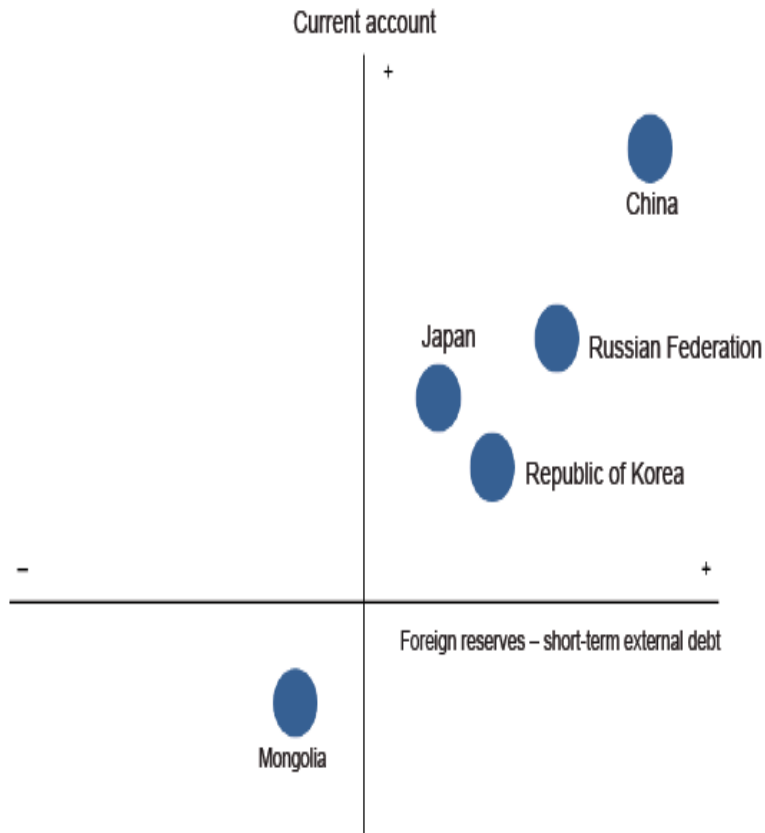
For market integration

- ENEA's banking sector more developed than capital markets but gradual move towards direct financing with trend of financial deregulation, global financial market integration and developments in ICT
- Large differences in financial market development poses challenge for cooperation (indicators show low level of subregional cooperation and integration)
- Additional challenge of diverse restrictions and regulations on movement of foreign capital



Enhancing financial cooperation: For reducing risks

External vulnerability in East and North-East Asia, 2014



- Within ENEA Mongolia has highest external vulnerability due to high levels of external debt and current account deficit
- Regional mechanisms on financial market risk reduction strengthened following Asian crisis (1997/98) and Global crisis (2008) but still long way to go



Enhancing financial cooperation:

For bridging infrastructure gaps

- Infrastructure requirements in Asia Pacific extremely large (McKinsey report est. \$48 trillion between 2016-2030)
- Asia Pacific lacks mechanism to intermediate high savings in ENEA subregion and demand in developing Asia Pacific region
- AIIB, if successfully managed, may be able to play key role
- Concurrently, more effort required to broaden and deepen Asia Pacific regional and domestic bond markets



Enhancing financial cooperation:

Recommendations

- **Strengthen financial architecture in the region**
to:
 - a. create a system of credible financial surveillance and cooperation on macroprudential measures (eg. Asian Monetary Fund)
 - b. bridge the capacity gap in public and private sectors



Addressing shared vulnerabilities: Environment

- Many subregional mechanisms on environment cooperation but non-binding, project based

Intergovernmental environmental mechanisms in East and North-East Asia

Framework	Members	Coverage	Governance	Institutional framework
North-East Asian Subregional Programme for Environmental Cooperation (NEASPEC)	All ENEA countries	A, B, C, D, M	Senior officials meeting	Secretariat: ESCAP
Acid Deposition Monitoring Network in East Asia (EANET)	All, except Democratic People's Republic of Korea; and includes South-East Asia	A	Intergovernmental meeting	Secretariat: UNEP
Northwest Pacific Action Plan (NOWPAP)	All, except Democratic People's Republic of Korea and Mongolia	M	Intergovernmental meeting	Secretariat under the auspices of UNEP
Tripartite Environment Ministers Meeting (TEMM)	China, Japan and Republic of Korea	EP, A, B, C1, C2, D, R, W	Environment ministers' meeting	Consultation mechanism/ no secretariat
Joint Research Project on Long-range Transboundary Air Pollutants (LTP)	China, Japan and Republic of Korea	A	Expert meeting	Secretariat: Republic of Korea and working groups
East Asian Biosphere Reserve Network (EABRN)	All ENEA countries	B	Network meeting Secretariat: UNESCO	

