

EXECUTIVE SUMMARY

The *Economic and Social Survey of Asia and the Pacific 2014* is divided into two parts. Part I contains a review of the current socio-economic situation in the region and key challenges, as well as relevant policy recommendations. A special focus is domestic resource mobilization through government revenues. Part II contains the Theme Study on Regional Connectivity for Shared Prosperity for the consideration of the seventieth session of the Commission. It contains a discussion of the importance of regional connectivity for trade and development in the Asia-Pacific region and highlights priority areas where regional cooperation could further enhance such connectivity.

I. GROWTH PROSPECTS AND CHALLENGES

Growth and inflation prospects in 2014

The average growth rate of the developing economies of Asia and the Pacific is forecast to rise moderately in 2014 to 5.8% from 5.6% in 2013.

In line with the diversity of the region, economic growth momentum in 2014 will likely be varied across subregions. In South and South-West Asia, the forecast is for a significant increase in growth, to 4.7% from 3.9% in 2013, driven by progress in the global economy and improved household consumption and investment. Pacific island developing economies are also forecast to record a notable increase in growth, to 4.9% from 4% in 2013, mainly influenced by ongoing recovery in developed economies. East and North-East Asia is forecast to post stable growth in 2014, at 4.1%, as exports to developed countries strengthen and domestic demand in most economies remains firm. Growth in South-East Asia is projected to moderate further to 4.6% as domestic demand in major economies is likely to soften. North and Central Asia is forecast to experience growth decline to 1.3% in 2014 from 2.1% in 2013, due primarily to the impact of ongoing geopolitical instability on the economy of the Russian Federation and its spillover to neighbouring economies.

The inflation outlook in 2014 is generally moderate and headline inflation in the region is projected to be 4.8% in 2014, down from 5% in 2013.

However, a number of major economies, such as India, Indonesia and Pakistan, are forecast to continue to face significant price pressures. One positive factor for inflation in the region is that most commodity prices are likely to remain flat or decline over the next 12 months, due to slow global recovery and the winding back of quantitative easing by the United States Federal Reserve. However, this prospect may change due to geopolitical factors and supply shocks in major producing countries.

Key socio-economic challenges

- *While growth in the developed economies is improving, their slow pace of recovery is restraining the growth potential of the Asia-Pacific region.* Given the importance of these economies in terms of trade and investment linkages, their growth performance remains a key concern for the region.
- *Policies in the developed economies are having a significant impact on the region through spillovers from the normalization of monetary policy by the United States.* ESCAP analysis suggests that, under a worst-case scenario, the effects of further financial market turbulence could cut annual GDP growth by up to 0.7-0.9 percentage points in the most-affected countries.
- *Export growth is being hampered by non-tariff trade protectionist measures globally and in the region.* ESCAP analysis shows that these trade-restrictive policy measures resulted in an estimated reduced opportunity of merchandise exports of more than \$255 billion in the Asia-Pacific region over the period 2009-2013, translating into a cumulative decline of more than 1.6 percentage points of regional output.
- *Formal sector job creation remains low in many economies.* Both before and after the recent global financial crisis, growth in GDP in the region has not been accompanied by commensurate expansion in formal sector employment. Particular concerns are the prevalence of vulnerable employment and youth unemployment. In 2013, 63.1% of women and 56% of men in the region were in vulnerable employment, while the youth unemployment rate is almost three times higher than the adult rate.
- *Inequality is widespread in the region and continues to grow in many economies.* ESCAP analysis of 40 countries in the region indicates that the poorest 20% of the population currently accounts for less than 10% of national income, with the poorest in some major developing economies experiencing a falling share of national income between the 1990s and 2000s.

Policy options to deal with the challenges

Productive government spending to support sustainable growth

The obstacles to higher growth in Asia and the Pacific are partly related to slow economic recovery in the developed world, but also to long-term structural impediments to growth. This highlights the need for productive and countercyclical government macroeconomic support. Such policies can support growth in the short term while helping remove structural impediments in the long term. Some possible supportive measures are highlighted below.

