

## **ESCAP's Role in Promoting Regional Connectivity & Development**

**Noleen Hezyer**

**Under Secretary General of the United Nations and Executive Secretary of Economic and Social Commission for Asia and the Pacific (ESCAP)**

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Your Excellencies,

It is an honor for me to join you during the 4<sup>th</sup> East Asia Summit. I have been asked to talk about the implications of the financial crisis and ESCAP's response in promoting regional connectivity and development.

There are already signs of early recovery in East Asian economies. This is due to the massive stimulus packages being rolled out as well as, in part, to the resilient growth performance of China and India (at over 8 and 6 percent respectively). However, our experience with the East Asian crisis of 1997 suggests that social recovery takes much longer. Over 26 million workers could lose their jobs in Asia-Pacific by 2009, with millions more experiencing income insecurity especially migrant workers and casual workers in the informal sector. The inequalities that exist in the region have been made worse by the financial crisis. Faced with multiple threats to development, including climate change, there is a real risk of losing the poverty reduction and development gains we achieved over the past several decades.

This crisis has exposed the limitations of 'manufactured in Asia -consumed in the West' model for sustaining our growth. We need to develop new drivers of growth by rebalancing our economies in favour of larger markets within Asia. This is only possible by increasing the consumer power of the poor and emerging middle classes through decent work, and through social protection and other inclusive policies, unleashing their potential to contribute to both economic development and reducing inequalities and social disparities.

Regional economic cooperation could be another driver of growth. There are enormous opportunities to promote intra-regional trade and investment in East Asia - but Asia is better connected to Europe and America than with itself. For some countries in the region it is easier and cheaper to trade with Europe and America than it is the country next door. With some of the world's largest and most dynamic economies, a more unified market of East Asian countries is a potential economic power house and an emerging centre of gravity of the world economy. Strengthening Asia Pacific's regional connectivity will leverage our complementary strengths and synergies.

**REGIONAL COOPERATION AND CONNECTIVITY – OPPORTUNITIES**

National financial stimulus packages are providing our region with a unique opportunity to address a broad range of regional connectivity issues. Importantly, other neighbouring countries are also demonstrating a financial commitment to promoting connectivity in our region that is going far beyond national borders and beyond words. However money alone is not enough. Shared understanding amongst nations, and equitably negotiated agreements and standards will provide the mechanisms to encourage neighbours to work and cooperate with one another.

ESCAP is promoting eco-efficient connectivity in the Asia Pacific using a five pronged approach:

### **1. Developing Regional Transportation Networks and Improving Trade Facilitation**

We are actively promoting the development of sustainable transport infrastructure and working with Member States to transform transport routes into economic corridors. The Asian Highway is a network which provides 142,000 kilometers of roads for economic activity. In addition, the Trans-Asian Railway is a network of nearly 114,000 kilometers selected by 28 ESCAP Member States as vital arteries for international trade. Faced with the challenges of climate change, improving access to rail will provide a better balance between modes in the Asia and the Pacific region and help to lower CO2 emissions. Our goal should be to promote sustainable connectivity in our region based upon the principals of eco-efficiency.

Historically much of our economic development has taken place in coastal areas clustered around sea ports that have acted as a magnet for development. For the future, the Asian Highway and Trans-Asian Railway networks will help access inland areas and more remote landlocked countries in a web of prosperity. Together, with the creation of dry ports as consolidation and distribution centres, this intermodal transport system will form the backbone of trade across our region. Already, ESCAP, working with Member States, has identified priority investment requirements of US \$14 billion to build missing rail links and upgrade roads to better connect Southeast Asia.

### **2. Increasing Trade Through Improvements in ICT Infrastructure**

We know that building infrastructure alone will not be enough. The real challenge for East Asian countries is to address institutional issues that even prevent trucks from crossing borders, that increase costs of doing business and that waste time – all reducing efficiency and competitiveness. ICT technologies can be used to streamline border crossing and institutional requirements, making them more transparent and predictable. Development of the appropriate ICT infrastructure will help promote knowledge connectivity, which will enable sharing of good practices as well as information required to derive the most benefits from improved regional connectivity. If we are to promote true regional connectivity, we must take the steps required to establish a truly “paperless trading system”. ESCAP is ready to work with East Asia Summit partners on a long-term programme of action that must address infrastructure, institutional and logistics issues in an inclusive and sustainable approach to regional connectivity and development.

### **3. Developing a Regional Financial Architecture**

Financial cooperation provides a substantial opportunity to generate aggregate demand and foster inclusive development of our region. The Chiang Mai Initiative was a pioneering attempt at regional cooperation for addressing balance of payment emergencies. With over US \$4 trillion dollars of foreign exchange reserves, the region now has the ability to foster a

major programme of investing in itself. To exploit the full potential of financial cooperation financing regional connectivity and development, the region needs a comprehensive architecture intermediating between emerging investment opportunities especially in regional public goods on the one hand and rising foreign exchange reserves on the other. Other elements of such an architecture could include exchange rate cooperation (to prevent beggar-thy-neighbour competitive devaluations), integration of region's capital markets and cooperation in trade finance to foster intra-regional trade and investments. ESCAP has initiated a work programme on these issues and is willing to assist the East Asia Summit process in clarifying the potential and elements of a possible financial architecture for the region, along with other regional partners.

#### **4. Promoting a Regional Energy Security Framework**

ESCAP has responded to the request of member States to promote an Asia Pacific Energy Security Cooperation Framework. This initiative, which includes a trans -Asian energy system, will help to ensure both the near and long term energy security of the region. It will connect producers and consumers of energy resources and facilitate new markets for clean and efficient energy technologies. Its goal is to shift development to a low carbon path while ensuring universal access to energy within a predictable time-frame. As one element of this initiative, ESCAP is already acting as the Secretariat of a sub-regional energy cooperation agreement among Northeast Asian Countries.

#### **5. Strengthening the Social Foundations for Inclusive and Resilient Societies**

Efforts to improve regional connectivity must include people and communities. The social foundations of inclusive and resilient societies need to be established to allow more equitable sharing of development benefits, investment in human capital and strengthening resilience of people and communities to cope with risks and disasters. Social protection systems not only create the foundations for more inclusive resilient societies, they also make good economic sense. People without social protection hold on to their savings and are unlikely to spend. Providing minimum wage and unemployment insurance will buffer people from financial uncertainties and help drive economic recovery. ESCAP has placed social protection on the social equity agenda of the region, providing baseline analyses and policy options on a regular basis to address our development gaps and achieve the Millennium Development Goals in Asia Pacific through regional cooperation.

The tragic devastation in our region caused by multiple disasters over the past few weeks is an alarming reminder that our region is highly vulnerable to natural disasters and extreme climate conditions and that the human cost of this vulnerability is far too high. In the face of these challenges, we must enhance our connectivity to forge united regional responses. To this end, I am pleased to report that the Asean Secretary-General and I together with our teams, met to discuss how the UN system at the regional level and Asean can develop an enhanced partnership for disaster preparedness, response and management that builds on the strengths of each institution and draws from the knowledge and lessons of dealing with past disasters in the Asean region.

Your Excellencies,

As the Under-Secretary General of the United Nations in the Asia Pacific I stand before you to renew our commitment to work with you to promote inclusive and sustainable development in our region. I believe that a more coordinated connected Asia will emerge from the current crisis a global leader in development. ESCAP, the regional arm of the UN is a ready partner

for this exciting journey to create shared prosperity, social progress and ecological sustainability in our region.

I thank you.

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