



## CONCLUSIONS

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The countries in Asia and the Pacific are driving the global economy and have become major forces in manufacturing, trade and services. Most of the dynamism has come from individual countries, but the future will be determined by how closely economies can work in combination – taking advantage of extended and more tightly integrated networks. At the same time, as various networks become more and more integrated, it will become increasingly important to have strong institutional coordination and cooperation at different levels. Intergovernmental organisations such as ESCAP can play a role in bringing together Governments and other stakeholders to discuss and implement actions to strengthen connectivity in the region.

Over the past few decades, countries in Asia and the Pacific have recorded major achievements in boosting economic growth, stimulating technological change and reducing poverty. International trade, foreign direct investment and the emergence of global and regional production networks have driven many of those achievements, supported by the expansion of maritime links and the diffusion of information and communications technology (ICT), including the Internet. Trade and transport will continue to be important, but other drivers of growth, particularly ICT connectivity, energy connectivity and people-to-people connectivity, are expected to shape patterns of economic and social development into the future.

Some of these changes will continue to be driven by the private sector, as individual enterprises seek new ways of boosting productivity and relocate production and distribution to different countries across the region. In taking advantage of the progress in ICT and people-to-people connectivity, other types of networks, such as business associations and civil society groups, are also expected to play a greater role in the region's development.

Ultimately, however, the main driving force behind regional connectivity is the political will of national Governments, which are linking together supra-national regulatory bodies, international standard-setting organizations and their own domestic businesses. They also control the framework for cross-border flows of capital and labour and can shape spatial development patterns through their investments and policies on infrastructure.

As various networks become more and more integrated, it will become increasingly important to have strong institutional coordination and cooperation, both within and between Governments. In the years ahead, Governments will find many more opportunities to work together to strengthen these mechanisms. There is therefore a need to build on the momentum of coordination and cooperation in the ESCAP region, both at the subregional and regional levels.

The key findings of the present study are summarized below.

### **Institutional coordination is key to strengthening regional connectivity**

This report contains an examination of the ways in which better regional connectivity can contribute to the sustainable and inclusive development of the Asian and Pacific region. It was found through the study that regional connectivity is inherently multifaceted, and that the benefits of this connectivity may be enhanced by combining different elements. Moreover, it was suggested in the study that networks are likely to become more integrated and interdependent as they evolve.

Governments therefore have to develop cross-sectoral policies on connectivity, at national, subregional and regional levels. To achieve this, they can make greater use of existing intergovernmental forums, notably the annual sessions of the Commission and the legislative committees of ESCAP which can serve as neutral platforms for discussing and refining joint regional strategies.

Such strategies should be based on sound data and analysis, using global statistical standards, such as those promoted by the United Nations. Governments of countries in the region should also work together: to identify the types of statistics needed for joint planning and decision-making on regional connectivity; to build the capacity of national statistical systems to produce and disseminate internationally comparable statistics; and to make statistics more widely available to all users. Regional collaboration also enables joint engagement by countries in Asia and the Pacific in the development and promotion of global statistical standards, ensuring that regional priorities are better reflected in the global agenda.

In recognizing the importance of connectivity, many subregional and regional organizations have developed their own initiatives, such as the Master Plan on ASEAN Connectivity. To build on each other's strengths and avoid duplication, the various

organizations involved must communicate more frequently to exchange information and knowledge. Given that many of the longer-term objectives of such organizations are similar, it would also be beneficial to develop joint initiatives and, where appropriate, to pool resources.

Countries in the region differ in many respects – in climatic or geographical conditions, as well as in income levels and technical capacities. To overcome these differences, countries should strive to adopt global and regional standards for both technical issues and procedures. Technical standards form the basis for the integration of networks, particularly for infrastructure, while procedural standards can greatly reduce delays and costs and thereby enhance connectivity at border crossings, particularly for the movement of goods, vehicles and people.

This work, however, can be effective only through collaboration with all of the relevant stakeholders. Trade and transport facilitation, for example, is primarily achieved through deeper coordination among the relevant agencies, both within Governments and across borders. Such coordination will be more effective if it has a clear focus or goal, such as establishing integrated border management systems and harmonizing procedures for cross-border trade and transport. As the region moves towards a regime of paperless trade, countries should step up efforts to adopt regional and international standards for both documents and procedures.

Regional connectivity is also being intensified by academic networks, business associations and civil society organizations. Not only do they serve as major conduits of people-to-people connectivity, they also help propagate global standards and act as partners in implementing regional strategies. These disparate groups can also work with national Governments and subregional organizations. This can be achieved through the convening power of ESCAP which can chart out some of the steps needed to implement these strategies.

## Development of regional networks as “regional public goods”

One of the most important conditions for economic growth is the availability of extensive and efficient infrastructure, particularly transport, energy and communications systems. At the national level, these infrastructure networks provide domestic enterprises and agricultural producers with access to a greater pool of resources and markets – enabling them to scale up their production and diversify their products.

Countries have also made substantial progress in developing infrastructure networks at the regional level. Thus, most countries in continental Asia are connected through the Asian Highway and Trans-Asian Railway networks, while coastal countries and small island developing States are linked by maritime services. Meanwhile, many capitals and major cities in the region can now connect to broadband Internet. Various cross-border initiatives are also under way in the energy sector, particularly at the subregional level, linking energy-rich and energy-poor countries and enhancing the region’s overall energy security.

There is still much to be done on these networks to improve their reach and quality, and Governments should step up efforts to develop both the “soft” and “hard” infrastructure of these networks. However, this also represents a valuable opportunity. As they are still at relatively early stages, these networks can be developed in an integrated manner, reducing the costs and extending the benefits to a wider group of countries.