Social protection spending: Increasing the spending on social protection would help to support growth as well as reduce inequality. The social protection floor is a United Nations initiative and features prominently in the discussion about the development agenda beyond 2015. Public social security expenditure remains low at less than 2% of GDP in half the countries where data are available. More than 60% of the population of the Asia-Pacific region remain without any social protection coverage. An important challenge to increase the coverage and depth of social protection measures will be their sustainable financing. The private sector must also contribute and partner with Governments. Macroeconomic stability can be compromised without sustainable finance.

Infrastructure spending: Governments need to address the significant shortage in infrastructure provision across the region. Infrastructure gaps are a significant barrier to national and regional connectivity. A recent ESCAP study estimated the infrastructure financing gaps in the Asia-Pacific region to be approximately \$800-900 billion per annum. Existing forms of infrastructure investment in the region could be complemented with a new large-scale lending facility for infrastructure using innovative development financing sources. Apart from shortfalls in financing, it is clear that significant improvement is required in legal and regulatory frameworks for infrastructure investment across much of the region.

Environment-related spending: Governments will need to undertake spending to address environmental factors which would otherwise hamper growth prospects. Environmental degradation was estimated in 2012 to cost India almost 6% of GDP annually. The health costs of air and water pollution in China is estimated at about 4.3% of its GDP. Economic potential has also been affected by widespread loss of natural ecosystems and biodiversity. Apart from reducing environmental damage, policies are required to improve access to modern energy sources. Another area for action to ensure the sustainability of growth is better addressing climate change through improvement of climate finance. Public finance could focus on leveraging private funding to tackle climate challenges.

Investment in youth

Governments in the region are facing the enormous challenge of securing employment for the largest generation of young people in history. Nearly 717 million of the region's population are young women and men aged 15 to 24. The transition between secondary and tertiary education is particularly important. Active labour market programmes will be required to effectively link education, training and skills development systems with the requirements of employers. To improve education systems will require paying special attention to gender inequalities. Although gender inequalities in education have fallen in the region over recent years, there are still significant disparities that translate into untapped productive potential for both medium and long-term growth.

Mitigating risks from capital volatility

Countries should improve the methods they use to mitigate the volatility of capital flows in three areas: ensuring adequate national foreign exchange reserves; moving towards a regional reserves mechanism; and complementing such policies with capital flows management measures. ESCAP analysis indicates that some economies in the region may currently have insufficient foreign exchange reserves to cover the exit of foreign funds from their financial markets. The lack of sufficient reserves at the national level to respond to the risks from capital flows volatility highlights the need for greater regional support. An alternative to current arrangements could be a comprehensive Asia-Pacific financial support mechanism using part of the sizeable foreign reserves available to some of the Governments of countries in the region. The use of foreign reserves does not deal with the negative impact on asset markets of any sudden outflow. Therefore, an important additional supportive measure could be capital flows management at the national level to deal with inflow surges in asset markets, as well as sudden large outflows. A general guideline should be for such measures to be a component of long-run policies to prevent economic booms and busts. These measures may be quantitative controls or market-based and some combinations of both depending on country-specific circumstances.

Domestic resource mobilization: options for expanding fiscal space

To adequately fund the development needs of the region, Governments need to expand fiscal space. There are several options for doing so, including higher levels of borrowing, making existing expenditure more efficient or reprioritizing expenditure to orient it more towards development. However, Governments should focus particularly on increasing tax revenues.

Tax collection in Asia-Pacific developing countries is currently neither sufficient nor equitable. Although many countries have been able to strengthen tax revenues over the past decade, central government taxes in developing Asia and the Pacific averaged only 14.8% of GDP in 2011, compared with 17.1% in Latin America and the Caribbean and 16.3% in sub-Saharan Africa. Only a few countries collected tax revenues of more than 20% of GDP in 2011, whereas in several others, tax-to-GDP ratios were close to single digits. This is far from the 25-35% of GDP that is considered one of the prerequisites for being able to provide the financing and expenditure to become a developed country.

The composition of tax revenues matters as much as does the level of revenues. Many economies have shifted from trade taxes, which remain a substantial component of indirect taxes, particularly in the Pacific, to taxes on goods and services, such as value added taxes (VAT) or general sales taxes (GST). Yet, in many countries revenues from VAT or GST have not been able to offset declining revenues from taxes on trade.

