



PREFACE

This 2014 edition of ESCAP's flagship *Economic and Social Survey of Asia and the Pacific* has the added significance of being published during the 70th session of the Commission – and in a period of great transition for the countries and people of the Asia-Pacific region.

Responding to the mandate first given to the secretariat by our member States in another time of turmoil – the immediate aftermath of the Second World War – the *Survey* has been a regional authority on socio-economic development, examining issues of special concern and providing policy recommendations, since 1947.

A key message from the 2014 *Survey* is that, while the impacts of the global financial crisis may be starting to moderate, aggregate growth prospects for Asia and the Pacific remain subdued.

In addition to the importance of mitigating the risks of further capital volatility, the most pressing implication of this continuing malaise is the need for productive and counter-cyclical macroeconomic government support for the levels of sustainable growth required to tackle the socio-economic challenges of the region.

To address rising inequalities and the urgent need for greater and more sustainable formal sector employment, for instance, Governments are urged to consider a range of policy interventions such as increased spending on social protection; greater investment in youth employability; reducing key infrastructure deficits; and addressing the environmental degradation which constrains future growth.

Limited government resources, exacerbated by high levels of public debt and falling levels of development assistance, present clear obstacles to such interventions. This is why the mobilization of domestic resources, and options for increasing government revenues, are presented as special focus of Part I of the *Survey*, with a clear emphasis on increasing tax revenues.

ESCAP's analysis reveals that, in some countries of the region, the gap between appropriate levels of tax collection and actual tax revenues amounts to more than

5% of GDP, and that by embracing their tax potential, and closing existing tax gaps, some Asia-Pacific economies could raise their tax revenues by more than 70%.

A key recommendation of the 2014 *Survey* is the establishment of a regional tax forum, under the auspices of ESCAP, which could monitor tax legislation and regulations across Asia and the Pacific, help to develop regional best-practice, and create mechanisms to address issues ranging from avoiding tax competition for foreign investment, to double taxation, and preventing the illicit transfer of funds.

This is also the first edition of the *Survey* to incorporate ESCAP's annual *Theme Study*, the subject of which for 2014 is *Regional Connectivity for Shared Prosperity*, which is presented as Part II.

Connectivity is a cornerstone of regional economic cooperation and integration – and has become a major priority for the countries of Asia and the Pacific, especially in the context of efforts to find new drivers of regional economic growth, and to create additional domestic and aggregate regional demand.

To best unlock the potential of ever-more closely interlinked production networks and value chains, a broader perspective on connectivity will be key. This kind of connectivity should not be considered sector by sector, but rather as part of an integrated whole, encompassing the development of corridors of prosperity through networks of trade, transport, ICT, energy, people, and technology.

The 2014 *Survey* makes, in other words, a valuable contribution to the important development dialogues underway in the Asia-Pacific region and beyond. It provides fresh data, new perspectives, and policy guidance on issues which are critical to fostering more inclusive and sustainable development.



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