Developing and managing regional networks effectively requires cross-country consensus. Governments need to further study and refine the strategies outlined in this study and agree on the most appropriate sequencing of actions. They also need to consider potential negative impacts. These can arise from large infrastructure projects, for example, or from the increased movement of goods and people across borders. These aspects will require the development of appropriate institutions and mechanisms for regulatory oversight, with clear roles and responsibilities appropriately assigned.

Infrastructure development invariably involves high capital costs, with benefits accruing over the longer run. To support investment in cross-border infrastructure, countries can build on the concept of regional public goods to establish regional financing mechanisms. In this way they can identify and target investments in areas that will yield the greatest benefit from a regional perspective, particularly where sections of the networks are weakest. A number of innovative approaches have been proposed in this study, such as the establishment of a regional infrastructure fund, an Asian multi-donor platform and a regional project preparatory facility. These proposals deserve further study and consideration by ESCAP member States.

At the same time, countries should explore the synergies and potential savings which can be accrued from the “cohabitation” of infrastructure networks, particularly the laying of fibre-optic cables along roads, railways and electricity distribution networks. This will require the line ministries in all affected countries to work together and also have detailed discussions with the private sector. In this regard, it is recommended that, when extending terrestrial fibre-optic networks, countries should try to take advantage of the existing intergovernmental frameworks of the Asian Highway and Trans-Asian Railway networks. This would facilitate negotiations over “rights of way”.

### Enhancing regional connectivity for disadvantaged countries

Connectivity will certainly increase across countries. However, what forms will those connections take and who will they benefit? The aim should be to ensure that they open new opportunities for all, especially for the region’s disadvantaged countries – the least developed countries, the landlocked developing countries and the small island developing States.

The development options for these countries often depend on their location and their natural resources. Some landlocked developing countries, for example, have large reserves of natural mineral resources, while others have tremendous hydropower potential

which they are already exporting to neighbouring countries. Meanwhile, the small island developing States in the Pacific tend to have small and geographically dispersed populations and are relatively vulnerable to natural and environmental disasters and to the impacts of climate change.

At the same time, these groups of countries have some common characteristics. Typically they have relatively small markets and depend on a few export commodities. Owing to their location, as well as poor infrastructure, they may also be less connected to regional markets. This makes them more reliant on neighbouring countries or, in the case of the Pacific island States, on larger economies in the subregion.

In this regard, these countries may wish to consider how to use their current endowments to build up their capacities in those industries which have the potential to grow. In particular, they should also make greater use of communications technology, particularly the Internet, to develop other commercial services, such as transport, telecommunications and financing, as these sectors in turn can support trade and manufacturing. In this way they can participate more fully in regional production and distribution networks.

By taking advantage of new technologies, disadvantaged countries can become more integrated into the global economy. Most developing countries lack the capacity to create their own new technology. Governments should therefore encourage technology transfer and import – through trade and investment, for example, or via the Internet or through exchanges of human capital. Meanwhile, all countries in the region can support disadvantaged countries by enhancing people-to-people connectivity – for example, by encouraging more interactions between students and workers.

### Developing networks of people and knowledge

A country’s greatest asset is its people. Governments can expand the potential of their citizens in many ways. One is to promote greater mobility for both

skilled and unskilled workers. The Asian and Pacific region has almost one quarter of the world's migrants so there would be enormous benefits from developing more coordinated approaches to manage international labour migration. Both source countries and destination countries should gain, while simultaneously protecting migrants and their families from the potential negative effects of migration.

People's potential can also be developed through academic and civil society networks, which help develop and share knowledge. The ESCAP region is home to many excellent research institutes and universities that employ internationally recognized academics and researchers. National Governments can support these regional knowledge networks by encouraging their students and academics to study and work in other countries in the region. Governments can also contribute to the development of "knowledge clusters" by commissioning research and fostering exchange programmes among the various stakeholders.

Governments should also work closely with the private sector and its representatives, which are likely to be the region's foremost ambassadors of connectivity. Business associations and networks of chambers of commerce can also help link small and medium-sized enterprises to the global marketplace. Such networks will enhance mutual understanding about different cultures and value systems. At the regional level, international and regional organizations should work with national Governments to institutionalize and enforce internationally accepted standard business practices and procedures, which would help to create a transparent and non-discriminatory business environment.

### Next steps towards regional connectivity

As globalization continues, the region's future will depend on how countries work together. The present study indicates how they have been doing so through regional networks of trade and transport, ICT, energy and people, and how they might intensify these networks in the future. As these networks become

more integrated, strategies to strengthen regional connectivity should be considered not sector by sector but as part of a whole.

In this regard, the regional strategies discussed in this study can serve as a catalyst for regional connectivity. The aim should be to ensure that these networks open new opportunities for all, especially for the region's disadvantaged countries and for the poorest communities. Further, to better respond to the rapid evolution of these networks, national Governments and international organizations alike will have to strengthen institutional coordination. This should extend to people-to-people networks involving academia, the private sector and civil society, which can influence the direction and effectiveness of intergovernmental cooperation.

Ultimately, however, national Governments must take the lead in forging regional connectivity, both by making the necessary changes in their national policies, as well as by actively participating in regional initiatives on connectivity. ESCAP can support their efforts by providing a neutral platform for frank and informed discussions on these strategies among relevant stakeholders. In this regard, multisectoral expert working groups being established in accordance with the 2013 Bangkok Declaration on Regional Economic Cooperation and Integration in Asia and the Pacific<sup>1</sup> can help Governments to identify the best approaches for implementing the regional strategies discussed in this study.

### Endnote

<sup>1</sup> See E/ESCAP/MCREI/3.