Indirect taxes are the largest source of tax revenue in more than half of all countries in the region; however, their contribution to total tax revenue has been declining in most countries. This shift is generally desirable as indirect taxes affect prices and thus influence resource reallocation, whereas direct taxes are more equitable as they can be progressive, with higher rates at higher levels of income.

Personal income tax revenues are low in many countries. This is in part due to untaxed activities in the informal sector or in agriculture. In many countries tax avoidance and non-compliance are also a concern.

Between 2007 and 2012, tax revenues increased at a higher rate than output in 12 of 20 countries; yet in many countries tax collection is below potential. In some countries, the gap between actual revenues collected and the level that would be appropriate given the economy's structure is equivalent to 5% of GDP or more.

Countries are often not using their tax potential to the fullest extent due to the liberal use of exemptions and concessions. For instance, some countries offer preferential tax treatment for entire sectors. Also, at the individual level, taxpayers in most countries can take advantage of tax deductions and credits for a wide range of items. By embracing their tax potential and closing existing tax gaps, some economies could raise their tax revenues by more than 70%.

Policy options to enhance tax revenues

This Survey contains a number of policy options to enhance tax revenues.

Rationalize and extend tax systems to create larger tax bases. While relatively low tax rates would not create distortions in the allocation of resources, countries should also review their indirect taxes and retain only exemptions or concessions that are achieving their stated objectives. GST and VAT systems should be made simpler and could be extended to sectors that are currently exempt, while measures to offset the

disproportionate impact on low-income persons must be maintained. There is also a case for expanding the base for customs duties to the import of services, as has already been done in some countries.

Strengthened revenues from direct taxes. This would require implementing mechanisms for taxing more widely capital gains in securities or property. Furthermore, various tax concessions should be reviewed for their costs and benefits and removed if found causing net loss. This also includes harmonizing tax rates so that ideally the rate is the same for companies and high-income individuals to preserve tax progressivity and prevent income shifting to reduce tax liabilities. It may be appropriate to eventually move to a dual income tax system that taxes labour and capital income separately.

Tackle tax evasion and tax fraud. This is a priority, especially considering that the region accounted for more than 61% of the \$5.9 trillion of illicit capital outflows from developing countries between 2001 and 2010. Legislation should be strengthened to regulate transfer pricing and to apportion domestic and foreign operations of multinational corporations properly so that there is no loss of tax revenues, especially in the presence of treaties for avoidance of double taxation. They could address evasion through withholding or advance taxes and could increase incentives for compliance through simpler procedures and faster processing of refunds. They should consider the creation of special tax courts to tackle tax evasion and tax fraud.

Create a tax administration that is free from corruption, political interference and pressure from vested interests. This is needed to make the tax systems equitable and efficient. Human capacity must be expanded; administrations should be organized along functional lines; and information technology systems should be integrated. Also, tax assessments could be based on collateral evidence collected across government departments.

Regional cooperation should be strengthened for mobilizing tax revenues. For instance, effective regional cooperation can be used to help avoid double taxation, to combat transfer pricing by multinational corporations and to deal with tax havens. Tax harmonization and elimination of tax competition among countries, especially those belonging to such regional associations as the Association of Southeast Asian Nations or the South Asian Association for Regional Cooperation, may further foster revenues.

Countries should consider establishing an Asia-Pacific tax forum, under the aegis of ESCAP. Such a forum could monitor the tax legislation of member countries and publish a regular review of tax reforms. It could also act as a repository of tax laws, and hold seminars/workshops on emerging tax-related issues with a view to sharing best practices in tax policies, tax administration and tax reforms, and avoiding tax competition in order to attract foreign direct investment.

II. REGIONAL CONNECTIVITY FOR SHARED PROSPERITY

The role of regional connectivity in supporting economic growth and development

Over the past 50 years, the Asia-Pacific region has experienced unprecedented economic growth. That growth, along with better standards of education and health, has contributed to dramatic falls in poverty. However, the region's growing prosperity has not been shared equally, and there are clear signs of rising income inequality, both within and between countries. Inequality is also becoming more pronounced in other ways, in terms of access to transport, information and communications technology (ICT) and energy resources, for example.

