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

International Conference on Regional Integration and Economic Resilience

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

http://bit.ly/2qPaI1q
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...

...with income disparity and remaining poverty
Poverty reduction and safeguarding basic needs remain as a priority.
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)

...and vulnerable to extreme weather conditions

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

*Japan: world’s most aged country*

*Republic of Korea: fastest ageing country*

*China: largest population aged 80 years or over (2050)*
A priority for the subregion is to integrate **population ageing** into national development priorities.

**Social dimension**

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

- Energy efficiency
- Poverty reduction
- Climate change
- Disaster resilience
- Ecological innovation
- Resource security
- Population ageing
- Development assistance
- Climate change
- Ecological innovation

National measures
Enhance sub-regional cooperation
Enhance regional cooperation

SDG priorities
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

<table>
<thead>
<tr>
<th></th>
<th>2000-2005</th>
<th>2006-2011</th>
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<tbody>
<tr>
<td><strong>ASEAN-4</strong></td>
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<td></td>
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<tr>
<td>Tariff</td>
<td>10</td>
<td>6</td>
</tr>
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<td>Non-tariff</td>
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<td><strong>ENA</strong></td>
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<td>2006-2011</td>
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<tr>
<td>Tariff</td>
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<td>Non-tariff</td>
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<tr>
<td><strong>North and Central Asia</strong></td>
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<tr>
<td>Tariff</td>
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<td>Non-tariff</td>
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<td><strong>SAARC-4</strong></td>
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<td>2006-2011</td>
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<tr>
<td>Non-tariff</td>
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<tr>
<td><strong>EU-3</strong></td>
<td>2000-2005</td>
<td>2006-2011</td>
</tr>
<tr>
<td>Tariff</td>
<td>9</td>
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</tr>
<tr>
<td>Non-tariff</td>
<td>106</td>
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</tr>
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</table>
Moving towards market integration: FDI

• 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

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

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

- Within ENEA Mongolia has highest external vulnerability due to high levels of external debt and current account deficit.

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

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

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!

Achieving Sustainable Development Goals in East and North-East Asia

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