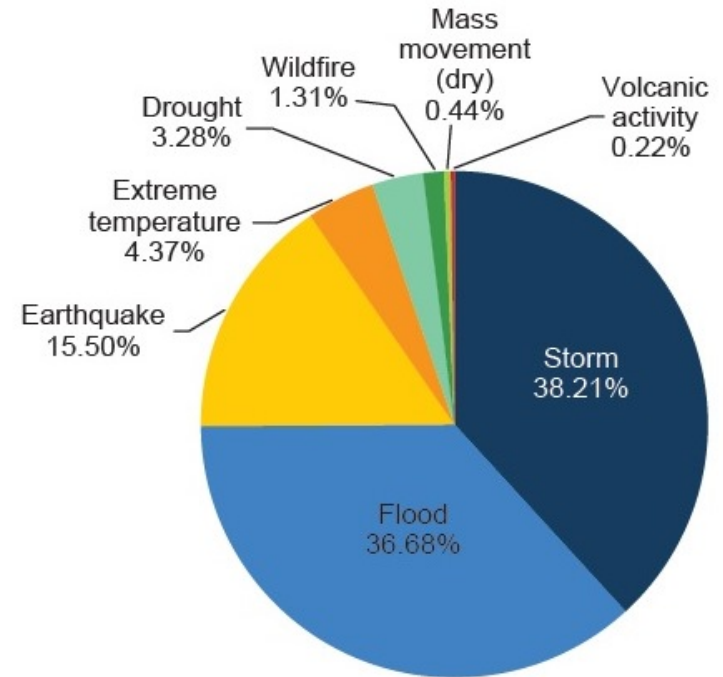
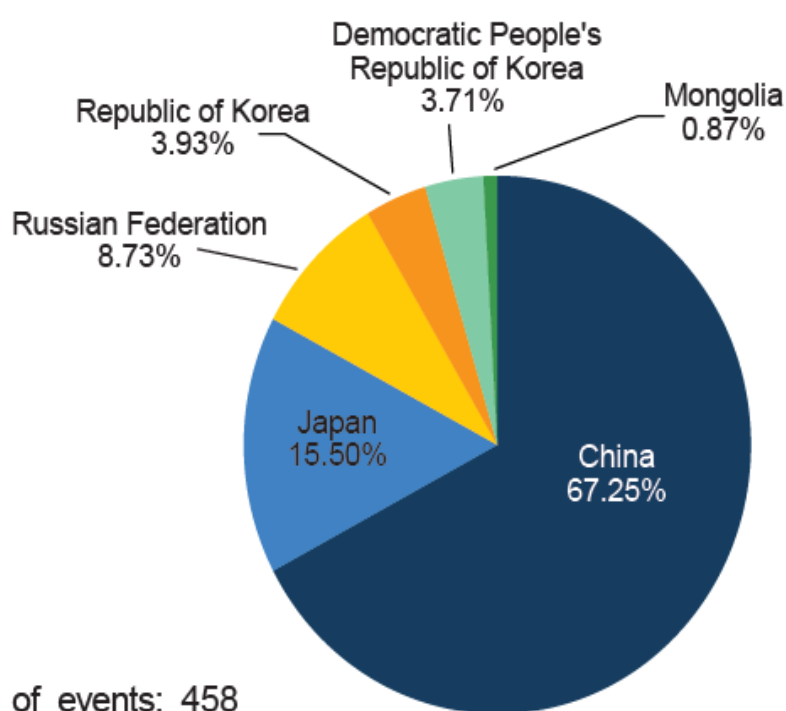
Abbreviations: A = air pollution; B = biodiversity; C1 = climate change; C2 = chemicals; D = desertification; M = marine, regional seas, R = resource use; W = water; EP = environmental policy.



Addressing shared vulnerabilities:

Disaster risk

- Subregion is highly vulnerable to disasters with China and Japan experiencing highest number of events
- Storms and floods are the most common events but earthquakes have caused most of the death and damages in the last ten years



Total number of events: 458

Addressing shared vulnerabilities:

Recommendations

- Mainstream and institutionalize disaster risk reduction and environmental cooperation as priorities for addressing shared vulnerabilities



Future Agenda

- **From subregional cooperation and integration to regional cooperation and integration:** build consensus on how to create synergies among the subregional groupings on key issues
- Second Ministerial Conference on Economic Cooperation and Integration, Bangkok, Thailand, October, 2017 (tentative) will provide a platform for discussion



Thank You!