The region's recent economic growth has been driven largely by international trade, foreign direct investment and the emergence of global and regional production networks, as well as global value chains. These drivers, in turn, were facilitated by the progressive liberalization of trade, expansion of the maritime transport sector and diffusion of information and communications technologies and the Internet. These processes enabled multinational companies and smaller producers to connect with each other and develop new types of production and distribution networks. Meanwhile, Governments have supported these processes by investing in infrastructure and human capital development.

Enhanced connectivity has therefore played an influential role in shaping regional integration in Asia and the Pacific. Clearly, the contribution of “hard”, or physical, infrastructure networks to economic and social development has depended on “soft” infrastructure, including the policy, legal, regulatory and institutional frameworks in which they are located. In the current study, regional connectivity is regarded as the level and effectiveness of regional networks to facilitate flows of goods, services, people and knowledge. This extends the traditional focus of public policies beyond either physical or non-physical parameters to encompass both dimensions.

Into the future, trade and transport connectivity within the region will continue to be important, particularly as countries look towards regional markets to counterbalance the slowdown in the global economy. At the same time, new drivers of growth are expected to shape future patterns of economic and social development in the region, and with them, other types of regional networks will become increasingly important. Given that the effectiveness of each network is increasingly dependent on the connectivity of other networks, it is clear that any analysis of regional connectivity can no longer be confined to one or other type of network.

Key drivers shaping the future of regional connectivity

Trade and transport connectivity remains a priority: The recent economic slowdown has exposed the region's vulnerability to fluctuations in the global economy and has shifted attention to domestic and regional markets as a means of stimulating growth and raising living standards. Despite significant investment in transport infrastructure at the national level, however, cross-border and regional land transport infrastructure networks remain underutilized for international trade. In addition to increasing investment in “hard” infrastructure, countries in the region can improve the “soft” infrastructure underpinning trade and transport, as well as implement other means of reducing logistics costs. In particular, countries can capitalize on various technological advances – which requires trade and transport connectivity to be pursued in conjunction with other forms of connectivity, such as information and communications technology (ICT).

ICT as an enabler and driver of growth: The Internet and mobile communications connectivity will continue to radically transform ways in which businesses operate and people interact, as they drive productivity and efficiency improvements in almost every sector of the economy. Increased ICT connectivity is also opening doors on knowledge generation and sharing, particularly for people living in remote or rural areas. Instant communications will be increasingly important in determining the efficiency of trade, including financial services, information and data management services and transport and logistics services.

Growth in trade in services: The Asian and Pacific region has become an important player in commercial services exports, broadly categorized as transportation, travel and other commercial services, as reflected in its growing share of world exports of commercial services. Tourism in particular has been expanding rapidly, with the region capturing nearly one quarter of total global tourist arrivals in 2013. As these

service sectors will rely more and more on access to fast and reliable Internet and telecommunications systems into the future, they offer alternative sources of growth for countries which are physically located away from regional production and consumption centres.

Energy connectivity and security: The region's recent economic growth and rising affluence has resulted in a growing demand for energy resources and with that expanding demand, higher levels of greenhouse gas emissions. The region accounted for more than half the global total of such emissions in 2010. The Asia-Pacific region as a whole is well endowed with energy resources, but they are distributed unevenly. Access to clean energy also varies widely from country to country and even within countries. Against the backdrop of rising fuel prices, countries need to consider new forms of energy cooperation which will help balance the gaps in supply and demand across countries.

Responding to population dynamics: The Asia-Pacific region is undergoing population change of a magnitude and pace never before witnessed in human history. Although the size of its population has almost tripled in 60 years, nearly all countries in the region are now experiencing population ageing, albeit at different paces. As such, the region has countries with both ageing and shrinking populations, as well as countries with large populations of young people. Meanwhile, improved access to transport and information has led to greater cross-border mobility; the region is now host to 59 million international migrants, or one quarter of the world's total stock of migrants. The implications of these trends are significant for the future social and economic development of the region, and point to the urgent need for effective policy responses.

Transitioning to knowledge-based economies: In order to diversify their economies and move up value chains, countries need people who have the skills and knowledge, as well as the innovative spirit, to develop both new products and processes. Strengthening knowledge networks for tertiary education, knowledge generation and knowledge sharing can help build the region's knowledge and skills base. Sharing of knowledge and research between universities, researchers and industry also contributes to the development of "high-tech" clusters in some industries, such as those developing computer software. Recent economic history shows that "knowledge clusters" initially emerged in lower-cost countries with good availability of skilled labour that responded quickly to the global demand for standardized, less firm-specific knowledge services. By strengthening regional knowledge-sharing networks, more countries could participate in different types of clusters.

