

**SUMMARY OF THE *BULLETIN ON ASIA-PACIFIC*
*PERSPECTIVES 2002/03***

“Global and regional economic developments: implications and prospects for the ESCAP region”

- This issue of the *Bulletin* is to provide an assessment of the most recent developments in the global economy and their impact and implications for various economies within the ESCAP region. In the process, it sheds some light on the pressing issues and feasible options available to governments in the management of change.
- The review comes at an unusually uncertain time in global and regional development. Following a brief downturn of the global economy in the latter part of 2001 after the 11 September events in the US, signs of resumed growth in the earlier part of this year generated considerable optimism. This optimism, however, started to dissipate by mid-2002. Current forecasts suggest a slow and hesitant recovery for the global economy in 2003.
- In the ESCAP region, economic growth during 2002 has been generally stronger than in 2001, a welcome out-turn that has embodied the combined impact of growing intra-regional trade and domestic economic stimuli. But, with the threat of war looming in Iraq and few signs of a durable recovery in the global economy, 2003 is likely to pose new challenges for the developing ESCAP economies in sustaining their present momentum of growth. This part of the *Bulletin* assesses the policy issues and challenges that lie ahead for the region.
- Growth forecasts are being continuously updated to better reflect the changing conditions and circumstances of the global and regional economies. The next issue of the *Economic and Social Survey of Asia and the Pacific* will provide an assessment of the latest prospects for the Asia-Pacific region. The *Survey* will be released in April 2003.

Other selected issues in development

- The shorter pieces in the *Bulletin* focus on various issues, challenges and policy options facing the ESCAP region. They include social protection in the new economy, unemployment and policy responses to the 1997-1998 crisis, good governance, promoting SME development and competition policy. Other pieces focus on issues of women empowerment, regional financial cooperation and export diversification in the Pacific.

“Social protection in the ‘new’ economy”

- Reliance on foreign investment and export-led growth has exposed Asia to the conditioning forces of globalization and the new economy, with unemployment and poverty still the visible social impacts of the 1997-1998 crisis. With or without a welfare state, social justice requires government intervention in providing certain basic social and welfare protection. Privatization can only be a partial solution, given the insufficient development of financial markets and the “public goods” nature of social protection.

“A note on unemployment in the wake of the Asian economic crisis and some responses”

- Not all countries had equal success with short-term measures in mitigating unemployment in the aftermath of the 1997-1998 economic crisis. Institutions responsible for designing and implementing programmes were not developed to the same extent in these countries. Strategies for coping with unemployment, particularly during an economic crisis, need to have some fiscal flexibility, to be country-specific, and to involve community and other self-help groups.

“A perspective on good governance”

- Good governance in both the public and private sectors is an essential ingredient of durable development. In practice, however, governance is severely tested by conflicts of interest, shifting power centres and loyalties, the strains and stresses of openness and deregulation and so on. A numeraire is thus needed to justify, regulate, stabilize and synergize policies, institutions and practices within and across borders as well.

“Promoting SME development: some issues and suggestions for policy consideration”

- The 1997-1998 economic crisis has renewed policy focus on SMEs which have been the backbone of most economies in Asia. There is a need, however, for a better understanding of the new development context facing SMEs for capacity building and assistance purposes. The establishment of a one-stop institution in support of SME sector growth and transformation, just like its counterpart in the promotion of FDI in several countries, will be helpful in the above context.

“Empowering women through self-help microcredit programmes”

- Microcredit schemes have in general succeeded in empowering and emboldening women by giving them control over assets, enhancing self-esteem and self-confidence, and increasing knowledge. However, these schemes are not a panacea as their limitations prevent them from transforming social relations or the structural causes of poverty. Thus, additional measures are needed to improve access,

ownership and control of productive resources by women and their inclusion in the decision-making process.

“Competition policy in developing countries: an Asia-Pacific perspective”

- Many developing countries in the Asia-Pacific region are grappling with issues related to competition policy, as privatization, deregulation and trade liberalization raise concerns about market dominance by domestic or multinational firms. Competition policy can have a beneficial effect on growth although care must be taken in designing laws that “fit” each country’s circumstances and that are realistic and implementable. There is a growing international consensus on the need for a multilateral competition framework but there is by no means any agreement on its shape or form.

“Regional financial cooperation in East Asia: the Chiang Mai Initiative and beyond”

- The Chiang Mai Initiative (CMI) was a cooperative financing arrangement among ASEAN+3 to cope with disruptive capital flows and maintain exchange rate stability. The initiative has had several positive effects although further refinements to improve its effectiveness are also needed. Among those refinements are greater regional surveillance and the specification of policy conditionality in advance.

“Export diversification in Pacific island countries”

- Although export concentration remains high, several Pacific island economies have succeeded in expanding exports of non-agricultural commodities, and several others in finding export “niches”. Market access has not been a problem for Pacific island countries but export and import market concentration remain high. Generally, export diversification strategy needs to be pursued in the overall context of sustainable development, given the crucial role of the subsistence economy in poverty alleviation in Pacific island countries.