Regional strategies for enhancing regional connectivity

The issue for the Asia and Pacific region is not so much whether connectivity will increase across countries, but what forms those connections will take. While countries in the region have made significant progress in improving their domestic connectivity, the future of regional connectivity depends on how closely they can work together to strengthen networks in four critical areas: trade and transport connectivity; ICT connectivity; energy connectivity and people-to-people connectivity.

Regional connectivity is multifaceted, with the connectivity of one sector influenced by the connectivity of others. This gives rise to new challenges in terms of the need for greater coordination, not only across borders but also across sectors involving all stakeholders, including business and trade associations, social networks and civil society organizations. At the same time, it creates new opportunities for different elements to be combined in ways which will enhance the quality of these networks.

As they are still in the development stage, countries in the Asian and Pacific region have the chance to develop regional networks in an integrated and coordinated manner, which can reduce the costs and spread the benefits to a wider group of countries. Regional approaches can help countries look beyond their national boundaries and consider the “public goods” aspects of networks, while at the same time, help to identify and harness synergies across sectors. In this context, countries in the region need to put into place regional strategies for developing critical regional networks.

Trade and transport connectivity: While there are wide variations across countries in the quality of infrastructure, the region is already relatively well connected in terms of its transport infrastructure networks. However, its transport networks are not fully operationalized or integrated, leading to underutilization of networks, especially railways. Non-physical barriers at borders also persist, increasing trade and transport costs and delaying the movement of goods and people. By investing in intermodal facilities, such as dry ports, as well as in better physical linkages between different modes, Governments could increase transport options for shippers and traders. Regional intermodal transport networks will play a particularly important role in trade from landlocked developing countries and small island developing States, supporting these countries in participating more actively in international and regional trade. Greater use of ICT applications for trade and transport facilitation, both behind and at borders, would also improve the efficiency of freight movements and pave the way for the development of paperless trade and e-logistics.

ICT connectivity: While ICT connectivity is rapidly improving in the region, there is still a large “digital divide” both within and between countries. This is partly due to the region’s reliance on submarine cables and lack of sufficient terrestrial fibre-optic cables. A cohesive “meshed” regional network, combining terrestrial with submarine optical fibre, would provide cost-effective broadband access on both an intraregional and intercontinental basis as it would link Asia to Europe. Such an “Asia-Pacific information superhighway” should be based on a set of common principles; its development would require the active involvement of private sector partners and international organizations. There are also significant opportunities for the “co-habitation” of ICT and transport infrastructure networks. Already, fibre-optic cables are being laid along some national highway and railway systems. Such synergistic approaches can reduce the cost of developing a regional ICT network and facilitate maintenance of the network.

Energy connectivity: With recent advances in high-voltage transmission technology, it is now possible to envisage a regional energy network, which could reduce the gap in supply and demand by transferring power from energy-rich or lower-cost power countries to energy-poor or high-cost power countries. An “Asian energy highway” network could combine different types of energy transmission networks, including pipelines and cross-border power grids. The most efficient may be the development of a regional electricity power grid, connected to a regional electricity market. A regional grid could also link renewable energy sources to a large enough market to justify investments, thereby enhancing the viability of such projects.

People-to-people connectivity: Increased mobility across borders, as well as greater ICT connectivity, would open up vast new opportunities for international labour migration but also raise new challenges. Migrant origin and destination countries need to work together to take advantage of such labour flows and mitigate the risks which may accompany greater labour mobility. Meanwhile, improvements in ICT connectivity and transport links are making it easier for people to study abroad or enroll in distance learning programmes, as well as contribute to the growth of business and civil society networks. By promoting people-to-people connectivity, Governments could help their people access the region’s vast knowledge resources, as well as foster better understanding about the region’s diverse cultures and value systems.

Strengthening institutional coordination and regional cooperation

The private sector has been leading the economic integration of the region, as the individuals, institutions and companies compete to boost productivity, relocate production activities to take advantage of cost differentials between countries, and try to gain access to major markets in the region. Ultimately, however, the main driving force behind regional connectivity is the political will of national Governments. To support the further integration of the region, therefore, Governments must take the lead in establishing robust institutional frameworks to plan and implement the regional connectivity agenda.

Strengthening institutional responses to regional connectivity

The increasingly complex nature of regional networks requires Governments to reach across sectoral boundaries to develop cross-sectoral policies, both at the national and regional levels. To achieve this, they will need to strengthen institutional mechanisms and make better use of existing forums, such as those provided by intergovernmental organizations. The Asian and Pacific region is home to a wide variety of intergovernmental organizations, many of which are already implementing various initiatives relating to regional connectivity. With the emergence of so many subregional initiatives, policy coordination among these organizations has become an urgent challenge. In this regard, regional institutions such as ESCAP have an important role to play in supporting and coordinating subregional integration efforts, as well as in serving as a vital link between subregional and global initiatives.

The experience of ESCAP shows that there are a variety of mechanisms, ranging from formal intergovernmental agreements and international conventions, to voluntary commitments by Governments which can be used to move the region's connectivity agenda at the regional level. Given the significant role played by the private sector and civil society in shaping the region's economic and social development, Governments also need to explore ways to reach out and involve other stakeholders in the development and implementation of such mechanisms.

Statistical standards for strengthened accountability and better policymaking

Official statistics help Governments to track progress and ensure that their decisions are based on evidence. They also enable Governments to develop a shared understanding of trends, issues and bottlenecks, which is fundamental for building consensus on cross-border issues, such as trade, labour mobility, immigration, educational qualifications, transport and tourism. However, in order to be comparable across countries, over time and across different data sources, statistics must adhere to internationally agreed standards.

To move forward the regional connectivity agenda, national Governments are strongly encouraged to adopt global statistical standards and build their capacities for collecting and disseminating their official statistics. They should also work more closely together through established forums, such as the United Nations Statistical Commission and the ESCAP Committee on Statistics, to define the type of statistics needed by policymakers, as well as identify new and innovative sources for these data.

Regional solutions for financing regional infrastructure networks

Infrastructure development invariably involves high capital costs, with benefits accruing over the longer run. The pace of infrastructure development is therefore progressing unevenly across the region and tends to be directed towards satisfying domestic needs. Yet the benefits of regional infrastructure networks extend over and

beyond national borders, pointing to the need to reconsider the networks as a type of “regional public good”. Such approaches can target the “weakest links” of these networks which affect the efficiency and coherence of the whole network, while at the same time enhancing the connectivity of the disadvantaged countries.

Countries should therefore explore regional mechanisms to pool the region’s financial resources, such as a regional infrastructure fund, a regional project preparatory facility, or an “Asian multi-donor platform”. There is also scope for greater private involvement in financing infrastructure projects, but most countries still lack the appropriate policy frameworks to develop and manage public-private partnership projects effectively. In this regard, Governments can learn from each other’s experiences in such partnerships, as well as how to manage and maintain their infrastructure networks more effectively.

Next steps in strengthening regional connectivity

This report looks at the ways in which better regional connectivity can contribute to the sustainable and inclusive development of the Asian and Pacific region. It finds that regional connectivity is inherently multifaceted, and that the benefits of this connectivity may be enhanced by combining different elements. Moreover, it suggests 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.

Into the future, connectivity will certainly increase across countries. But 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.

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. By taking advantage of new technologies, disadvantaged countries can become more integrated into the global economy. In particular, they should make greater use of communications technology, and particularly the Internet, to develop commercial services, such as transport, telecommunications, and financing, as these sectors in turn can support trade and manufacturing. Meanwhile, all countries in the region can support the disadvantaged countries by enhancing people-to-people connectivity – for example, by encouraging more interactions between students and workers.

As globalization continues, the region’s future will depend on how countries work together. Developing and managing regional networks therefore 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. And 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, 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 among relevant stakeholders. In this regard, the multi-sectoral Expert Working Groups being established in accordance with the 2013 Ministerial Declaration on Regional Economic Cooperation and Integration in Asia and the Pacific can help Governments to identify the best approaches for implementing these regional strategies.